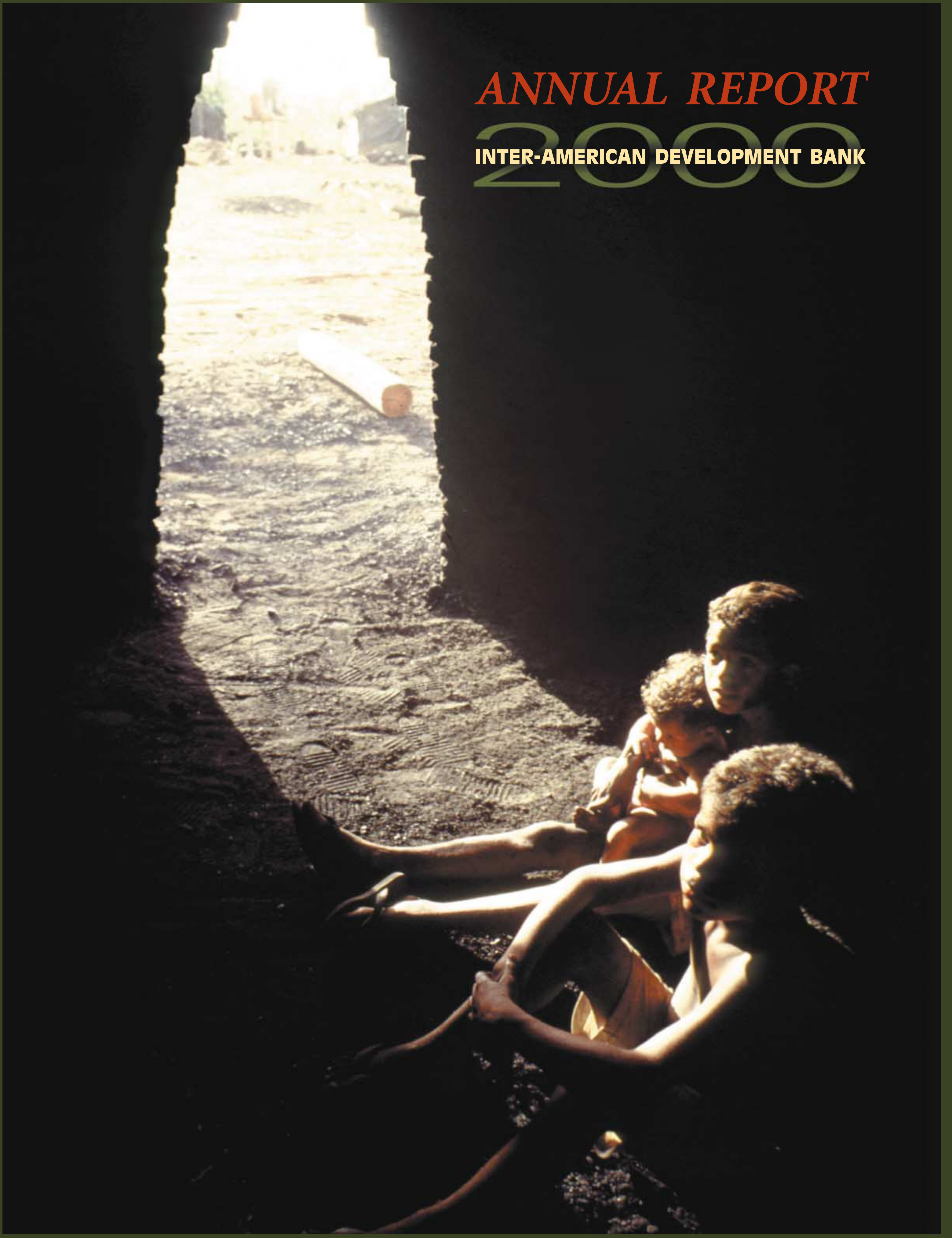
ANNUAL REPORT 2000

INTER-AMERICAN DEVELOPMENT BANK



THE INTER-AMERICAN DEVELOPMENT BANK

The Inter-American Development Bank, the oldest and largest regional multilateral development institution, was established in 1959 to help accelerate economic and social development in Latin America and the Caribbean.

Efforts to create a development institution to focus on pressing problems in the region date to the First Inter-American Conference in 1890. A specific proposal toward that end by President Juscelino Kubitschek of Brazil in 1958 received support throughout the hemisphere. Shortly thereafter, the Organization of American States drafted the Articles of Agreement establishing the Inter-American Development Bank.

Today, the Bank's membership totals 46 nations, including 26 Latin American and Caribbean countries, the United States, Canada, and 18 nonregional countries.

The Bank has become a major catalyst in mobilizing resources for the region. Its principal functions are to utilize its own capital, funds raised in financial markets, and other available resources to finance the development of its borrowing member countries; to supplement private investment when private capital is not available on reasonable terms and conditions; and to provide technical assistance for the preparation, financing and implementation of development projects.

In carrying out its mission, the Bank has approved $106 billion for projects that represent a total investment of $263 billion.

The Bank's operations cover the entire spectrum of economic and social development, with an emphasis on programs that benefit low-income populations. In the past, Bank lending focused on the productive sectors of agriculture and industry, the physical infrastructure sectors of energy and transportation, and the social sectors of environmental and public health, education and urban development. In 1995, the IDB began lending up to 5 percent of its ordinary capital resources directly to the private sector, without government guarantees. Current lending priorities include poverty reduction and social equity, modernization and sector reform, economic integration, and the environment.

The IDB group also includes the Inter-American Investment Corporation (IIC), an autonomous affiliate that promotes economic development by financing small and medium-scale private enterprises, and the Multilateral Investment Fund (MIF), which supports investment reforms and private sector development.

The financial resources of the Bank consist of the ordinary capital account—comprised of subscribed capital, reserves and funds raised through borrowings—and Funds in Administration, comprised of contributions made by member countries. The Bank also has a Fund for Special Operations for lending on concessional terms in countries classified as economically less developed.

Member country subscriptions to the Bank's capital fund consist of paid-in and callable capital. A paid-in subscription is in the form of a cash payment and represents only 2.5 percent of a member's subscription. The major part of a member's subscription is in the form of callable capital—or guarantees of the Bank's borrowings in the world's financial markets.

The Bank has borrowed funds for its operations from the capital markets of Europe, Japan, Latin America, the Caribbean and the United States. The Bank's debt is AAA rated by the three major rating services in the United States, and is accorded equivalent status in the other major capital markets.

The Bank's highest authority is the Board of Governors, on which each member country is represented. Governors are usually Ministers of Finance, Presidents of Central Banks or officers of comparable rank. The Board of Governors has delegated many of its operational powers to the Board of Executive Directors, which is responsible for the conduct of the Bank's operations.

The Bank, whose headquarters are in Washington, D.C., has Country Offices in each of its borrowing member countries and in Paris and Tokyo.

INTER-AMERICAN DEVELOPMENT BANK

2000 Annual Report

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Note to the reader: This year's Annual Report is a more condensed version than that of previous years. For more complete information on the Bank's operations in 2000 please refer to the Bank's web site at ***www.iadb.org***.

This report is printed on recycled paper.

Inter-American Development Bank
Washington, D.C.

February 7, 2001

Mr. Chairman:

Pursuant to Section 2 of the By-Laws of the Inter-American Development Bank, I transmit to you the Annual Report of the Bank for 2000, which the Board of Executive Directors submits to the Board of Governors.

The Report contains a brief summary of the economic situation of Latin America and the Caribbean and a review of the Bank's operations in 2000.

In addition, the Report contains a description on a country-by-country basis and a regional basis of the Bank's various operations—loans, guarantees, financings for small projects and technical cooperation—on behalf of Latin America's development; a summary statement of the loans approved in 2000; the financial statements of the Bank, and its general appendices.

Complying with Article III, Section 3(a), of the Agreement Establishing the Bank, the Report contains separate audited financial statements for its various sources of funds. For the ordinary capital resources, these are presented pursuant to the provisions of Article VIII, Section 6(a), of the Agreement; for the Fund for Special Operations, in accordance with the provisions of Article IV, Section 8(d), of the Agreement; for the Intermediate Financing Facility Account, complying with Section 5(d) of Resolution AG-12/83 of the Board of Governors; and for the Social Progress Trust Fund, pursuant to Section 5.04 of the Agreement signed between the Government of the United States and the Bank.

Sincerely yours,

Enrique V. Iglesias

Chairman, Board of Governors
Inter-American Development Bank

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TABLE I. TEN YEARS OF OPERATIONS, 1991-2000

(In millions of U.S. dollars)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
CAPITAL										
Subscriptions (End of Year)										
Ordinary Capital	41,063	54,174	54,198	60,864	66,399	80,895	87,557	94,219	100,881	100,959
Fund for Special Operations	8,704	8,667	8,649	8,675	9,751	9,679	9,572	9,643	9,646	9,559
Other Funds	1,191	1,207	1,256	1,324	1,313	1,352	1,329	1,406	1,468	1,455
Total	**50,958**	**64,048**	**64,103**	**70,863**	**77,463**	**91,926**	**98,458**	**105,268**	**111,995**	**111,973**
BORROWINGS[1]										
Outstanding (End of Year)	19,656	21,390	23,424	25,198	26,338	26,629	27,331	32,511	38,784	41,394
Gross Annual Borrowings	3,428	5,074	3,941	955	2,746	4,250	5,569	5,761	8,865	8,139
OPERATIONS										
Loans and Guarantees Authorized (Cumulative)[2]										
Ordinary Capital[3]	39,223 *	43,818	49,608	56,242	63,512	66,088	68,739	79,742	88,226	89,959
Fund for Special Operations	11,040	11,381	11,756	12,269	13,011	13,363	13,580	14,273	14,663	14,924
Other Funds	1,556	1,571	1,607	1,621	1,636	1,648	1,722	1,735	1,726	1,724
Total	**51,819**	**56,770**	**62,971**	**70,132**	**78,159**	**81,099**	**84,041**	**95,750**	**104,615**	**106,607**
Loans and Guarantees Authorized (Annual)[4]										
Ordinary Capital[3]	4,734 *	5,534	5,492	4,698	6,437	6,376	5,680	9,364	9,061	4,969
Fund for Special Operations	625	459	423	543	795	374	283	686	417	297
Other Funds	60	30	48	14	16	16	85	13	8	-
Total	**5,419**	**6,023**	**5,963**	**5,255**	**7,248**	**6,766**	**6,048**	**10,063**	**9,486**	**5,266**
Loan Disbursements (Annual)[4]										
Ordinary Capital[3]	2,804	2,781	3,336	2,626	4,255	3,696	4,958	6,085	7,947	6,683
Fund for Special Operations	296	387	381	400	541	600	493	535	430	386
Other Funds	51	27	15	14	23	20	17	15	10	-
Total	**3,151**	**3,195**	**3,732**	**3,040**	**4,819**	**4,316**	**5,468**	**6,635**	**8,387**	**7,069**
Loan Repayments (Annual)[4]										
Ordinary Capital	1,440	1,504	1,788	2,099	2,852	2,287	2,244	1,946	1,988	2,312
Fund for Special Operations	340	299	270	301	288	289	285	283	289	289
Other Funds	108	70	43	35	38	36	40	29	29	15
Total	**1,888**	**1,873**	**2,101**	**2,435**	**3,178**	**2,612**	**2,569**	**2,258**	**2,306**	**2,616**
Loans Outstanding										
Ordinary Capital	19,260	20,098	22,179	24,478	26,581	26,028	27,301	32,635	38,552	41,872
Fund for Special Operations	5,716	5,818	5,932	6,043	6,284	6,547	6,734	6,827	6,955	7,025
Other Funds	432	378	337	303	271	241	209	189	164	146
Total	**25,408**	**26,294**	**28,448**	**30,824**	**33,136**	**32,816**	**34,244**	**39,651**	**45,671**	**49,043**
Nonreimbursable Technical Cooperation Authorized (Annual)[5]										
Fund for Special Operations	99	41	87	77	90	87	88	64	47	36
Other Funds	41	10	17	34	25	26	21	53	44	34
Total	**140**	**51**	**104**	**111**	**115**	**113**	**109**	**117**	**91**	**70**
FINANCIAL HIGHLIGHTS										
Income										
Loans										
Ordinary Capital	1,675	1,620	1,864	1,916	1,977	2,012	2,044	2,085	2,582	3,061
Fund for Special Operations	158	128	126	138	131	135	135	135	133	137
Investments										
Ordinary Capital	529	547	482	337	654	431	455	520	576	765
Fund for Special Operations	61	59	54	37	49	31	27	27	23	43
Net Income										
Ordinary Capital	394	382	395	369	521	364	415	393	568	846
Fund for Special Operations[6]	131	85	88	89	84	82	77	95	103	135
Reserves (End of Period)[7]										
Ordinary Capital	4,062	4,360	4,758	5,303	5,969	6,072	6,307	6,867	7,436	8,103
Fund for Special Operations	539	552	534	534	531	628	598	424	445	488
ADMINISTRATION										
Administrative Expenses										
Total - All Funds	**222**	**257**	**275**	**295**	**333**	**334**	**348**	**341**	**335**	**342**

[1] Medium and long term borrowings, excluding net premiums or discounts.
[2] Net of cancellations. Includes currency translation adjustments.
[3] Net of Private Sector participations.
[4] Based on original amounts in U.S. dollar equivalent.
[5] Includes Small Project financings.
[6] Income before Technical Cooperation expense and loan write-offs.
[7] Includes accumulated translation adjustments.
* Includes loans totaling $1,711.8 million which were conditionally authorized under resolutions which did not enter into effect until January, 1992.

Latin America and the Caribbean in 2000

The international environment in 2000 was generally favorable for Latin America and the Caribbean, due mainly to growth in the United States, higher international prices for oil and other commodities, and continued access to international capital markets. However, higher interest rates and stock market instability in the United States made financing more costly for many countries in the region.

Economic growth in the region exceeded 4 percent in 2000, a noteworthy improvement over the previous year. This rapid recovery was based on fiscal and monetary adjustments made in 1999, which helped control inflation. The decline in inflation in 2000 in turn contributed to lower domestic interest rates. The governments in the region held firm in 2000 to their commitment to macroeconomic stability and the structural reform process. Many countries enacted legislation on fiscal responsibility, and most continued programs for privatization and modernization of the state.

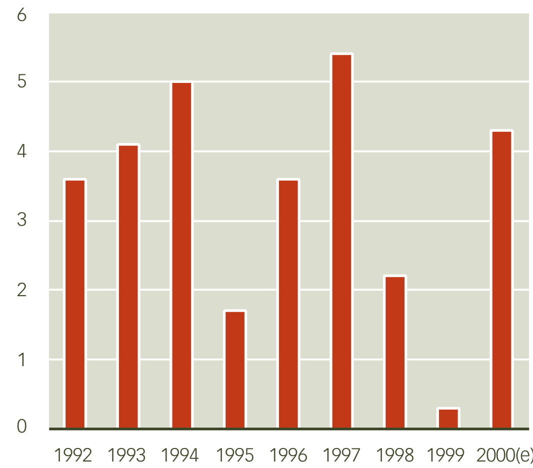
In 2001, growth is expected to decrease to levels close to 3.5 percent, given the slowdown in the U.S. economy. There is concern among economic authorities in the region about possible negative effects on international financial markets in the event of a more serious slowdown in the U.S. economy or a major adjustment in the stock market.

The International Economy

The international economy continued to grow in 2000, spurred by the extraordinary boom in the United States, higher growth in Europe, and economic recovery in Japan. The increase in oil prices in mid-1999 dominated the commodities market, helping to strengthen the balance of trade and fiscal performance in Venezuela, Ecuador, Mexico and Colombia. Other important regional commodities also saw significant price changes. Prices increased considerably for copper and sugar, major sources of foreign exchange for Chile and several Caribbean countries. Coffee prices dropped sharply, however, and new problems emerged in the banana market with respect to the allocation of European market shares, adversely affecting the Central American countries in particular.

The availability of external financial resources for emerging countries improved overall in 2000, especially when compared with the difficult conditions that had prevailed during the series of crises that began in Southeast Asia in 1997 and ended with the devaluation of the Brazilian currency in January 1999. Estimated net inflows of private capital to Latin America and the Caribbean increased from $51 billion in 1999 to approximately $67 billion in 2000, fully covering the current account deficit in the region and financing some accumulation of international reserves. Bond issues were particularly active during certain months of the year, and the $44.5 billion issued as of October easily exceeded the $35 billion total for 1999. It should be noted, though, that the net flows from these resources were much lower, since a large portion of the transactions were swaps of previously existing debt for new securities with longer maturities and smaller spreads.

GDP Growth in Latin America and the Caribbean, 1992-2000
(In percent)



Source: IMF, *World Economic Outlook*, September 2000.
(e) = estimate.

Despite these positive developments, the situation with regard to the international financial markets was not entirely favorable. Net private capital inflows to Latin America and the Caribbean continued to show signs of instability in 2000 and are estimated to have declined slightly towards the end of the year. In addition, the private capital inflow markets were distinctly concentrated in Brazil and Mexico, which received close to 70 percent of all foreign direct investment and practically all the net portfolio investment in the region. Lastly, spreads for long-term debt instruments for Latin America and the Caribbean, although less unstable than in the previous two years, showed an upward trend in 2000. In the cases of Argentina, Colombia, Peru and Uruguay, they rose to levels similar to or higher than the peaks during the Brazilian crisis in late 1998 and early 1999.

Although the increase in spreads may in many cases have been caused by circumstances specific to certain countries, in most cases the fluctuations and upward trends were the result of changes in the international financial environment. In fact, the upward trend was not limited to Latin American debt instruments—it was more

TABLE II. The External Environment

(In percent)

	1999	2000(e)
Output Growth		
Developed Countries	3.2	4.2
Developing Countries	3.8	5.6
Import Growth (volume)		
Developed Countries	7.6	10.4
Developing Countries	0.5	11.2
Short-Term Interest Rates		
US Dollar	4.8	6.6
Euro	2.9	4.8
Yen	0	0.2
Commodity Prices		
(% change)		
Petroleum	37.5	47.5
Food	-15.6	-0.5
Beverages	-21.3	-8.4
Metals	-1.5	13.3

Source: IMF, *World Economic Outlook*, September 2000.

pronounced for U.S. corporate bonds below investment grade that are represented in the high-yield market index. Fluctuations in this index were heavily influenced by the adjustments made in short-term interest rates by the U.S. Federal Reserve. The spreads on Latin American debt instruments were also affected by the volatility of the U.S. stock market, especially the NASDAQ index.

Macroeconomic Performance

Average economic growth in Latin America and the Caribbean exceeded 4 percent in 2000, a significant recovery over the previous year. All the countries that had experienced declines in GDP the previous year posted positive growth rates. Only Costa Rica, the Dominican Republic, and Nicaragua, which had had extraordinarily high growth rates in 1999, had lower but still high rates in 2000. In most countries, economic recovery was more vigorous than had been expected. With the sole exception of Argentina, forecasts by international analysts for medium and large economies in the region were adjusted upward during the year. Brazil overcame the uncertainties stemming from the crisis in early 1999 with strong growth from the fourth quarter of 1999 onward, based on strong exports and investment. Economic activity in Mexico benefited from the boom in the United States and an increase in public spending.

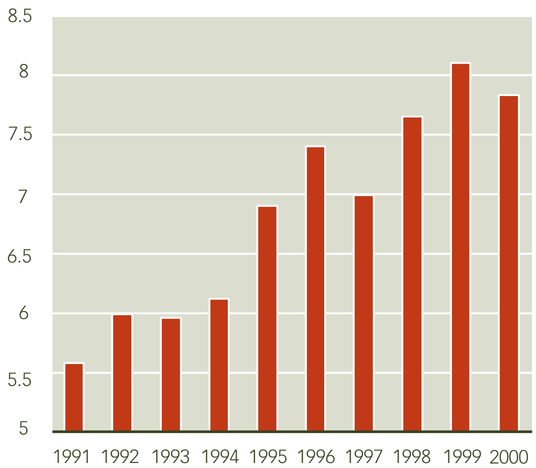
In Argentina, on the other hand, there was no sign of recovery. A series of unfavorable circumstances in both the international and domestic environments, compounded by fears of fiscal instability, delayed investment decisions and dampened consumer confidence. In mid-November, the government announced measures to stimulate growth and ensure fiscal sustainability in the medium term. The International Monetary Fund, the World Bank, the IDB and others agreed to provide a financial aid package in support of those measures.

Growth was higher than the previous year in all the Andean countries, but economic recovery was not as solid because of political uncertainty. In Ecuador and Peru, the respective presidents left office before the end of their terms. In Venezuela, the far-reaching reorganization of the political system and government institutions was a source of uncertainty. In Colombia, the climate of insecurity and the negotiations with the guerrilla movement dampened investor confidence in the economy.

Economic recovery in the region as a whole was built on sound macroeconomic management. The typical policy response to the 1998-99 crises was a combination of increased interest rates, higher exchange rates, and reduced public spending. Although this response led in some cases to weakened domestic demand, it was nevertheless the appropriate formula, given the lack of fiscal protection mechanisms that would have been needed to adopt countercyclical measures.

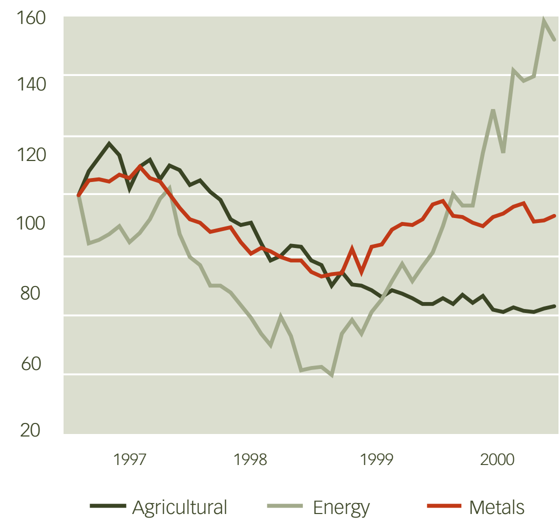
As a result of policies adopted during the 1998-99 crises, the current recovery has

Unemployment
(Population weighted average)



Source: *Latin Focus* and official statistics.

Price of Basic Commodities
(Index, Dec. 1997=100)



Source: Goldman Sachs.

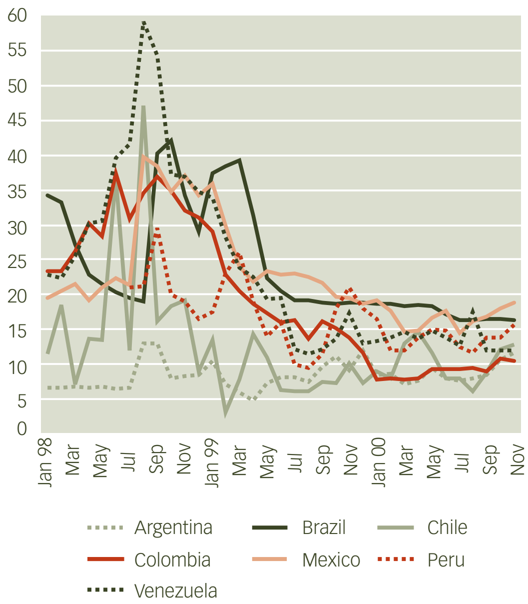
been accompanied by new reductions in inflation rates. With the exception of Ecuador, which in 2000 had to assimilate the extreme adjustment in the nominal exchange rate when the currency peg was established, inflation rates remained below 20 percent. Higher oil prices led to cost pressures, but even in oil importing countries such as Brazil, Chile and Peru, inflation rates stayed well below 10 percent. The average rate of inflation for the region as a whole was 5.2 percent, quite similar to the previous year.

Lower inflation rates were in part due to more stable exchange rates in 2000. Many countries responded to the 1998-99 crises by increasing interest rates to avoid sudden changes in exchange rates, and then by allowing adjustments in the exchange rate. For the same reason, domestic interest rates also showed a downward trend. Real interest rates throughout the region converged at about 5 percent, substantially lower than those observed at certain points in 1998, especially in the countries most seriously affected by the international financial crises.

Despite the favorable trends in interest rates, the growth rate for credit was moderate or negative in many countries in the region. In Colombia and Mexico—the countries most seriously affected—credit contracted by 10 percent or more in the first half of 2000. There were declines in Argentina, Paraguay and Peru during that period as well. As is customary, the credit squeeze most severely affected small and medium-sized enterprises, which lack access to capital markets or international sources of financing. The sluggish growth in credit, which slowed economic recovery, stemmed from higher perceived risk and the limited collateral that smaller companies can offer, rather than from limitations in the credit capacity of the financial system.

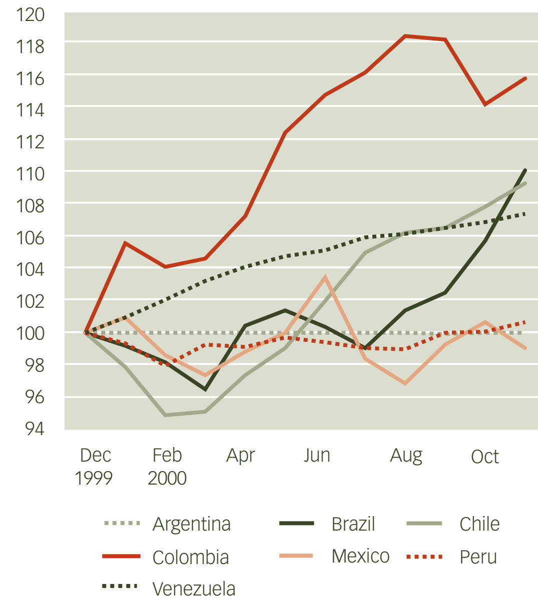
In part as a result of lower interest rates and faster growth, fiscal performance in 2000 was better than the year before. This was especially true for Brazil, where the fiscal deficit dropped below 4 percent of GDP in 2000, after having reached 8.1 percent in 1998 and 9.5 percent in 1999. Fiscal performance also improved in Chile, Colombia, Ecuador and Venezuela, thanks to higher copper and oil prices. In Latin America and the Caribbean as a whole, the fiscal deficit averaged only 2.7 percent of GDP, a significant improvement over the previous year.

Interest Rates
(In percent)



Source: Bloomberg.

Exchange Rate
(Index, Dec. 1999=100)



Source: Bloomberg.

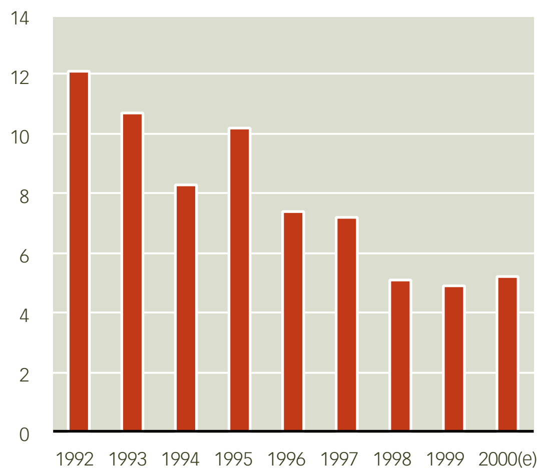
Trade and Integration

The year 2000 saw a strong and encouraging recovery of Latin American trade flows. After a steep decline in 1998, and sluggish growth in 1999, Latin American exports expanded by more than 20 percent in 2000, with intra-regional exports growing even faster, by 26 percent relative to 1999.

All sub-regional integration groups in Latin America, with the exception of the Central American Common Market (CACM), saw strong recovery in 2000 in terms of both total and intra-group exports. Growth was particularly impressive in those sub-regions that suffered most from the effects of the recent global financial crisis. Fueled by rising oil prices, Andean Community exports to the world increased by 37 percent in value terms in 2000, while the group's intra-regional exports were up 29 percent. In Mercosur, the recovery in exports appears to have been driven mostly by the group's intra-regional trade (up 21 percent) and by its exports to North American markets (up 27 percent). The group's total exports expanded by 16 percent. NAFTA intra-regional and total exports followed a similar pattern, growing by 20 and 16 percent, respectively. CACM exports, meanwhile, remained surprisingly flat in 2000. The group's total exports showed virtually zero growth relative to 1999, while its intra-regional exports grew by 10 percent, much slower than trade within the other sub-regions.

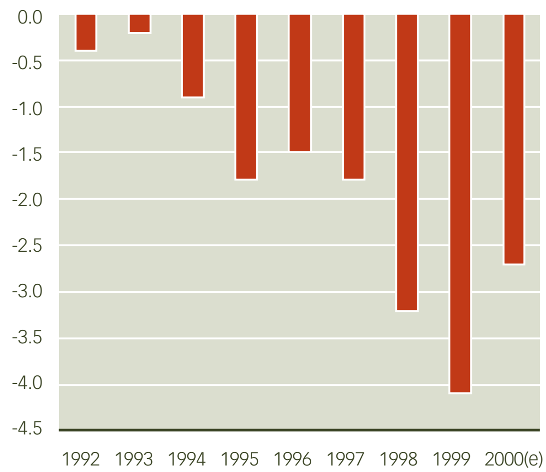
Trade among Latin American and Caribbean countries is being fueled by continued progress in trade liberalization and regional integration. Throughout 2000, the Andean Community, the Caribbean Community (CARICOM), the CACM and Mercosur worked to strengthen their existing integration arrangements and, in some cases, to expand their membership or seek closer links with other groups in the region. Free trade talks between the Andean Community and Mercosur received a new boost at the Meeting of South American Heads of State in Brasilia in September 2000, when government leaders announced their plan to conclude free trade negotiations between the

Median Rate of Inflation
(Dec.-Dec. percent change in CPI)



Source: IMF, *World Economic Outlook*, September 2000.

Central Government Fiscal Balance
(Percent of GDP)



Source: IMF, *World Economic Outlook*, September 2000.

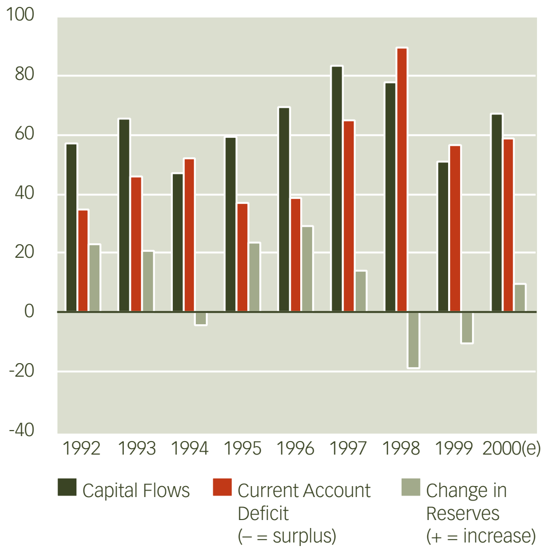
two groups by 2002. One of the key agenda items at the Brasilia Summit was regional infrastructure development in South America. Governments in the region are increasingly aware of the existing bottlenecks in the region's transport, energy and telecommunications infrastructure and the importance of integrating existing national infrastructure systems in order to sustain the momentum of regional market integration and increased global competitiveness. Finally, in 2000 two negotiating rounds were held between Mercosur and the EU—the subregion's principal trade and (recently) investment partner—as part of their process of constructing an Interregional Association Agreement. The agreement will incorporate as a single undertaking a political dialogue, cooperation and free trade, the latter representing the first free trade area between two customs unions. During the year the focus was on eliminating non-tariff barriers, with tariff barriers scheduled to enter the negotiation in 2001.

While Mexico's trade with Canada and the United States is expanding rapidly thanks in part to the 1994 NAFTA agreement, other Latin American and Caribbean countries are also looking to increase their presence in North American markets. In this respect, Caribbean and Central American countries secured major new trade opportunities when the U.S. government passed the Caribbean Basin Trade Partnership Act (CBTPA), or the "new" CBI, in mid-year. Meanwhile, negotiations for a Free Trade Area of the Americas (FTAA) are moving forward at a steady pace, and all nine FTAA Negotiating Groups have prepared draft texts of their respective chapters that will make up the final free trade agreement. The FTAA process, and the prospect of hemisphere-wide free trade, have encouraged growing business links among companies across the continent. In 2000, trade within the Americas grew by an estimated 20 percent and, as in previous years, intra-hemispheric exports were more dynamic than the hemisphere's total exports, which grew by 17 percent with respect to 1999.

Social Progress

The economic crisis of 1999 had a very negative effect on labor markets in the region that was only partially corrected in 2000. In 1999, the unemployment rate for the region as a whole reached 8.1 percent, the highest in the 1990s and similar to the rate at the height of the debt crisis in the 1980s. In 2000, the un-

Capital Flows
(In billions of U.S. dollars)



Source: IMF, *World Economic Outlook*, September 2000.

employment rate dipped only slightly to 7.8 percent, still above the levels that had prevailed in most of the 1990s. In Brazil, though, the recovery in economic growth had a considerable positive impact on employment, while in Argentina, Colombia, Uruguay and Venezuela, unemployment rates remained above 12 percent, causing political and social concern. By contrast, Mexico posted extraordinarily low unemployment rates of close to 2 percent, giving rise to fears that the economy might overheat.

Throughout the 1990s, various labor indices showed some troubling trends. Unemployment rates were much more sensitive to periods of recession than rapid growth, leading to increasingly high unemployment rates. Moreover, in practically all the countries, the proportion of workers in the informal economy increased, and the vast majority of these workers lack any social protection. Furthermore, the salary gap between highly skilled and unskilled workers has widened considerably, a phenomenon that has also been observed in other groups of countries, including developed ones. The salary gap has not narrowed in any country in the region since 1997, and in countries such as Mexico, Argentina, Bolivia, Colombia and Venezuela, it has increased notably.

Due to this combination of factors, inequality remains very high and is even increasing in several countries. Income inequality in the 1990s was stable in Costa Rica, Colombia and Chile, but increased in Mexico, Honduras, Panama, Nicaragua, El Salvador, Peru and Uruguay. Meanwhile, poverty has been reduced slightly because economic growth has been translated into income increases less than proportional to the poor.

It is estimated that between 180 and 200 million people in Latin America still live in poverty. This means the proportion of the population living in poverty is between 37 percent and 40 percent, which reflects a reduction in poverty of only three percentage points in the 1990s. The slight decrease of poverty rates was due to the progress in Brazil, Chile, Costa Rica, Panama and the Dominican Republic. However, according to the indicators available through 1997, Mexico and Venezuela experienced increases. In the absence of adequate systems of social protection in most countries of the region, economic crises have been the main obstacle to a more rapid and sustainable reduction in poverty.

The main challenge now is to translate the stable macro conditions into progress at the micro level. However, there are two major factors that might restrict the impact of domestic policies. One is that there is limited capacity to affect the returns to skills, since most Latin American countries are now integrated into the world economy, where labor earnings are determined by world supply and demand. One option is to reduce the proportion of unskilled workers entering the labor force through aggressive education policies.

The other factor limiting the impact of domestic policy is that the accumulation of human capital has been limited for the generations that have been of school age during the years of negative aggregate shocks. Transitory unexpected shocks have had a longlasting impact by limiting the productivity and income-earning capacity for these generations in the future. Poverty alleviation programs, such as Mexico's Progresa, which combine targeted cash transfers with incentives to investment in health and education, are one of the instruments that governments can use to address the problem.

Policy Concerns and the Economic Outlook

The primary concern of economic authorities in the region is the instability of the international economic environment. The skittishness of the U.S. stock market can be perceived in the Latin American and Caribbean economies on a daily basis. Stock market behavior in the region has been dominated by fluctuations in high technology and computer stocks on the NASDAQ index. Fluctuations of the stock market and the worsening of the financial climate have also affected the perceived risk of the Latin American economies through the pricing of international borrowings. Economic authorities in the region fear not only that these indicators of instability might eventually worsen but that—worse still—they could presage a prolonged and acute downturn in economic growth in the United States, which would have a serious impact on economic performance throughout the region.

Under the circumstances, most countries have intensified their efforts to establish protective mechanisms against changes in the external environment. They have sought to protect and build up international reserves, shore up oversight and preventive measures in the financial sector, and maintain fiscal austerity. The macroeconomic difficulties of recent years have also convinced certain countries of the need for institutional arrangements to establish fiscal protection systems and maintain fiscal discipline. Argentina, Brazil, Colombia, Peru and Uruguay have approved or are considering fiscal responsibility legislation establishing strict limits on the fiscal deficit, curbing new public debt, and instituting controls on public spending during election periods or when there are signs of a fiscally unsustainable situation.

For further information, see www.iadb.org/goto.pl?countries

The countries of the region maintained their commitment during the year to structural reform and modernization of the state. In 1999, due to the crisis, privatization programs were less active than in previous years, totaling barely $12 billion. In 2000, collections from privatization are estimated to have been substantially greater, although still considerably below the record $42 billion posted in 1998. Privatization not only continued in traditional sectors of telecommunications and energy, but also diversified into areas such as railroads, ports, airports, banking, and various subsectors of the oil sector. Certain countries continued to make progress in amending the regulatory frameworks for these sectors and introducing systems to increase competition in them.

Given the macroeconomic and structural policies in place in Latin America and the Caribbean, growth rates in 2001 should remain similar to those in 2000. This prospect is of course contingent on the international economic situation. Over the longer term, assuming a favorable external scenario, most countries in the region will need to adopt additional policies to achieve faster growth.

PART I

The Bank in 2000

Overview

The Inter-American Development Bank was again in the forefront of development efforts in Latin America and the Caribbean during the year. The Bank financed important projects in the economic and social sectors and undertook key initiatives to become more flexible and responsive as an institution to the needs of the countries of the region.

The core of the IDB's lending activities in 2000 continued to be its steadfast commitment to sustainable economic growth, poverty reduction and social equity. To help protect the most vulnerable segments of society, the Bank assisted its borrowing countries in making sizeable investments in such critical areas as urban and rural poverty alleviation, social safety nets, water and sanitation, and health and education. The IDB approved $2.2 billion or 42 percent of total lending for poverty-targeted investments and social equity.

The Bank's Board of Governors, its highest authority, had stipulated in the Eighth General Increase in Resources in 1994 that lending for poverty reduction and social equity should reach 40 percent in terms of volume of resources and 50 percent in terms of numbers of operations over succeeding years.

Over 1994-2000, 41.8 percent of the volume of loans approved by the Bank and 43.3 percent of the number of projects were for poverty reduction and social equity, thus surpassing the goal in dollar amounts while falling short in the number of operations. However, 43 percent of the Bank's active $49 billion loan portfolio is dedicated to the social sectors—making the IDB one of the multilateral financial institutions most dedicated to the social sectors.

IDB lending in 2000 totaled $5.3 billion, down considerably from the $9.5 billion level in 1999. The emergency lending program, a one-year initiative to safeguard stability, had accounted for much of the higher lending levels over 1998-99. Disbursements to the region totaled $7.1 billion.

For the seventh consecutive year, the IDB remained the main source of multilateral credit for Latin America and the Caribbean, bolstering efforts not only to alleviate poverty, but to build infrastructure, increase productivity, support the private sector and reform institutions.

While the Bank is an important partner in all borrowing member countries, its contribution is particularly pivotal for the smaller and lesser-developed countries in the region. In 2000, 35 percent of the Bank's lending was directed to these countries, mostly for social programs and modernization of the state, sectors for which investment resources are scarce.

On the environmental side, the Bank financed projects designed to protect and preserve critical and fragile ecosystems such as the Galapagos Islands in Ecuador and the Pantanal wetlands in Brazil. A loan to Paraguay will help implement a modern legal and institutional framework for environmental management. Other environmental loans approved during the year focused on water and sanitation, tourism, and reconstruction after natural disasters.

Lending for reform and modernization of the state was a high priority in 2000. The Bank approved $1.9 billion, or 36 percent of total lending, for public sector reform and decentralization, fiscal and financial sector reform, and legislative and judicial reform programs. To encourage civil society participation in development, a Bank-financed operation in Chile will establish mechanisms that strengthen alliances between civil society and the state.

In infrastructure, the Bank provided more than $860 million for transportation and energy projects. This represented 16 percent of the year's total lending. The bulk of these loans will promote integration and trade between countries by upgrading ground transportation and expanding opportunities for producers in the region to reach new markets.

The Bank approved 11 loans and two guarantees for $512 million for private sector infrastructure projects in 2000. Every dollar invested by the IDB in a private sector project mobilizes five dollars in additional financing from other sources, with a total amount of $3 billion in project investments. The Bank also approved its first credit guarantee, a $75 million operation in support of a bond issue to finance upgrading of a toll road in Chile.

Energy loans during the year were from the Bank's private sector window. These operations will finance private electric power generation and transmission projects in several countries, as well as the region's first private gas pipeline construction project.

In the productive sectors, the Bank approved $621 million or 12 percent of the 2000 portfolio for seven projects in agriculture, three in science and technology and one each in tourism, multisector credit and preinvestment. In agriculture, special attention was paid to promoting competitive agriculture integrated with rural development and poverty reduction.

The Bank financed 356 technical cooperation operations totaling $66.7 million. National technical cooperation accounted for $46 million and regional technical cooperation totaled $20.7 million. Forty percent of technical cooperation was aimed at the social sectors and the balance was for modernization of the state and the productive and infrastructure sectors.

In 1999, a joint Board of Executive Directors/Management Working Group was appointed to develop an institutional strategy that would become a key instrument to increase the overall effectiveness of the Bank in achieving its existing mandates and priorities, in light of the many changes faced by the region. The strategy is a refinement of the Bank's work consistent with the Eighth Replenishment mandates. It highlights the need to focus on those Bank activities that have a comparative advantage over other multilateral institutions—including social sector reform, modernization of the state, competitiveness and economic integration—as the most effective means for pursuing the fundamental objectives of sustainable economic growth, poverty reduction and enhanced social equity.

The strategy provided institutional guidance and recommended more focused emphasis in a number of areas, including sector strategies, country programming, policy dialogue, lending instruments, feedback and evaluation, technical assistance and human resources. Several steps were taken during 2000 to implement the recommendations, including a review of priorities and performance, stronger country and regional programming dialogue, and the launching of new lending instruments.

The Board of Executive Directors approved a redesign of the Bank's evaluation system in 2000. This included the creation of a new Office of Evaluation and Oversight (OVE) that reports directly to the Board. The OVE will work in five basic areas: (i) oversight of the Bank's Evaluation System (BES); (ii) country program evaluation; (iii) evaluation capacity building; (iv) strategy evaluation; and (v) policy evaluation.

The Board of Executive Directors approved five sector strategy papers on energy, vocational and technical training, primary and secondary education, agricultural development, and science and technology.

Progress continued during the year on the project monitoring and portfolio management system that is now an essential component of the Bank's results-oriented development program. Information on ongoing and completed projects provides direct feedback to Management's Programming and Loan Committees as they consider new operations.

The Annual Report on Projects in Execution (ARPE) concluded that at the end of 1999 the Bank's portfolio was performing well—90 percent of projects were classified as being on-track to achieve their development objectives. In a related matter, Management is developing a system of objective indicators to identify at-risk projects before their problems actually threaten the success of operations.

During 2000, the IDB expanded its options for financing projects to respond more effectively and rapidly to the changing needs of its borrowing member countries in Latin America and the Caribbean. These new flexible lending instruments are an essential part of the Bank's institutional strategy aimed at improving responsiveness, rationalizing efforts, and increasing delegation of authority (see Box 1). They will significantly strengthen the IDB's ability to stay engaged on key sectors and issues, and to continue to provide pivotal assistance to its member countries.

The Bank took several steps to promote transparency and anti-corruption initiatives during the year, including sponsorship of a two-day conference entitled "Transparency and Development in Latin America and the Caribbean." Issues discussed included integrity in public procurement processes, the role of banks in preventing money laundering, and the implementation of the Inter-American Convention against Corruption (see Box 2).

The Bank continued its support for Consultative Group Meetings to strengthen donor cooperation and support for the Central American countries in the aftermath of Hurricane Mitch. As a follow-up to the Consultative Group Meeting for Reconstruction and Transformation held in Stockholm in 1999, additional meetings were organized for Honduras and Nicaragua. On both occasions, the international community reaffirmed its strong support for national plans to rebuild and transform the economies of these countries. Consultations were also undertaken for Costa Rica and El Salvador. In addition, the Bank organized a Consultative Group for Friends of Belize to coordinate international aid as a result of Hurricane Keith.

Creation of the Inter-Departmental Group on Civil Society Participation (GIPSC) propelled work throughout the year on a strategic framework for civil society participation in Bank activities. The profile of the strategic framework was submitted for consultation with representatives of civil society, utilizing the Internet and other media. A meeting in the Dominican Republic was attended by 40 representatives from civil society organizations in 18 countries. The IDB's President and Executive Vice President also participated.

In preparation for the United Nations World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance in 2001, the Bank approved a regional technical cooperation project that is examining the cost of social exclusion due to race or ethnic background (see Box 3). The IDB is also undertaking other initiatives in this area, including dissemination activities to sensitize Bank staff, and proactive recruiting for diversity and research related to the subject.

The Bank also continued to reach out to the trade union movement in the region. The IDB and the Inter-American Regional Organization of Workers (ORIT) established the IDB/ORIT High-Level Working Group, chaired by the Vice President of the IDB, to focus on issues of mutual interest, such as promoting core labor standards, labor training, research on the effects of globalization, and the joint financing of a campaign to reduce child labor in the region.

Cofinancing of IDB projects with multilateral and bilateral partners in 2000 totaled $1.9 billion.

In the financial area, borrowing in the world's capital markets totaled $8.1 billion equivalent. The Bank again received an AAA credit rating from the major credit rating agencies, as has been the case since its establishment. This can be attributed to the strength of the Bank's shareholder support, its financial ratios, and the prudence of its policies.

The Multilateral Investment Fund (MIF) is an autonomous fund administered by the Bank. In partnership with governments, business organizations and NGOs, MIF provides a mix of technical assistance grants and investments to support market reforms, help build the capabilities and skills standards of the workforce, and broaden the economic participation of smaller enterprises. During 2000, MIF approved 78 projects totaling $115 million. Of this amount, $10 million was for a special contingency fund to contribute to the recovery of microenterprises in the wake of natural disasters.

The Inter-American Investment Corporation (IIC) approved transactions in eight countries, plus three regional operations, for a total of $143 million in 2000. An autonomous affiliate of the IDB, the IIC promotes the establishment, expansion and modernization of small and medium-size enterprises in the region.

Internally, a Human Resources Strategy was prepared, aimed at promoting an environment of fairness, transparency and rigor that rewards excellence and commitment by IDB staff.

Board of Governors

The Bank's highest authority is the Board of Governors, on which each member country is represented. Governors are usually Ministers of the Economy or Finance, Presidents of Central Banks or individuals in similar positions in their respective countries.

The 41st Annual Meeting took place in New Orleans, March 27-29, 2000. During this meeting, the Board of Governors approved the 1999 financial statements for the ordinary capital (OC), the Fund for Special Operations (FSO), and the Intermediate Financing Facility (IFF) account. The Board allocated $66.5 million equivalent in convertible currencies to the IFF from the FSO.

During the course of its deliberations, the Board of Governors dealt with issues related to the economic evolution of the region; globalization and regional integration; the private sector; the Heavily Indebted Poor Countries Initiative (HIPC); and the role of the Bank in the development of the region.

A Working Group of the Committee of the Board of Governors was charged with recommending measures to ensure that IDB participation in the enhanced HIPC Initiative is fully financed, while protecting the institution's financial integrity. The Working Group met three times in 2000 in Washington, D.C.

The Working Group reached agreement, subsequently endorsed on June 30 by the Committee of the Board of Governors, on a financing framework for the Bank's participation in the Enhanced HIPC Initiative. The framework, which also envisages some financing for sub-regional institutions, provides for the following contributions (denominated in present value terms) to be used over the period 2000-2008: United States, $200 million; Canada, $25 million; nonregional countries, $200 million; and regional borrowing member countries, $150 million (to be funded by conversion of local currency resources of the Bank's Fund for Special Operations). In addition, the IDB will write off repayments falling due in the period 2009-2019 on selected FSO loans approved before 2000.

Overall, the HIPC Initiative is expected to cost the IDB $1.1 billion, of which $800 million will be drawn from the following internal sources—FSO General Reserve, FSO net income from accelerated encashment of Eighth Replenishment contributions, and the conversion of local currency FSO assets.

The Board of Governors reiterated that poverty reduction and enhancement of social equity constitute the core mission of the Bank. While noting improvements, Governors recognized that vast sectors of the population continue to live in poverty and that financial crises and natural disasters have a disproportionately large impact on poorer segments of the population. In this connection, it is imperative for the Bank to collaborate with governments, NGOs and other official aid and development agencies in establishing social protection networks and fostering small and medium enterprises.

The Governors underlined the importance of the Bank's support for private sector development by using all of the institutional resources of the Bank group in a coherent manner. In this respect, the roles of the private sector window, the Inter-American Investment Corporation (IIC) and the Multilateral Investment Fund (MIF) were highlighted.

With regard to the IIC, the Governors pledged support for a proposal to increase the number of its member countries, and agreed to increase its capital by $500 million.

Board of Executive Directors

The 14-member Board of Executive Directors performs its duties on a full-time basis at the Bank's headquarters in Washington, D.C. Executive Directors are elected for three-year terms. Each Executive Director appoints an Alternate Executive Director who has full authority when the principal is absent. The Board of Executive Directors approved the following operations in 2000: (i) loans and technical cooperation operations; and (ii) operational, institutional and administrative policies.

The traditional institutional foundation of the Bank consists of three main elements: (i) the Agreement Establishing the

BOX 1

NEW FLEXIBLE LENDING INSTRUMENTS

During 2000, the IDB expanded its options for financing projects to respond more effectively and rapidly to the changing needs of its borrowing member countries in Latin America and the Caribbean. These new flexible lending instruments are an essential part of the Bank's institutional strategy aimed at improving responsiveness, rationalizing efforts, and increasing delegation of authority. They will significantly strengthen the IDB's ability to stay engaged on key sectors and issues, and to continue to provide pivotal assistance to member countries.

The new lending instruments are offered to governments that want to finance modernization and growth programs. These instruments have one feature in common, which is greater agility of design and implementation. The instruments are:

• *Innovation Loans.* The Bank will have a rapid processing and approval procedure for loans up to $10 million for innovative operations with a 30-month maximum execution period. The available resources, with an overall cap of $150 million, will finance pilot programs and will help to build consensus on reform programs to facilitate learning and capacity building in priority areas. The results of these operations will provide feedback for preparation of future larger-scale programs.

• *Multiphase Loans.* This modality will be applicable to large investment programs in all sectors to provide long-term support for programs longer than five years, with an independent loan contract and financial commitment for each specific stage. The Bank's Board of Executive Directors will approve the overall concept of each program and the loan for the first phase. Subsequent phases will also be approved by the Board through a simplified procedure, subject to compliance with agreed-upon parameters and review and reporting mechanisms. The phase-based adjustment mechanism will increase flexibility in project execution.

• *Sector Facilities.* The Bank will have a sector facility of up to $150 million geared to finance low-cost, low-risk and high-impact activities in specific sectors. Initially this fast-track modality will support concrete activities in three sectors: education, health, and trade and integration. The simplified procedures will allow the Bank's administration to directly approve individual operations of up to $5 million, providing for monitoring and rapid execution. This facility will foster modernization and growth, particularly in the social sectors. Other sectors will be incorporated in the future.

• *Project Preparation and Execution Facility.* This modality will expand the scope of the existing project preparation facility and include additional activities related to project start-up. The Bank's Administration will be able to directly approve individual operations of up to $5 million, of which $1.5 million may go to the preparation component and $3.5 million for start-up activities. This facility is linked to an overall country line of credit and will promote institutional capacity building towards sustainable project implementation.

The expected outcomes of using these instruments are greater flexibility and receptiveness on the part of the Bank, strengthened partnerships with borrowers, and promotion of a results-oriented culture, based on learning, feedback and application of experiences acquired.

For further information, see
www.iadb.org/goto.pl?flexible

Inter-American Development Bank, which sets out the institution's ongoing objectives; (ii) the agreements on periodic increases in the resources of the Bank, negotiated with its member countries, which stipulate the Bank's priorities for a given multiyear period; and (iii) decisions by the Board of Executive Directors.

In late 1999, the Board of Executive Directors endorsed an institutional strategy paper entitled "Renewing the Commitment to Development. Report of the Working Group on Institutional Strategy." The paper sets out a series of guiding principles and initiatives considered essential to guiding the Bank's activities in a rapidly changing environment and in the absence of periodic replenishment exercises.

The strategy highlights the need to adopt a focus targeting the Bank's intervention in areas in which it has a comparative advantage over other multilateral institutions operating in the region. These are: (i) social sector reform; (ii) modernization of the State; (iii) competitiveness; and (iv) economic integration.

With the creation of the Steering Committee of the Board of Executive Directors and the High-Level Working Group of Management, responsibilities were established for oversight of implementation of the strategy.

In order to maximize the development impact of the Bank's actions, and assess the experience gained in formulating and implementing country strategies over the last two years, the Bank has initiated the review of the "Country Paper Guidelines." The guidelines emphasize the need to strengthen the programming process and focus Bank activities in each country in a limited number of priority sectors.

In order to assess to what extent the Bank is contributing to the achievement of the development objectives agreed upon in each country, country programs are beginning to identify targets and benchmarks in the priority areas. Methodologies to assess the Bank's performance are being elaborated by the Office of Evaluation and Oversight (OVE). In turn, the Regional Departments and OVE on the basis of the performance indicators contained in the Country Programs, are beginning to evaluate the strategy implementation experience, taking into account the existing time lag between Country Program approval, program and project execution, and ultimately development impact.

Extensive policy dialogue is already being conducted at both country and regional levels. At the country level, numerous activities are being carried out to enrich the Bank's dialogue with the countries, including programming, portfolio and special missions; Consultative Group meetings; sector dialogues with the authorities and with civil society; and special-purpose technical cooperation activities. At the regional level, programming is being carried out through closer collaboration between Bank units.

To give the Bank greater flexibility in responding effectively to new issues that emerge in the region, the Board of Executive Directors approved four new flexible lending instruments. The new instruments have been favorably received in the region, especially among the smaller countries, reflecting the need for expeditious response to address priority issues on the Bank's development agenda.

In addition, in 2000 the Board of Executive Directors approved the Pilot Program to Provide the Option of Disbursing Loans in the Form of a Guarantee. The purpose of the program is to encourage private sector investment to support development initiatives in Latin America and the Caribbean.

Committees of the Board of Executive Directors

The Steering Committee of the Board of Executive Directors was formed at the beginning of 1997. Its main functions are to coordinate and follow up on the work programs of the Board's Committees, promote the preparation of a strategic master plan for the Bank, and review and confer with Management on all matters related to the preparation and follow-up of the Board's work program and other matters of interest to the Board.

The sections that follow explain the relationship between the different committees, their basic functions, and the activities they carry out.

Organization, Human Resources and Board Matters Committee

The basic functions of this Committee are to examine proposals as well as make recommendations to the Board of Executive Direc-

BOX 2

ANTI-CORRUPTION INITIATIVES

In May 2000, the Bank hosted a Conference on Transparency and Development at headquarters. The conference provided a forum in which cases of best practices, programs or strategies for deterring corruption developed in the Bank´s beneficiary member countries were shared and extensively analyzed by public officials and representatives of the private sector, civil society and the international community.

The agenda allowed for the presentation of case studies on integrity pacts in public procurement in Colombia and transparency in the legislative branch in Brazil; and for regional initiatives on the role of banking supervision in preventing money laundering in the Caribbean and the implementation of the Inter-American Convention against Corruption. The agenda also allowed for the discussion of two topics: the incorporation of information technology in public procurement, and fiscal transparency. In terms of specific projects in this field, regional nonreimbursable technical cooperation programs successfully carried out in 2000 included "Support for the Ratification and Implementation of the Inter-American Convention against Corruption," directed to harmonize domestic penal law with the Convention against Corruption in 12 countries, and "Strengthening of Supreme Audit Institutions in Auditing Fraud and Corruption," where supreme audit institutions in five countries were provided with training in the techniques for the detection and investigation of fraud and corruption.

The Regional Policy Dialogue, a new mechanism for enhancing regional cooperation with the active participation of government officials, will allow in-depth discussions on public policy management and transparency and specifically on civil service reform. Planning and preparation for the launching of this initiative early next year were undertaken during 2000.

Documents were published resulting from the research on transparency and accountability in public hospitals carried out within the Research Centers Network program of the Research Department.

On the issue of money laundering, the project "Ensuring the Integrity of Financial Markets" provided training to officials of national banking supervisory institutions and bank employees in best practices for the detection and prevention of money laundering in seven South American countries. The project's financial self-sustainability will allow the Bank and the executing agency, OAS/CICAD, to develop the course in other countries in 2001. The Bank routinely participates in discussions on this issue at such specialized fora as the Financial Action Task Force and its regional bodies for the Caribbean and for South America and OAS/CICAD.

A document entitled "Strengthening a Systemic Framework against Corruption," which addresses the necessary measures that will enable the Bank to strengthen and further integrate its current actions against corruption, is expected to be reviewed by the Board of Executive Directors in early 2001.

tors on matters relating to the Bank's organization, including operational procedures, delegation of authority, decentralization, and institutional arrangements involving the Bank's governing bodies; human resources, including the Bank's human resources strategy and related policies; and Board matters, including supervising the efficient and effective implementation of Management measures that directly affect the Board.

In 2000, the Committee held 15 meetings during which, as well as forwarding appropriate matters to the Board of Executive Directors for approval, the following matters were considered: (i) a new learning initiative at Bank unit levels; (ii) progress report on upgrading the Office of the Secretary of the Bank; (iii) Annual Meeting of the Board of Governors; (iv) implementation of changes in the organization of the Bank; (v) proposal for work programs of the Board of Executive Directors' Permanent Committees for 2000; (vi) the Human Resources Strategy; (vii) amendments to the Bank's Independent Investigation Mechanism policy (see Box 4); (viii) proposal to address issues related to long-term consultants at the IDB; (ix) review of a strategic focus for information technology at the IDB; (x) review of a report by the task force on Country Offices; and (xi) assessment of adjustments to the organization of the Bank in 1999 and suggestions for additional changes.

Budget, Financial Policies and Audit Committee

This Committee reviews and recommends approval of the Bank's annual administrative and capital budgets. The Committee also considers directives relating to budget policy in the medium term. Within this context, it analyzes in detail budgetary projections for the coming year and evaluates reports on budgetary performance for the current year. It analyzes financial policies and their relevance for the current and future financial situation of the Bank (such as the liquidity policy, debt capacity, and the authority to borrow). In the audit area, it reviews internal and external audits and discusses the recommendations of external auditors as to internal and financial controls as well as internal auditing policies. In 2000, the Committee held 30 meetings.

Programming Committee

The main functions of the Programming Committee include considering proposals, reports on project execution and initiatives related to the Bank's regional and country programming. It monitors the results and outputs of the loan portfolio and related matters that fall within the operational mandates established by the Board of Governors, and recommends programming-related measures to the Board.

In 2000, this Committee held 11 meetings. In addition to previously mentioned matters, it dealt with the following: (i) review of seven country papers; (ii) the report on products of 1999 operational programs; and (iii) the Intermediate Financing Facility (IFF) eligibility and assignation proposal for the 2000-2002 period.

Policy and Evaluation Committee

This Committee's main function is to recommend the formulation, revision and updating of operational policies and strategies, and oversee the Bank's evaluation activities.

In 2000, the Committee held 22 meetings. In addition to the matters forwarded to the Board of Executive Directors for consideration, the Committee discussed (i) the proposal for improving monitoring and evaluation functions of Management; ii) the external group to review private sector activities; (iii) the report on environmental regulation and oversight of investing in infrastructure; (iv) use of Bank guarantees to support the Santiago-Valparaíso-Viña del Mar toll road in Chile; (v) the work plan on strategies and sectoral policies for 2000; (vi) Project Preparation and Development Facility of the Global Environment Facility (GEF); (vii) new lending modalities and instruments; (viii) systematic measures to combat corruption; (ix) a proposal for a rural financing strategy; (x) guidelines for reassuring guarantees against political risk offered by the Bank through its private sector window; (xi) a subnational development strategy; and (xii) a strategy for training programs in C and D countries.

Poverty Reduction and Social Equity

Reducing poverty in Latin America and the Caribbean requires addressing four interrelated problems: material deprivation, low levels of human development, vulnerability, and powerlessness. Many of the actions that are being undertaken in the region to deliver higher growth rates, macroeconomic stability and more accountable government can also bring greater social equity. In this sense, fostering competitiveness, modernizing the state, reforming the social sectors, and promoting regional integration will contribute

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to improving the living conditions of people most in need.

On the other hand, accelerating the pace of poverty reduction requires specific actions in the various sectors to ensure that the benefits of growth reach all segments of society. This includes initiatives to create economic opportunities for the poor, correct inequities in the distribution of assets (e.g., education and land), eliminate the social barriers that exclude ethnic and minority racial groups and women, expand access to social infrastructure, help the poor better manage the risks they face, and promote an efficient and effective state that is more accountable and responsive to the needs of poor people.

IDB loans in 2000 that specifically targeted poverty included the following:

• The Rural Economy Reactivation Program ($30 million) in Honduras, which promotes the recovery of the rural economy through institutional strengthening and targeted public investments that improve the competitiveness of productive activities. Another loan to Honduras for the Comprehensive Pilot Program to Fight Urban Poverty ($8 million) will expand opportunities for transient workers and comprehensive care for children from birth to six years old.

• Phase III of the Basic and Primary Education Program in Jamaica ($31.5 million), which will upgrade primary school curriculum and national assessment standards and strengthen teacher education and training, as well as educational management.

• The Agrarian Settlement Reform Program ($51 million) in Brazil will accelerate land reform by improving infrastructure and social and technical assistance services, including land titling.

• The Rural Transportation Infrastructure Project in Ecuador ($9 million) supports the development of innovative rural transportation infrastructure initiatives that ensure access to markets, productive activities and social services for poor and indigenous communities in the Ecuadorian Sierra and coastal regions.

• The Social Support Network Program ($270 million) in Colombia and the Social Protection Program ($9 million) in Nicaragua, which will use targeted health, education and employment interventions to protect consumption levels and foster the accumulation of human capital of poor families.

• The Managua Municipal Modernization Program ($5.7 million) in Nicaragua, which promotes greater decentralization and participation of civil society in project design and implementation, with special emphasis on improving the quality and expanding coverage of municipal services in marginal neighborhoods.

• The Energia Norte Program ($23.7 million) in Brazil, a private sector loan that comprises three power generation projects that will serve communities in northern Brazil not connected to the electricity grid. The project will upgrade or bring electricity service to 700,000 low-income residents in rural areas.

On the non-lending side, the Bank undertook a broad spectrum of actions aimed at poverty reduction and the equity-enhancing potential of public policies. These include supporting the development of national poverty reduction strategies, knowledge building and dissemination activities, fora and dialogues with member countries to advance poverty issues to the top of the policy agenda, and special actions to promote gender equity and the advancement of women, youth and ethnic populations.

To strengthen its institutional capacity to mainstream gender issues, the Bank's regional operational departments continued to use gender experts to assist project teams in designing Bank-supported programs. In addition, professionals from the Bank's Country Offices and from local counterpart agencies involved with IDB-financed operations have received training to increase their awareness of gender issues and enhance their gender analysis skills.

Through its technical cooperation program, the Bank has significantly increased its support to new areas that are critical to pursuing gender equality. Operations focused on such areas as women's leadership and participation, domestic violence, early childcare and development, natural disasters, labor markets and social exclusion.

Progress in terms of systematically incorporating indigenous and other minority issues into the design of projects supported by the Bank was especially notable in the social sectors, particularly for primary education, social investment funds and other poverty-targeted initiatives. In countries with significant indigenous populations, most basic education projects now include bilingual intercultural education as a standard feature. This important development not only improves the effectiveness and quality of primary education, but also has important benefits in terms of strengthening cultural identity and community involvement in education activities. A number of social investment or community development projects included specific measures to ensure access by indigenous and other minority groups. Approximately 12 percent of Bank operations in 2000 affected or targeted indigenous groups and half of those projects included ethno-specific components or activities to facilitate participation of indigenous groups in project design or benefits.

During 2000, the Bank approved seven social entrepreneurship projects totaling $3.2 million that provide economic opportunities for low-income groups. Social entrepreneurship projects have been an effective way to generate employment and boost the incomes of women, youth, indigenous groups and others who may be outside the economic mainstream. In Peru, the Bank financed a project to promote small-scale trout farming in Lake Titicaca. Using the Multilateral Investment Fund (MIF), the Bank approved 22 microenterprise projects for $11.9 million, including $2.9 million to strengthen the capacity of micro-finance institutions. A new $8 million MIF program—the Innovation Initiative—was created to support development and implementation of innovative financial and business development services, products and processes for the region's microenterprise sector.

Modernization of the State

Public institutions are critically important to economic and social development because they sow the seeds of trust, legal certainty and political stability that are essential for markets to function smoothly and for civil society to participate in the development process. In much of Latin America and the Caribbean, the state must build or rebuild its institutional capacity to respond to the demands of an open and competitive economy. Improving governance implies broadening the technical capacity of public institutions within a political and institutional framework that fosters efficiency and probity in shaping, implementing, and monitoring public policy.

In 2000, the Bank approved almost $1.9 billion or 36 percent of the year's portfolio for modernization of the state projects. This included $618 million for fiscal reform; $521 million for reform and decentralization of the state; $400 million for financial sector reform; $311 million for public sector reform; and $40 million for the administration of justice, congress and civil society.

In fiscal reform, the Bank supported public finance sector adjustment programs in Argentina and Peru. An operation in Paraguay will improve the government's capacity to collect and administer public resources by strengthening the Financial and Tax Administration offices, as well as the Customs Service. Financing for a similar program to reform and modernize the Customs Service was approved for Bolivia. A

For further information, see www.iadb.org/goto.pl?state

BOX 3

COMBATING SOCIAL EXCLUSION DUE TO RACE OR ETHNICITY

The United Nations World Conference against Racism, Racial Discrimination, Xenophobia and Related Intolerance (UNWCAR) will be held in South Africa in August 2001. As global attention turns towards these critical issues, the IDB is taking several steps to highlight the importance of social exclusion.

The UNWCAR will serve as a catalyst for the development and consolidation of the IDB's agenda to address social exclusion based on race and ethnicity. By promoting learning, informed dialogue, and partnership between governments and civil society groups, the IDB looks to build awareness and create an environment for positive change in an area that is often characterized by polarized debate.

At present, most countries in the region do not include questions in their censuses or national household surveys related to race or ethnic background. In fact, many countries with the most diverse populations have no official statistics broken down by race or ethnic background. Those countries that do attempt to obtain numbers on race or ethnicity often have information with documented problems regarding its technical quality and reliability.

But the data is only the first step towards larger goals. A better understanding of the socio-economic status of traditionally excluded racial and ethnic groups is essential to design and implement effective policies and programs that promote growth with equity. Without the necessary data and analyses, it is difficult to adequately account for the factors that limit the ability of certain racial and ethnic groups to invest in human capital, generate income, acquire good jobs, and achieve social and political gains. In the absence of such knowledge, social reforms designed to promote equity and achieve universal coverage risk not reaching marginalized populations that have historically been among the poorest of the poor.

The Bank is moving on two concurrent fronts to promote greater knowledge and contribute to broadening the regional dialogue on combating social exclusion due to race or ethnic background. First, the Bank is gathering new data to demonstrate the importance of the problem and the need for explicit attention to racial and ethnic differences in order to achieve equitable growth. Second, the Bank is analyzing how to better incorporate dimensions of race and ethnicity into program and policy design within the Latin American context, in order to reach traditionally excluded groups.

Specific initiatives that the Bank is undertaking prior to the UNWCAR include promotion of new and better data collection efforts; new research on the causes, consequences and solutions for race- and ethnicity-based social exclusion; and sponsoring seminars, workshops and other events on key and relevant issues. Specific studies include an assessment of the economic costs of social exclusion; appraisal of the role of the legal framework and the scope of legal activism in combating social exclusion; and an examination of the importance of political mobilization in influencing the process of policy change. A series of efforts to glean lessons from ongoing projects in the region will also play a key role in informing the design of future Bank operations.

For further information, see
www.iadb.org/goto.pl?exclusion

MIF-financed regional program was also approved to help customs services throughout the region facilitate international trade by strengthening customs procedures in eight specific areas identified in the Free Trade Area of the Americas negotiations.

Public sector reform operations carried out in 2000 included modernizing El Salvador's Social Security Institute and strengthening the trade negotiation and promotion skills of the Ministry of Foreign Affairs of Argentina.

Decentralization operations during the year included a program in Cordoba Province in Argentina to expand the financial and administrative management capacity of the

BOX 4

INDEPENDENT INVESTIGATION MECHANISM

First adopted by the Board of Executive Directors in 1994, the Bank's Independent Investigation Mechanism provides a means by which groups of persons in a borrowing member country of the Bank may obtain an independent review of a specific project either proposed for Bank financing, or already in implementation. Investigations may be requested based on allegations that the IDB has failed to abide by its own operational policies, to the detriment of a community or population that might find itself directly and adversely affected. In 2000, the mechanism policy was amended by the Board of Executive Directors to ensure greater transparency and to clarify miscellaneous provisions regarding its administrative and procedural aspects.

The amendments to the policy are aimed at making the procedures for filing a request for investigation more straightforward and ensuring the availability of qualified, independent individuals to review cases once they have been presented formally to the Bank. Specifically, the roster of individuals available to serve on investigative panels is being expanded to 15. If and when a panel is formally convened, it will consist of no fewer than three investigators, each from a different country, selected by the Board and the President from the roster of investigators on the basis of their expertise relative to the matter to be investigated. One member of the panel will be chosen by the Board to serve as its chairman. Panel members are compensated based on the work they perform in connection with investigations.

For the first time, a Coordinator has been appointed within the Office of the Secretary of the Bank to serve as the focal point for the administration of investigations and the processing of requests for investigations. The Coordinator will be responsible for ensuring that a request for investigation complies with the objective requirements set forth in the policy, and is charged with requesting that the President of the Bank appoint one individual from the roster to review the request. The member of the roster selected for this purpose will then make a recommendation directly to the Board of Executive Directors of the Bank as to whether a panel should be convened and a formal investigation undertaken. In the event the consulting member of the roster determines that the allegations warrant consideration by the Board as to whether an investigation should be conducted, management of the Bank will be asked to present a formal response to the charges raised. The Board will review management's response alongside the original complaint as part of its deliberations on whether to authorize an investigation.

In cases where an investigation is conducted, the panel is to report its findings of fact to the Board, together with recommendations, if any, regarding proposed corrective or mitigative actions to be taken in connection with the project. Following receipt of a formal response from management to the panel's findings and recommendations, the Board will then make a final determination as to what actions should be taken to ensure compliance with the relevant operational policies. Under the provisions of the amended mechanism policy, reports submitted by investigation panels, as well as management responses, will be made available to the public within 90 days of their delivery to the Board. Reports on the implementation of any corrective or mitigative measures undertaken will similarly be made available, via the Bank's Public Information Centers and Website.

For further information, see
www.iadb.org/goto.pl?investigation

provincial government. The program will lay the groundwork for sustainable fiscal equilibrium in the medium and long term and for more efficient government services. In Nicaragua, the Bank financed a program to modernize the municipality of Managua in order to improve service delivery and planning, tax and financial administration, environmental management, and public participation in decision-making.

Financial sector reform operations focused on making financial systems less vulnerable and on reducing the frequency and impact of financial crises. Programs in Mexico will strengthen legislative frameworks, regulation and supervision, while providing for stricter capitalization requirements for financial intermediaries to ensure their solvency.

Operations being carried out in Honduras and the Dominican Republic will modernize their respective Congresses in order to strengthen democratic governance. A program to reform the management of the judiciary in Uruguay will focus on improving the administrative system of the Supreme Court.

Finally, an IDB-financed operation in Chile will strengthen the alliances between civil society and government. The Bank recognizes the importance of incorporating participatory processes in the planning of projects (see Box 5).

Economic Integration

During 2000, the Bank continued to provide technical and financial support to both hemispheric and subregional integration processes throughout Latin America and the Caribbean.

The Bank approved additional regional technical cooperation resources to continue supporting, within the framework of the Tripartite Committee (IDB, Organization of American States, and Economic Commission for Latin America and the Caribbean), the negotiating groups working towards the creation of the Free Trade Area of the Americas (FTAA), particularly in the areas of market access, agriculture and governmental procurement, as well as the Secretariat for the negotiations.

The **Andean Community** received support through a technical cooperation operation for the Regional Consultative Group for the Economic Integration of the Andean Community (GCR-AN). This group is coordinating a broad study on borders that includes a review of economic, social and infrastructure problems that may hinder the

For further information, see www.iadb.org/goto.pl?integration

identification of priority investment areas. These studies are expected to lead to a number of border integration projects, to be supported by the IDB and other institutions. Three regional technical cooperation operations approved in 2000 will support a cost/benefit analysis of coordinating macroeconomic policies, the development of regulations to harmonize indirect taxation in the Andean Community, and creation of a community mechanism to reinsure financial deposits.

The Bank supported **Caricom's** integration process during the year through several regional technical cooperation operations. These included a program to support the Caricom Regional Negotiating Machinery (RNM) in the subregion, which is helping to strengthen human and financial resources in trade negotiation forums; develop information systems, with an emphasis on macroeconomic and trade statistics; and support the initial phases of a project to efficiently implement the common external tariff. A regional technical cooperation will help countries comply with their commitments with the World Trade Organization. And a MIF project will support improvements and coordination of investment regimes in Caricom countries.

During 2000, a regional programming document on the **Central American Common Market** (CACM) was completed. In addition to strategies on integration, trade and regional cooperation, a strategy to support Central America's competitiveness was also completed. It supports the coordination of economic regulatory frameworks; the open exchange of goods and services; a regional concept for infrastructure; sustainable management of renewable natural resources; and human development initiatives. Bank technical cooperation operations are providing support for a meeting of the Regional Consultative Group in Madrid in March

BOX 5

CITIZEN PARTICIPATION

By one definition, participation is the process by which an interested party influences, or attempts to influence, a decision to be taken on a matter that will affect it. In the work of the IDB and its principal clients, the governments of Latin America and the Caribbean, the benefits of incorporating participatory processes in the planning and execution of development projects are clear. There is ample evidence, empirical and anecdotal, that participation leads to efficiency, improved equity and sustainability. Participation also entails costs, however. Particularly in early phases of project preparation, the Bank and its borrowers are increasingly finding it necessary not to engage in open-ended commitments to participation given finite amounts of time and money, but instead to identify stakeholders and define as soon as possible requirements and methodologies for bringing them into discussions on design alternatives and probable impacts.

In 2000, the IDB took several important steps forward in institutionalizing participation in the gamut of its activities. In May, following consolidation of the State and Civil Society Division into the Sustainable Development Department, the President and senior management approved the creation of an Interdepartmental Group on Participation and Civil Society (GIPSC), coordinated by the division. Chief among its initial responsibilities, GIPSC prepared and distributed for public comment in October a draft of a "Strategic Framework on Citizen Participation in the Activities of the Inter-American Development Bank." The framework paper was discussed at a meeting of civil society organizations from 18 countries of the region in November in the Dominican Republic. Tentatively, the division, GIPSC and the Office of Learning hope to conduct as many as six to eight national-level consultations on the document (and more broadly on the work of the Bank at the same time) during the first half of 2001, culminating in presentation of a revised version to the Board of Executive Directors.

Also during the course of the year, each of the Bank's 26 Country Offices moved to formalize an action plan for working with local civil society organizations and to define the responsibilities of their newly designated civil society liaisons. Staff from the Country Offices and headquarters met in Barbados, Belize and Washington to share ideas on how the Bank might work more effectively—and jointly—with civil society organizations and host governments at the local level. In December, the Office of Learning inaugurated an ambitious training program on participation with a conference that was simulcast via video to 13 of the Country Offices. At the close of the year, plans were being made for the Executive Vice President to host a meeting of regional NGOs at the 2001 Annual Meeting in Santiago, Chile, similar to the one held in New Orleans in 2000 and at other Annual Meeting sites in previous years.

One of the hallmarks of these various activities—ranging from the consultations on the strategic framework document to the action plans, to the myriad consultations with affected groups on individual projects—is flexibility. Countries, customs and governments vary widely within Latin America and the Caribbean. Democratic governance itself exists in different forms—with differing electoral systems, constitutions and historical dimensions—throughout the region. The means by which the Bank seeks to foster participation must take these variations into account, while at the same time attempting to apply best practices across boundaries and economic sectors. Even within national boundaries, the nature of effective consultation can and should vary widely, among different ethnic groups, for instance, or in a rural versus an urban setting. The keys for the Bank, however, remain to do it early and cost-effectively, to do it in partnership with governments, and to reconcile divergent interests within the scope of a project or program with a demonstrable development impact.

For further information, see
www.iadb.org/goto.pl?participation

2001. The financings are being used for logistical support, formulation of a regional strategy, definition of priorities for regional projects, establishment of a consulting mechanism with civil society, and development of a private sector agenda for Central America.

Support to **Mercosur** was concentrated in three regional technical cooperations responding to Bank strategies detailed in the regional programming documentation set out by Mercosur's Technical Cooperation Committee. The first project focuses on financial supervision, with the aim of facilitating financial integration through the diagnosis and strengthening of supervision mechanisms. The second project stresses the improvement of subregional instruments to protect against unfair trade practices. A third project supports the development of a database for mineral projects in order to facilitate the link between potential investors and creditors for those initiatives.

The **Institute for the Integration of Latin America and the Caribbean** (INTAL) continued to work on several fronts in 2000. In training, it continued implementing the IDB-INTAL Program for Support to Trade Negotiations on Procedures and Disciplines of the World Trade Organization (WTO). This program is executed jointly with the WTO's Technical Cooperation and Training Division.

As for dissemination of information, 68 publications were prepared during the year, including INTAL's Integration and Trade magazine and monthly newsletter, Andean, Central American and Mercosur integration reports, INTAL dissemination papers, and the INTAL/ITD working papers.

In terms of information systems, the year saw development and updating of the INTAL-Mercosur Normative Database (BIM), the INTEG Bibliographic Database, the System of Statistics of Trade in the Americas (DATAINTAL) in its Internet and CD-Rom versions, and the program for holding negotiation rounds. Updating and redesign was also completed on the database of basic instruments of economic integration in Latin America and the Caribbean.

Environment

On the environmental front, the Bank launched a number of strategic initiatives and approved a variety of loans and technical cooperations during the year. The Bank also secured a number of new sources of financing that will help support the region's environmental agenda in the future.

Fourteen environmental and natural resource loans totaling $531 million were approved. The financings include programs for water and sanitation and urban development, natural resources conservation, tourism, environmental management and natural disasters. Conservation, environmental protection and sustainable development were the central objectives of two the year's major environmental loans: to Ecuador for the Galapagos Islands, and to Brazil for the Pantanal wetlands (see Box 6). Technical cooperation operations totaling $27 million covered areas such as clean production and sustainable energy; strengthening environmental institutions at the regional and local levels; sustainable use of tropical forests; improvement of water resources management; and tourism development.

The provision of potable water and improved sanitation and waste disposal remain top priorities throughout the region. A $180 million loan to Brazil will upgrade infrastructure in favelas and unregistered subdivisions in Rio de Janeiro, including water and sewerage facilities, trash collection, and environmental protection activities such as forestation to control erosion and land stabilization. In Nicaragua, a $15 million loan will help decontaminate Lake Managua. A technical cooperation operation in Guyana will improve health and sanitary conditions in Georgetown by providing environmentally safe disposal of solid waste.

Through the Bank's Emergency Reconstruction Facility, loans were extended to Belize after Hurricane Keith and to Venezuela after torrential rains to help restore basic services.

In Belize, the Bank also supported comprehensive initiatives to promote tourism, including programs to develop and conserve major Mayan archaeological sites, improve access to key tourist areas by upgrading access roads, and protect the barrier reef by improving water supply and sewer treatment on Caye Caulker.

On a number of strategic fronts of critical importance to the region, the Bank also broke new ground during the year. The Board of Executive Directors approved an Energy Sector Strategy, which underscores the importance of consolidating progress in restructuring the energy sector in the region.

At the Bank's Annual Meeting of the Board of Governor's in New Orleans, the Multilateral Investment Fund (MIF) presented an innovative strategy for the private sector and the environment. By promoting improved regulatory frameworks, greater eco-efficiency through environmental management systems, and the creation of environmental investment funds, the MIF strategy underscores the vital role the private sector can play in fostering sustainable development.

Responding to the devastating social, economic and environmental effects of natural disasters in the hemisphere, the Bank also launched an action plan to assist countries with disaster risk management. The plan emphasizes actions that countries can take to reduce their vulnerability, mitigate and prevent the impacts of natural disasters, and establish risk insurance mechanisms.

The long-range implications of global climate change also threaten the welfare and development potential of many of the countries of Latin America and the Caribbean. A strategic framework for Bank action on climate change was proposed at the Annual Meeting, and a plan of action has been put in place to support climate change mitigation and adaptation activities in the region through ongoing lending and technical assistance operations. The plan emphasizes actions that countries can take to foster development while reducing or capturing greenhouse gases that induce climate change.

For further information, see www.iadb.org/goto.pl?environment

Three important agreements were approved during the year to create new sources of funding for environmental initiatives. A special "Partnership for the Environment" established by the Government of the Netherlands provides nearly $7 million over four years for innovative projects addressing critical environmental management issues. With initial funding of $1.2 million from the U.S. Department of Energy, the Bank also created the Hemispheric Sustainable Energy and Transportation (HSET) Funds to finance programs for energy efficiency. The Bank and the Global Environment Facility (GEF) signed an agreement providing the Bank with access to GEF funding, which can be used to address critical environmental issues related to climate change, the pollution of international waters, and the protection of bio-diversity.

Private Sector

The IDB directly supports private sector investments in the region through three principal avenues—the Inter-American Investment Corporation (IIC), the Multilateral Investment Fund (MIF) and the Bank's own private sector window. (The IIC and the MIF are covered elsewhere in this report).

During its six years of operations, the private sector window has extended $2.1 billion (net of cancellations) in financing for 51 projects in 14 countries. Total cost of these projects was $12.7 billion. The IDB further supported these investments by helping to mobilize private sector financing. More than 60 financial institutions participated in the B-loan program, including commercial banks and institutional investors from Europe, North America, Asia and Oceania. In addition, the IDB has increased the use of

BOX 6

GALAPAGOS AND PANTANAL SUPPORT PROGRAMS

IDB loans in 2000 will help preserve two of South America's treasured ecosystems: the Galapagos Islands and the Pantanal wetlands.

Galapagos Environmental Management Program

A $10 million loan will finance an Ecuadorian program to reverse mounting environmental threats to the Galapagos Islands, one of the world's most celebrated ecosystems. The program will help the Ecuadorian authorities manage a marine reserve that surrounds the 15-island archipelago. It will also help reduce threats from invasive species, strengthen environmental management and enable municipalities to improve their sanitation facilities.

Past efforts to protect the Galapagos ecosystems have often met with resistance and occasionally violence. The new program will reach out to local people and community groups, providing them with training and education and an opportunity to participate in management decisions. It will also include a system of participatory management intended to reduce conflicts over resources and ensure sustainable protection of marine and coastal ecosystems. Local fishermen will be registered and monitored, and they will be offered training to help make the transition to activities that have less environmental impact.

The plan will also finance a maritime security and control system for detecting boats in the reserve area. The system will include installing radar and satellite positioning equipment and purchasing boats for patrols to enforce regulations and respond to emergencies at sea.

A second major part of the program will be the control of further entry and spread of exotic species, pests and diseases. Quarantine offices will be built and equipped. Also it will provide training and consulting to strengthen the institutions responsible for management and protection of the islands. The islands' municipalities will receive assistance to improve their ability to deliver services and manage finances. As a result, the municipalities will have greater potential access to sources of financing such as the IDB and foreign governments.

A final program component will be the preparation of studies for improving potable water, sewerage and wastewater disposal systems in the islands' population centers.

For further information, see www.iadb.org/goto.pl?galapagos

Sustainable Development Program for the Pantanal

The Pantanal, located near the center of South America, is the world's largest wetland, and recently was named a World Heritage Site and designated a World Biosphere Reserve by UNESCO. The goal of the program is to foster sustainable development in the Pantanal and Upper Paraguay River Basin. It will help stabilize the environmental quality of the Pantanal's ecosystems by reducing sediment loads and organic and chemical contamination in the watershed and by protecting ecosystems and species from threats of extinction.

The multi-phase program will be financed by an initial $82.5 million loan. The first four-year phase will implement water management and environmental protection systems in the most critical areas of the Pantanal watershed. It puts emphasis on consolidating existing sustainable economic activities. The second phase, to be financed subsequently, will extend the efforts to other areas and will emphasize expanding sustainable economic activities and developing new ones. A major focus will be management of water resources, including monitoring water quality and water use. In addition, watershed management plans will be developed, streamside buffers will be established and soil conservation practices will be adopted. Financing for four federal and four state parks will be provided, and improved fish and wildlife management practices implemented. Sewage problems will be addressed in nine key cities surrounding the Pantanal, and additional projects will help provide new economic activities for residents, including sustainable agricultural activities, fish production and ecotourism. Both the tourism and agriculture sectors will be supported with a program to improve roads to provide all-year access to parks and for moving cattle during the rainy season. Finally, the Program includes a series of measures to promote sustainable land use with the indigenous communities in the Pantanal region.

For further information, see www.iadb.org/goto.pl?pantanal

For further information, see
www.iadb.org/goto.pl?privatesector

political risk guarantees to support international syndicated loans and capital markets. The Bank also has the capability to reinsure a portion of its political risk guarantees through reinsurance agreements with private sector insurance companies and guarantors.

In 2000, the Bank extended direct loans and guarantees totaling $512 million to the private sector for 11 new projects. An additional $851 million was provided by commercial banks and institutional investors through "B" loans. The guarantees will facilitate the mobilization of $506 million.

Beginning with the changes to the private sector guarantee program approved by the Board of Governors in early 1999, political risk guarantees have now developed into a more regular and highly effective tool to support the private sector. The IDB's participation in such political risk guarantee operations has allowed an increased flow of international bank loans to private sector infrastructure projects in the region, broadening the Bank's mobilization role. In 2000, the Bank extended a new political risk guarantee for $100 million for an international loan syndication for *Light Serviços de Eletricidade* to help finance the company's program to improve electric service and coverage in the state of Rio de Janeiro.

To facilitate a local currency financing in Chile, the Bank approved its first financial guarantee operation, the Santiago-Valparaíso-Viña del Mar toll road project. The project includes the construction, improvement, administration, maintenance and operation of the toll road. It involves guaranteeing the issuance of a local currency bond with principal and interest payments up to $75 million. By joining efforts with private sector insurance and guarantee companies, the total amount to be raised for this project will be $306 million.

Other private sector financings in 2000 included the following:

- The Chorrera project, a 96 MW oil power plant, is the first approved private sector project for Panama's energy sector. It will operate under Panama's new regulatory framework, which promotes private sector investment in the electric power sector. The IDB approved a $23 million loan for the project.
- The Redesur project constitutes one of the largest private sector investments in electricity transmission in Peru and one of the first projects for the principal transmission system in the country's southern region. The IDB approved an $18 million loan for the project.
- The Transportadora de Gas del Mercosur project is the first regional gas pipeline approved by the Bank and will mark the first direct interconnection of the Argentine and Brazilian hydrocarbon networks. The $40 million loan dovetails with the Bank's strategy to promote regional integration in the Southern Cone.
- The Vitro-project, a 245 MW natural gas-powered cogeneration plant, will be Mexico's first private sector power plant designated to sell electricity and steam directly to private industries in the vicinity of Monterrey. The IDB's loan was for $45.5 million.
- The Cana Brava project in Brazil, a 450 MW hydroelectric power plant located on the Tocatins River in the State of Goiás, will supply electricity to Gerasul under an 18 year power purchase agreement. The IDB approved a $75 million loan for the project.
- The Bajío project in Mexico, financed by a $23 million loan, is one of the first power projects sized to include excess capacity for sale to private off-takers (see Box 7).

Portfolio Management

The Bank's experience with managing and monitoring the active portfolio of lending operations is summarized in the **Annual Report on Projects in Execution** (ARPE). The ARPE provides a snapshot of project performance at the end of the year. In general

BOX 7

BAJÍO GAS-FIRED POWER PROJECT

The Bajío gas-fired Power Project is both economical and in tune with Mexico's recent regulatory reforms in the energy sector. It also has its own built-in wastewater treatment plant. The project is being financed by a $23 million IDB loan, together with $113 million in "B" loan funding from private financial institutions under subscription of participation agreements with the Bank. This funding is supporting the development, construction and operation of a 600 MW natural gas-fired combined-cycle electric generating facility and related assets.

In addition to the environmental benefits inherent in its clean-burning, low-pollution fuel source, the Bajío natural gas power project includes a wastewater treatment plant as part of its facilities. The Bajío region suffers from very limited water resources and inadequate water treatment capabilities. To combat those problems, the project's wastewater treatment plant will treat raw sewage supplied by the municipal water authority. The power plant will then use the treated water in its operations. Excess treated water will be made available to the local populace. The power plant's discharge water will be returned to the municipal water utility for retreatment or use in irrigation. Thus, net water consumption will be minimized. The wastewater treatment plant is being built in a modular fashion so that the municipal utility will be able to take advantage of the initial facilities to expand them in the future.

The Bajío project is also one of the first power projects sized to include excess capacity for sale to private off-takers. Although some 495 MW of the facility's capacity will be sold directly to the federal energy commission, roughly 100 MW in excess capacity will be sold to private industrial users under a self-supply permit. By including the benefits of the excess capacity, the sponsors, InterGen Energy, Inc. and AEP Resources Inc., were able to bid a very competitive tariff, reducing the federal energy commission's overall generation costs.

Moreover, the power purchase agreement contains an innovative provision that allows the power company the option to terminate it and shift to a competitive market once an appropriate regulatory environment for such a market is created. As such, the project represents one more step in the transition to a competitive energy market in Mexico.

The development of the Bajío project is closely linked to the Mexican government's recent regulatory reforms in the natural gas and electricity sectors. It is a stated policy priority of the government to increase the use of its natural gas resources. As a combined-cycle plant, the Bajío power project will employ the most efficient and cleanest natural gas technology currently available.

The Bajío project is part of the federal energy commission's least-cost expansion plan, which calls for new investments to add 9,928 MW of power to the country's total installed generation capacity between 1997 and 2006.

The facility is located in a rural area near Querétaro in the Municipality of San Luis de la Paz in the Bajío region of the state of Guanajuato. San Luis de la Paz lies approximately 160 miles northwest of Mexico City. The site was selected due to its proximity to fuel and transmission lines as well as its location on the national grid.

terms, the ARPE produced in 2000, covering the year 1999, concluded that the Bank's public sector portfolio is performing well and that 90 percent of projects were classified as being on track toward achieving their development objectives.

The ARPE highlighted Management's efforts to develop a system of objective indicators to identify at-risk projects before their problems actually threaten the success of those operations. The Project Alert Identification System will highlight projects that require closer supervision, monitoring and decision-making. A prototype of the on-line system is currently being tested in selected Country Offices. The ARPE also described

Management initiatives to reduce delays in eligibility for disbursement and the cancellation of ongoing loan resources. Some progress has been made in reducing delays in disbursement eligibility, and a working group is identifying the most commonly cited reasons for the problem. Initiatives developed to deal with those issues have focused on clearer guidelines for complying with contractual conditions and expanded use of new lending mechanisms. Regarding cancellations, Management initiatives include more proactive dialog with borrowers regarding the costs of carrying projects that are not performing well for extended periods of time, and simplification of internal Bank procedures for project reformulation and cancellation. Management will put into place measures to follow-up on these actions, and will report on them in next year's ARPE.

The ARPE also summarized the findings and conclusions of a special study on Project Implementation Units (PIUs) and institutional sustainability, undertaken at the request of the Board of Executive Directors. Although the study recognized that the creation of PIUs can be instrumental in assuring timely project execution, it also found that this solution did not always adequately address structural institutional weaknesses and the long-run sustainability of projects in the operating phase. To avoid such problems, the study recommends that the Bank promote an integrated approach to institution-building that clearly identifies institutional weaknesses and specifies the strategy, tools and processes for bringing about needed changes. Within this context, the study recommended long-term institution-building objectives be explicitly included in project design and, if a PIU is created, in the design of the PIU itself; minimizing potential conflicts and facilitating the integration of PIUs into the broader institutional framework by appropriate staffing in terms of size, transparency and remuneration; and expanding training for Bank staff in institutional analysis and sustainability.

For further information, see www.iadb.org/goto.pl?portfolio

Finally, the ARPE summarizes operational lessons from the various elements of the Bank's monitoring and evaluation system: monitoring reports, project completion reports, portfolio review mission reports, and country portfolio summaries prepared by the Bank's Country Offices. The lessons include the need for active stakeholder participation in the earliest stages of project preparation to foster borrower ownership and commitment; clear parameters against which to measure project performance; and additional training of Bank staff in institutional analysis, since the institutional capacity of executing agencies is most frequently cited as adversely affecting project implementation.

The Year's Lending

Summary

This chapter includes summaries by country with brief descriptions of loans, technical cooperation operations ($1 million and above), small projects, and Multilateral Investment Fund (MIF) operations ($1 million and above) authorized by the Bank in 2000. The introductory paragraph for each country includes the number of TCs and MIFs approved by the Bank in 2000 for $500,000 and above, but only those operations over $1 million are subsequently described. The chapter concludes with information related to the Bank's lending and technical cooperation program and the Statement of Approved Loans and Guarantees.

The loans and guarantees authorized by the Bank in 2000 came from the following sources:

• **Ordinary capital resources:** 67 loans for $4,794 million and two guarantees for $175 million brought the cumulative total of loans, less cancellations, to 1,463 for $89,428 million; and guarantees for six operations totaling $531 million as of December 31, 2000.

• **Fund for Special Operations:** 22 loans totaling $297 million brought the cumulative total of loans, less cancellations, to 1,062 for $14,924 million as of December 31, 2000.

• **Other Funds:** No loans were approved in 2000. Cumulative total loans, less cancellations, were 204 for $1,724 million as of December 31, 2000.

• **Export financing:** Increases in previously approved export financing credits for $16.5 million brought the cumulative total to $1,138 million as of December 31, 2000.

TABLE III. DISTRIBUTION OF LOANS

(In millions of U.S. dollars)

SECTOR	2000	%	1961-00	%
Productive Sectors				
Agriculture and Fisheries	$ 165.4	3.1	$ 11,972.7	11.2
Industry, Mining and Tourism	311.2	5.9	10,577.4	9.9
Science and Technology	133.3	2.5	1,676.3	1.6
Physical Infrastructure				
Energy	436.8	8.3	16,415.1	15.4
Transportation and Communications	434.8	8.3	12,827.4	12.0
Social Sectors				
Sanitation	145.0	2.8	9,015.0	8.5
Urban Development	685.0	13.0	6,655.1	6.2
Education	270.8	5.2	4,466.6	4.2
Social Investment	617.9	11.7	7,426.6	7.0
Health	10.6	0.2	2,138.7	2.0
Environment	142.0	2.7	1,493.3	1.4
Microenterprise	0.0	0.0	386.0	0.4
Others				
Reform & Modernization of the State	1,884.7	35.8	17,709.7	16.6
Export Financing	16.8	0.3	1,545.8	1.4
Preinvestment and Others	12.0	0.2	2,301.5	2.2
TOTAL	**$5,266.3**		**$106,607.3**	

TABLE IV. YEARLY (2000) AND CUMULATIVE LOANS AND GUARANTEES (1961-2000)[1]

(In millions of U.S. dollars)

	Detail by Funds							
	Total Amount		Ordinary Capital[2]		Fund for Special Operations		Funds in Administration	
Country	2000	1961-00	2000	1961-00	2000	1961-00	2000	1961-00
Argentina	$ 832.0	$ 15,753.6	$ 832.0	$ 15,059.6	$ 0.0	$ 645.0	–	$ 49.0
Bahamas	21.8	295.2	21.8	293.2	–	–	–	2.0
Barbados	–	380.0	–	316.2	–	42.8	–	21.0
Belize	40.8	85.2	40.8	85.2	–	–	–	–
Bolivia	40.6	2,778.0	–	1,019.2	40.6	1,687.4	–	71.4
Brazil	658.2	22,105.5	658.2	20,417.2	–	1,558.5	–	129.8
Chile	483.7	4,691.2	483.7	4,445.7	–	203.3	–	42.2
Colombia	293.0	8,024.7	293.0	7,204.5	–	759.3	–	60.9
Costa Rica	65.0	2,081.5	65.0	1,601.6	–	351.8	–	128.1
Dominican Republic	74.3	1,982.2	74.3	1,194.9	–	701.7	–	85.6
Ecuador	186.4	3,663.7	186.4	2,642.4	–	933.5	–	87.8
El Salvador	5.8	2,518.0	5.8	1,636.7	–	747.0	–	134.3
Guatemala	–	2,186.6	–	1,497.8	–	628.7	–	60.1
Guyana	0.9	702.1	–	106.5	0.9	588.7	–	6.9
Haiti	–	757.4	–	–	–	751.0	–	6.4
Honduras	142.1	2,090.3	–	505.7	142.1	1,534.1	–	50.5
Jamaica	209.8	1,547.1	209.8	1,178.8	–	163.8	–	204.5
Mexico	1,400.6	13,879.3	1,400.6	13,260.5	–	559.0	–	59.8
Nicaragua	113.1	1,663.3	–	254.1	113.1	1,359.2	–	50.0
Panama	23.6	1,918.2	23.6	1,605.6	–	280.0	–	32.6
Paraguay	174.7	1,713.1	174.7	1,126.5	–	574.7	–	11.9
Peru	344.8	5,443.0	344.8	4,803.9	–	418.1	–	221.0
Suriname	10.3	58.6	10.3	56.3	–	2.3	–	–
Trinidad and Tobago	–	1,016.8	–	960.7	–	31.2	–	24.9
Uruguay	44.2	2,322.2	44.2	2,176.3	–	104.1	–	41.8
Venezuela	60.0	4,078.1	60.0	3,903.8	–	101.4	–	72.9
Regional	40.0	2,871.8	40.0	2,605.6	–	197.1	–	69.1
TOTAL	**$5,266.0**	**$106,607.1**	**$4,969.3**	**$89,958.7**	**$296.7**	**$14,924.0**	–	**$1,724.4**

[1] After cancellations and exchange adjustments. Totals may not add up due to rounding.
[2] Detail includes private sector loans, net of participations.

The Bank agreed to partially defray up to five percentage points of the interest on seven loans for $104.4 million, approved in 2000 from the ordinary capital sources, with funds from the Intermediate Financing Facility (IFF) created under the Sixth Replenishment.

Total Cost of Projects

The $5.3 billion in Bank loans and guarantees help to finance projects involving a total investment of more than $9.7 billion. The Bank's loans cover only a part of the total cost of the projects being carried out by the borrowing countries. The balance over and above the Bank's contributions comes principally from the Latin American and Caribbean countries.

TABLE V. YEARLY (2000) AND CUMULATIVE DISBURSEMENTS (1961-2000) [1]

(In millions of U.S. dollars)

	Detail by Funds							
	Total Amount		Ordinary Capital [2]		Fund for Special Operations		Funds in Administration	
Country	**2000**	**1961-00**	**2000**	**1961-00**	**2000**	**1961-00**	**2000**	**1961-00**
Argentina	$ 961.7	$ 11,590.0	$ 956.2	$ 10,921.3	$ 5.5	$ 619.7	$ 0.0	$ 49.0
Bahamas	20.8	236.4	20.8	234.4	–	–	–	2.0
Barbados	10.4	238.9	10.4	177.1	–	42.8	–	19.0
Belize	11.1	16.1	11.1	16.1	–	–	–	–
Bolivia	102.9	2,314.4	23.0	993.7	79.9	1,249.3	–	71.4
Brazil	2,783.4	16,981.3	2,764.4	15,343.1	19.0	1,508.4	–	129.8
Chile	88.9	4,106.2	88.9	3,860.7	–	203.3	–	42.2
Colombia	246.1	6,810.2	241.2	6,023.3	4.9	726.0	–	60.9
Costa Rica	83.3	1,700.1	83.3	1,220.2	–	351.8	–	128.1
Dominican Republic	58.3	1,354.1	47.9	572.3	10.4	696.2	–	85.6
Ecuador	244.9	3,230.7	233.0	2,245.9	11.9	897.0	–	87.8
El Salvador	113.9	2,032.9	111.1	1,153.5	2.8	745.1	–	134.3
Guatemala	66.6	1,672.9	50.6	1,006.1	16.0	606.7	–	60.1
Guyana	54.1	503.3	–	106.5	54.1	389.9	–	6.9
Haiti	33.8	535.5	–	–	33.8	529.1	–	6.4
Honduras	68.3	1,690.4	1.1	503.5	67.2	1,136.4	–	50.5
Jamaica	124.8	1,271.0	124.8	908.2	–	163.8	–	199.0
Mexico	839.0	11,176.6	838.8	10,568.8	–	559.0	0.2	48.8
Nicaragua	81.0	1,265.9	12.5	253.1	68.5	962.8	–	50.0
Panama	60.7	1,331.5	60.7	1,018.9	–	280.0	–	32.6
Paraguay	112.1	1,230.3	104.2	644.7	7.9	573.7	–	11.9
Peru	350.7	4,455.2	350.7	3,816.1	–	418.1	–	221.0
Suriname	0.6	35.9	0.6	33.9	–	2.0	–	–
Trinidad and Tobago	25.5	636.2	24.7	580.4	0.8	30.6	–	25.2
Uruguay	162.9	1,906.2	162.9	1,760.3	–	104.1	–	41.8
Venezuela	277.4	2,957.1	277.4	2,782.8	–	101.4	–	72.9
Regional	85.1	2,012.6	82.3	1,806.5	2.8	192.9	–	13.2
TOTAL	**$7,068.4**	**$83,292.0**	**$6,682.5**	**$68,551.3**	**$385.7**	**$13,090.3**	**$0.2**	**$1,650.4**

[1] After cancellations and exchange adjustments. Totals may not add up due to rounding.
[2] Detail includes Private Sector Loans, net of participations.

Disbursements

The Bank's disbursements on authorized loans amounted to $7,069 million in 2000, compared with $8,387 million in 1999. As of December 31, 2000, cumulative disbursements, including exchange adjustments, totaled $83,292 million, or 79 percent of the loans authorized by the Bank. The 2000 disbursements and cumulative totals by funds include:

- **Ordinary capital resources:** $6,683 million, bringing the cumulative total to $68,551 million as of December 31, 2000.
- **Fund for Special Operations:** $386 million, bringing the cumulative total to $13,090 million as of December 31, 2000.
- **Other funds:** $200,000, bringing the cumulative total from funds administered by the Bank to $1,650 million as of December 31, 2000.

TABLE VI. YEARLY (2000) AND CUMULATIVE (1961-2000)[1] TOTAL COST OF PROJECTS

(In millions of U.S. dollars)

	Total Cost		Bank Loans and Guarantees[2]		Latin America's Contributions	
Country	**2000**	**1961-2000**	**2000**	**1961-2000**	**2000**	**1961-2000**
Argentina	$ 1,257.7	$ 38,962.6	$ 832.0	$ 15,753.6	$ 425.3	$ 23,209.0
Bahamas	30.6	489.7	21.8	295.2	8.8	194.6
Barbados	0.0	680.9	0.0	380.0	0.0	300.8
Belize	57.1	131.1	40.8	85.2	16.3	45.8
Bolivia	51.9	4,569.7	40.6	2,778.0	11.3	1,791.5
Brazil	1,548.7	67,000.8	658.2	22,105.5	890.5	44,895.3
Chile	1,141.5	11,696.6	483.7	4,691.2	657.8	7,005.4
Colombia	428.0	19,585.3	293.0	8,024.7	135.0	11,560.7
Costa Rica	92.0	3,614.3	65.0	2,081.5	27.0	1,532.8
Dominican Republic	86.0	2,929.2	74.3	1,982.2	11.7	946.9
Ecuador	197.2	6,802.2	186.4	3,663.7	10.8	3,138.6
El Salvador	7.4	3,899.8	5.8	2,518.0	1.6	1,381.7
Guatemala	0.0	3,746.6	0.0	2,186.6	0.0	1,560.0
Guyana	1.0	881.3	0.9	702.1	0.1	179.2
Haiti	0.0	1,055.7	0.0	757.4	0.0	298.3
Honduras	171.0	3,836.0	142.1	2,090.3	29.0	1,745.8
Jamaica	221.2	2,343.6	209.8	1,547.1	11.5	796.6
Mexico	3,132.8	39,389.8	1,400.6	13,879.3	1,732.2	25,510.4
Nicaragua	127.0	2,767.1	113.1	1,663.3	13.8	1,103.8
Panama	97.3	3,587.5	23.6	1,918.2	73.7	1,669.2
Paraguay	278.5	2,528.1	174.7	1,713.1	103.8	815.0
Peru	482.6	9,763.4	344.8	5,443.0	137.8	4,320.3
Suriname	12.8	73.6	10.3	58.6	2.5	15.0
Trinidad and Tobago	0.4	1,551.8	0.3	1,016.8	0.1	534.7
Uruguay	70.1	3,902.3	44.2	2,322.2	25.9	1,580.1
Venezuela	110.0	13,158.4	60.0	4,078.1	50.0	9,080.4
Regional	160.0	14,435.6	40.0	2,871.8	120.0	11,563.8
TOTAL	**$9,762.8**	**$263,383.2**	**$5,266.0**	**$106,607.1**	**$4,496.5**	**$156,775.8**

[1] Cumulative loans after cancellations and exchange adjustments. Totals may not add up due to rounding.
[2] Excludes private sector participations.

Repayments

Loan repayments amounted to $2,616 million in 2000. Cumulative payments as of December 31, 2000, were $33,966 million. Repayments received by the Bank during the year, and cumulative as of December 31, 2000 were:

• **Ordinary capital resources:** $2,312 million, bringing the cumulative total, before repayments to participants, to $26,671 million as of December 31, 2000.

• **Fund for Special Operations:** $289 million, for a cumulative total of $5,734 million as of December 31, 2000.

• **Other funds:** $15 million, bringing the cumulative total to $1,561 million as of December 31, 2000.

Project Descriptions

For further information on the projects approved by the Bank in 2000, please refer to the Bank's Internet web site at www.iadb.org/goto.pl?projects

ARGENTINA

In 2000, the Bank approved five loans and three MIF financings to Argentina. On a cumulative basis, the Bank has made 213 loans totaling $15,754 million and disbursements have totaled $11,590 million.

Support for Fiscal Balance and Social Management
($400 million loan from the OC)

This program will help Argentina maintain a fiscal balance through measures to streamline spending, improve management of social programs, and increase competitiveness in the labor market. A series of institutional adjustments will improve the efficiency of the social security system and private pension funds, develop management skills and budgeting benchmarks in public agencies, and monitor the quality of social services. Labor reforms will improve job placement and training, and reduce costs for collective bargaining and for the registration of labor contracts.

Modernizing the Cordoba Provincial Government
($215 million loan from the OC)

Resources from the IDB's first direct loan ever to the Province of Cordoba will strengthen financial and administrative management by modernizing tax administration, setting stricter controls for budgeting and procurement, and supporting institutional reorganization. The program will modernize the legislative branch and strengthen institutions that deliver social and environmental services. It will also support efforts by the provincial government to meet fiscal targets set by agreement between the provinces and the central government.

Border Crossings and Integration Corridors Program
($200 million loan from the OC)

Highway improvements financed by this loan are expected to significantly reduce transport costs, particularly for travel across borders. The program will widen and upgrade some 1,000 kms of the national highway system, including links to Bolivia, Brazil and Chile. The program will also stabilize retaining walls and tunnels, build drainage works, improve customs-related infrastructure at border crossings, install weather stations, and provide snow and rock clearing equipment.

Increased Credit for Project Preparation and Execution
($30 million loan from the OC)

This revolving line of credit will improve the framework for project development by strengthening the administrative and operational capacity of executing agencies and by providing investments needed prior to loan disbursements. The financing will be used to prepare more than a dozen projects for health and education, the productive sectors, the environment, and modernization and reform. Training, studies and equipment will be directed toward expediting the disbursement of loans and the execution of projects.

Strengthening the Ministry of Foreign Relations
($7.5 million loan from the OC)

This program will help modernize national trade policy to meet the demands of a global economy by strengthening the trade promotion and negotiation capacity of the Ministry of Foreign Affairs. Training and technical assistance will help the ministry develop a trade promotion strategy for exports and strengthen its management and analytical capability. Workshops and seminars will help foreign service officers with economic and trade negotiations, private sector coordination, and the development of information systems.

Occupational Safety and Health
($2.3 million MIF grant)

This project will reduce the incidence of occupational accidents and illnesses and their effects by encouraging businesses, workers, occupational risk insurers and authorities to pool their efforts to foster a culture of prevention that promotes a safe and healthy working environment. The project includes sector diagnoses of occupational health and safety, training, and promotion activities.

Diversification of Export Market for Small Enterprise
($1.7 million MIF grant)

Enhancing the international competitive positioning of small-scale exporters is the aim of this project. It will provide exporters with techniques for diversifying and consolidating their access to international markets. The specific objectives include developing an export-market diversification methodology for small firms; facilitating export-market diversification among small enterprises; and providing specific processed information, together with advisory services to assist decision-making by small businesses.

National Network of Mediation and Arbitration
($1 million MIF grant)

This project will help make Argentina's business sector more competitive and economically efficient, and enhance the climate for private investment. The program will support an institutionalized alternative dispute resolution system that gives private businesses ready access to a speedy, efficient, reliable and impartial system for settling commercial disputes.

BAHAMAS

In 2000, the Bank approved one loan to the Bahamas. On a cumulative basis, the Bank has made 16 loans totaling $295 million and disbursements have totaled $236 million.

Infrastructure Rehabilitation Project
($21 million loan from the OC)

This loan will finance repairs of roads, bridges, seawalls and docks in the Family Islands that were damaged by Hurricane Floyd in 1999. The financing is the first of a two-stage program, the second of which will cover the design and replacement of a number of facilities damaged by storms over the years.

BARBADOS

In 2000, the Bank approved one MIF financing to Barbados. On a cumulative basis, the Bank has made 37 loans totaling $380 million and disbursements have totaled $239 million.

Strengthening of the Barbados Securities Market
($390,000 MIF grant)

The project will contribute to the sustained development and expansion of Barbados' financial sector by strengthening the legal and regulatory framework for the country's emerging capital markets, establishing an adequate institutional structure for market regulation and supervision, and assisting the Securities Exchange Board in training, dissemination and business planning.

BELIZE

In 2000, the Bank approved three loans and one MIF financing to Belize. On a cumulative basis, the Bank has made eight loans totaling $85 million and disbursements have totaled $16 million.

Hurricane Keith Emergency Reconstruction Facility
($20 million loan from the OC)

High winds from this hurricane battered Belize in September and October 2000, causing over $260 million in damage, particularly in the districts of Belize, Cayo, Corozal and Orange Walk. Under a special fast-track Bank procedure, this operation was approved a month after the hurricane struck. Resources will finance removal of debris, environmental restoration, and repairs of roads and bridges, homes, schools, health facilities and drainage works.

Tourist Support Program
($11 million loan from the FSO and a $700,000 grant from the MIF with $3 million cofinancing from Taipei's ICDF)

This financing will help develop and protect major Mayan archeological sites, improve access to key tourist areas, and protect the country's barrier reef by improving sewage treatment on Caye Caulker. The loan will also encourage community participation through microenterprise development.

Health Sector Reform
($9.8 million loan from the OC with $4.7 million in cofinancing from the Caribbean Development Bank and $1.6 million from the European Union Commission)

This operation aims to improve the efficiency, quality and equity of health care through sector restructuring and more rational use of services. Investments in infrastructure and medical equipment will focus on concentrating surgical and other key hospital services into three regional centers. The program will strengthen the regulatory and policy design capacity of the Ministry of Health and provide technical assistance and training to the National Health Insurance Fund.

BOLIVIA

In 2000, the Bank approved two loans and two MIF financings to Bolivia. On a cumulative basis, the Bank has made 145 loans totaling $2,778 million and disbursements have totaled $2,314 million.

Agricultural Services Program
($34 million loan from the FSO with $1.6 million from the German Agency for Technical Cooperation)

This loan will support projects in agricultural technology, genetic resource conservation, plant and animal health, and food safety. Agricultural technology development foundations will be established in the country's four ecological regions. The National Agricultural Health and Food Safety Agency will be established as Bolivia's principal authority in these areas, with offices at the national and departmental levels.

Customs Reform
($5 million loan from the FSO)

These resources will be used to implement and enforce Bolivia's Customs Act by expediting the clearance of imports and applying new information technology. An Ethics Office will be established in the Customs Administration and goods valuation will come into compliance with World Trade Organization standards.

Training for Agricultural Enterprises
($1.2 million MIF grant)

The objective of this program is to improve the management capacity and the competitiveness of small rural producers in Bolivia. The project will strengthen the producer organizations through training of leaders and experts.

BRAZIL

In 2000, the Bank approved seven loans, one loan guarantee, three technical cooperation operations and five MIF financings to Brazil. On a cumulative basis, the Bank has made 280 loans and guarantees totaling $22,106 million and disbursements have totaled $16,981 million.

Rio de Janeiro "Favela Bairro" Urban Upgrading, Stage II
($180 million loan from the OC)

This operation will provide basic social services and infrastructure as well as provide titling of properties in low-income and marginal areas of the city. An estimated 230,000 people will benefit from the program, which will finance construction and repairs of roads and potable water, sewerage, and childcare and other community and recreational facilities; improve electrical service and trash collection; and provide job training and continuing education for adults. Nutrition and educational services will also be provided for at-risk children and adolescents. Technical and legal assistance will help regularize properties in favelas and unregistered subdivisions.

Federal District Basic Sanitation Program
($130 million loan from the OC)

This operation will finance a range of water supply, sewerage and treatment facilities designed to improve sanitation in the Federal District. Projects will include construction of the Contagem-Paranoazinho-Sobradinho water treatment plant and repairs to the Brasilia plant, construction and repairs of water supply systems in low-income housing areas, and street paving and construction of sewerage systems and storm drainage works. The program will also support creation of an independent water and sanitation regulatory agency and prepare a strategic plan for modernization and customer service improvements for the public utility company.

Light-Serviços de Eletricidade
($100 million guarantee from the OC)

This operation will help to guarantee $200 million in senior five-year unsecured notes issued by a private company, Light-Serviços de Eletricidade, to finance improvements and expansion of electricity service in the state of Rio de Janeiro. The program will provide connections for 130,000 new customers, upgrade residential and commercial service, regularize unauthorized connections, and purchase new equipment. The IDB guarantee will cover risks associated with currency convertibility, transferability and funds expropriation. The Multilateral Investment Guarantee Agency and other insurers are expected to guarantee the remaining $100 million of the note.

Sustainable Development Program for the Pantanal
($82.5 million loan from the OC)

Spanning the geographical center of South America, the Pantanal is the world's largest wetlands and home to an extraordinary array of flora and fauna. But the wetlands are increasingly threatened by water pollution, soil erosion, population pressures and unregulated tourism. This loan will support a long-term plan to protect the Pantanal by adding 1.5 million hectares of protected area, supporting regulations and upgrading sanitation facilities to improve water quality and stabilize commercial fish populations, introducing environmentally-friendly agricultural techniques, and developing a master plan for ecotourism.

Cana Brava Hydroelectric Power Project
($75 million loan from the OC with a "B" loan of $85.2 million)

This loan will finance construction of a 450 MW privately-owned hydroelectric plant on the Tocantins River in the state of Goiás. The facility will be run by the borrower, the Companhia Energética Meridional, and will provide electricity for the northern, northeast and center-western regions, which historically have had difficulty attracting private investment. Financing will cover construction of a dam along with two dikes that will close a 139 km^2 reservoir, installation of turbines, and laying of 50 kms of transmission lines to an interconnection facility at Serra da Mesa.

Consolidation and Self-Sufficiency of Agrarian Reform Settlements
($51 million loan from the OC)

Squatter settlements in Brazil are eligible for a variety of services from the National Institute for Agrarian Colonization and Reform (INCRA). But efforts to make these communities self-sufficient over the years have met with limited success. This pilot program will accelerate the process of graduating settlements in seven states from INCRA support by financing community infrastructure such as roads, electricity, water supply, schools and productive facilities.

Energia Norte Power Project
($23.7 million loan from the OC with "B" loans totaling $37.2 million)

This project will provide electric power to remote areas of northern Brazil that are not connected to the national power grid. The installation, operation and maintenance of diesel engines for power generation will bring electricity to some 700,000 people in impoverished rural areas in the states of Pará, Rondônia and Acre. A private firm, Guascor do Brasil Ltda., will develop the project under power supply agreements with state-owned distribution companies.

Dona Francisca Hydroelectric Power Plant
($16 million loan from the OC with a "B" loan of $25 million)

The 125 MW power plant to be built with this financing is one of the least-cost alternatives cited in Brazil's 10-year expansion plan to meet growing demand for electricity. The plan encourages private sector participation to reduce costs and improve efficiency. Located on the Jacuí River in the state of Rio Grande do Sul, the plant will increase the supply of electricity for energy-intensive cement, steel and automobile industries in the region. The plant will be built by a private firm, Dona Francisca Energética. The operation includes installation of turbine/generator units, a substation, and transmission lines.

Sustainable Use of the Tropical Forest in Acre
($750,000 grant from the Japan Special Fund)

A decline in rubber prices in recent years has pushed many *seringueiros* or rubber tappers in this western state into indiscriminate logging that is damaging the environment. This program will provide rubber-tapping families with alternative productive activities. A sustainable community-based forestry management plan will be developed along with pilot projects for native fish production and the extraction of copaiba oil. Communities will also be provided with training in small business development.

Tech Fund for Emerging Software Companies
($4.5 million MIF equity investment)

Establishment of this fund will further three key MIF objectives: (i) to provide equity capital, financial and technical advisory services, and value-added governance to 15 small and medium-sized enterprises with sound business plans; (ii) to play a catalytic role in the establishment of an independent venture capital investment management company; and (iii) to further develop the venture capital industry in Brazil.

Santa Catarina Technical Fund
($3.3 million MIF equity investment)

This project will establish a venture capital fund for equity or quasi-equity investments in small technology-based enterprises and technology start-ups that have strong economic potential and whose products and processes involve innovative technology.

Regulation of Private Health Plans
($1.55 million MIF grant)

This program will support a new regulatory framework for private health plans and help make Brazil's private healthcare system more efficient and competitive. The program seeks to improve the quality of basic healthcare by instituting various forms of protection for consumers of private health-plan services.

Training Program for Labor Unions
($1.53 million MIF grant)

To enhance labor negotiations, this program will develop a decentralized training system to upgrade the skills of labor leaders and unions in Brazil and the other Mercosur countries.

CHILE

In 2000, the Bank approved three loans, one loan guarantee, one technical cooperation operation and two MIF financings to Chile. On a cumulative basis, the Bank has made 120 loans and guarantees totaling $4,691 million and disbursements have totaled $4,106 million.

Improving the Efficiency and Management of Regional Investment
($300 million loan from the OC)

This program will finance regional social projects while developing the capacity of Chile's regional governments to plan and allocate investment resources in line with national social development objectives. Many investments will target the poor through projects in health and education, roads, expanded electricity and telephone service, and irrigation facilities. Technical assistance, training and equipment will strengthen the use of investment financing instruments and help municipalities and technical units carry out investment projects in a decentralized system.

Technology Development and Innovation Program
($100 million loan from the OC)

This program will boost competitiveness in technological development and innovation in key sectors of the economy. The goals are to prioritize areas for technological development, introduce information and communications technologies in the productive sector, promote biotechnology in forestry, agriculture and aquaculture, support cleaner production processes, and encourage quality and productivity management. Activities will include training researchers and technicians, promoting technology transfer, and strengthening technology infrastructure.

Santiago-Viña del Mar Toll Road Project
($75 million credit guarantee from the OC)

This project will finance repairs and expansion of a heavily-traveled 110-km toll road linking Santiago to the country's main port, Valparaíso. Project works will include road widening, bridge repairs, and construction of two tunnels, road crossings and pedestrian bridges. An 18 km highway will also be built to link Viña del Mar with Quilpué and Villa Alemana; and the highway between Valparaíso and Viña del Mar will be expanded. Rutas del Pacífico, the private firm with the toll road concession, will finance the project by issuing bonds totaling $306 million, a portion of which will be guaranteed by the IDB.

Strengthening Partnerships between Civil Society and the State
($8.7 million loan from the OC)

This program will foster citizen participation in designing and carrying out public policies by strengthening civil society organizations (CSOs), adapting the regulatory and institutional framework, and encouraging volunteerism. Training and technical assistance will assist CSOs in organizational development, fundraising, project management, negotiating techniques and information technologies. To strengthen the state's capacity to involve citizens, the operation will develop a social observatory to generate information on opportunities for participation and design a pilot program to promote volunteerism.

Regional Business Investment Fund
($3 million MIF equity investment)

This project's objective is to spur the growth of small enterprises outside the metropolitan Santiago region, introducing an investment finance and managerial support instrument to the market.

COLOMBIA

In 2000, the Bank approved two loans, three technical cooperation operations and seven MIF financings to Colombia. On a cumulative basis, the Bank has made 188 loans totaling $8,025 million and disbursements have totaled $6,810 million.

Social Safety Net Program
($270 million loan from the OC)

This program will help institutionalize social support mechanisms designed to assist the poorest and most vulnerable sectors of the population. Financing will be used to create employment in basic infrastructure and community projects and to provide job training for young people. Impoverished families in more than 500 municipalities will receive grants to improve health and nutrition and encourage school attendance. Geographic and self-targeting mechanisms will be used to identify people who are most in need.

Strengthening the Comptroller General and Auditor General Offices
($23 million loan from the OC)

This operation will strengthen the national system of fiscal control by modernizing the techniques and procedures of the Comptroller General and Auditor General Offices. The financing will strengthen human resource management and training, improve internal management procedures, upgrade information technology and computer infrastructure, and implement a state contracting system for procurement. The program is designed to enhance performance in areas of supervision, audits and citizen participation.

Prefeasibility Studies of the Azufral Geothermal Field
($1.5 million grant from the Japanese Trust Fund for Consultancy)

Colombia has an estimated 1,000 MW of untapped potential in terms of installed electric power generation capacity. The country's largest geothermal field is in the Azufral area in Tuquerres in the Department of Nariño. This grant will finance a series of geoscientific, environmental, economic, financial and social analyses to determine the technical and economic viability of developing Azufral's geothermal resources for power generation. Study results would determine in part whether exploratory drilling could go forward.

Streamlining Administrative Procedures
($1.9 million MIF grant)

This project will help establish business service centers in six Colombian cities (Bogotá, Barranquilla, Bucaramanga, Cali, Cartagena and Medellín). The centers will expedite the process by which informal sector enterprises are brought into the formal business sector, and will improve entrepreneurs' access to information on the procedures that need to be followed.

Export Promotion through Internet Market Information
($1.5 million MIF grant)

This program will increase exports of non-traditional products in Colombia by improving, expanding and publicizing the content of the Intelexport system. The program will also promote and facilitate the provision of services to exporters.

Clean Technology Program
($1.4 million MIF grant)

The goal of this project is to increase the competitiveness of small and medium-sized enterprises by promoting adequate environmental management and a clean production culture. The project also looks to bolster competitiveness in the markets and promote compliance with environmental guidelines.

Uva Isabella Agro-Business
($1.1 million MIF grant)

This program will consolidate the Isabella grape agribusiness production chain in the Cauca Valley, thereby contributing to the economic recovery of small producers in the region. The program will promote entrepreneurial self-management among the region's grape growers and strengthen CorpoGinebra, the grape growers' association. It will also strengthen marketing by adapting and applying technologies for production, post-harvest handling and quality assurance.

COSTA RICA

In 2000, the Bank approved one loan to Costa Rica. On a cumulative basis, the Bank has made 94 loans totaling $2,082 million and disbursements have totaled $1,700 million.

Regularization of the Cadastre and Property Registry
($65 million loan from the OC)

Despite Costa Rica's efforts to modernize its cadastre and registry system, gaps and discrepancies remain in terms of the legal status of real estate. This program will establish a national cadastre for the country's estimated 1.2 million parcels of property and reconcile that information with the land property registry. The operation will systematically formalize property rights, strengthen the use of cadastral information by municipalities, prevent or resolve land disputes, and regularize indigenous reservation lands.

DOMINICAN REPUBLIC

In 2000, the Bank approved two loans and one MIF financing to the Dominican Republic. On a cumulative basis, the Bank has made 76 loans totaling $1,982 million and disbursements have totaled $1,354 million.

Program for Modernization of Secondary Education, Phase I
($52 million loan from the OC with an IFF interest rate subsidy, and $4.6 million from Taipei's ICDF)

This program will improve the quality of secondary education and increase access to it by reforming school management practices, providing teacher training and school materials, and optimizing the use of infrastructure. Classroom repairs and expansion will benefit an estimated 160,000 students, and 3,500 teachers will be trained in teaching methodologies and the use of diversified educational materials. Nearly 1.8 million textbooks will be produced and distributed, and technical assistance will help develop a new school-based management model that facilitates greater autonomy as well as pedagogical and administrative innovation.

Modernization of Congress and the Comptroller General's Office
($22.3 million loan from the OC with an IFF interest rate subsidy)

This program will strengthen the democratic process by improving the efficiency, transparency and evaluation of two key government institutions. Modern information technology and administrative systems will be installed for Congress, and special units created to provide advisory services on legislative, budgetary and macroeconomic matters. The Comptroller General's Office will benefit from a new legal framework and technical assistance to build an effective national fiscal audit system.

Financial Sector Supervision
($1.3 million MIF grant)

This program will enhance the quality of financial intermediary regulation and oversight, with particular emphasis on banks. The program will support adjusting laws, regulations and inspection techniques to the needs and characteristics of the country's financial system. Oversight will be made more efficient by improving human resources management and bringing in modern information systems.

ECUADOR

In 2000, the Bank approved five loans, one technical cooperation operation and one MIF financing to Ecuador. On a cumulative basis, the Bank has made 160 loans totaling $3,664 million and disbursements have totaled $3,231 million.

Investment Sector Program
($150 million loan from the OC and $150 million in cofinancing from the World Bank)

Fast-disbursing resources provided through this program will support macroeconomic stabilization while protecting social expenditures that benefit the poor. The financing will help lay the groundwork for private sector participation in the power and telecommunications sectors, and support efforts to administer the assets of closed banks and restructure other institutions for privatization. Finally, the program will protect and improve the efficiency of key social services.

Support for the Population and Housing Census and the National Statistics System
($12.5 million loan from the OC)

Censuses are key sources of information for economic and social policymakers on such areas as employment, migration, housing, education, public health and social welfare. Technical assistance, training and equipment provided through this operation will ensure that Ecuador's 2001 census provides reliable data by using modern census technology, particularly for map updating, data processing and the dissemination of results. A household survey system will also be developed to produce data on living conditions and household income and expenditures.

Galapagos Environmental Management Program
($10.4 million loan from the OC with an IFF interest rate subsidy)

The unique flora and fauna of the Galapagos Islands have made the archipelago one of the world's most treasured marine and land ecosystems. But migration from the mainland, increased tourism and invasive species pose a mounting environmental threat. This program will implement a management plan for the Galapagos marine reserve; provide training for local fishermen and ensure their participation in the co-management of the reserve; establish a maritime security and control system; and support the control of entry and spread of exotic species. Control and quarantine facilities will be built and equipped for this purpose.

Rural Transportation Infrastructure
($9 million loan from the OC with an IFF interest rate subsidy)

Road repairs and institutional reforms supported by this project will lay the foundation for a sustainable road management model that ensures continuous access for poor rural communities to needed markets, social services and productive opportunities. Some 415 kms of rural roads will be repaired, with much of the work carried out by communities themselves. Technical assistance and training will help design a decentralized cofinancing framework for road management, strengthen subnational capacity for road maintenance, and encourage community participation in all stages of the project cycle.

Beneficiary Identification Mechanism for Social Programs
($4.5 million loan from the OC)

One of the challenges for effective social spending is to develop mechanisms to ensure that the beneficiaries of these programs are those who are most in need. This operation will help the Ministry of Social Welfare improve the targeting of its programs by establishing an objective and transparent system to identify and select the country's poorest families. A database will be developed with social profiles of all families requiring social assistance, allowing for more equitable and efficient allocation of scarce resources.

EL SALVADOR

In 2000, the Bank approved one loan and six MIF financings to El Salvador. On a cumulative basis, the Bank has made 96 loans totaling $2,518 million and disbursements have totaled $2,033 million.

Restructuring of the Salvadoran Social Security Institute (ISSS)
($5.8 million loan from the OC)

This loan will help the ISSS design, test and evaluate management instruments to develop new approaches to health insurance and to improve procedures for institutional reforms. To better incorporate the poor into the social security system, pilot projects will expand basic health coverage to informal sector groups, contract outpatient health services, and improve hospital management. The financing is the first under the Bank's new policy for flexible lending instruments for innovative operations.

GUATEMALA

In 2000, the Bank approved one technical cooperation operation and one MIF financing but no new loans were approved. The Bank has made 97 loans totaling $2,187 million to Guatemala. Cumulative disbursements have totaled $1,673 million.

Bank activities in 2000 focused on a dialogue with the new Government of Guatemala in resolving project implementation issues, assisting the government in meeting disbursement eligibility requirements for recently approved projects, and in financing important policy studies.

The Bank and the government carried out a dialogue on economic and sectoral issues which resulted in a request by the Guatemalan president to help prepare a poverty alleviation strategy with Bank financing. The Bank's country strategy consists of supporting the government in addressing the challenge of sustainable economic development, with an emphasis on poverty alleviation. The Bank's activities will focus on three strategic areas: economic growth, stability and competitiveness; equity, social protection and human capital; and modernization of the state and governance.

GUYANA

In 2000, the Bank approved one loan, one technical cooperation operation and one MIF financing to Guyana. On a cumulative basis, the Bank has made 36 loans totaling $702 million and disbursements have totaled $503 million.

Georgetown Waste Disposal Site Improvements
($900,000 TC loan from the FSO)

This operation will improve health and sanitary conditions in Georgetown by supporting environmentally safer disposal of solid waste at the Mandela Avenue site. Project resources will finance development of environmental improvements at the disposal facility, improve management capacity, and support public awareness campaigns.

Public Sector Modernization Program
($1 million grant from the FSO)

Technical assistance and training provided through this operation will design and provide a policy framework for public sector reform. Project resources will be used to train human resources for reforms, build consensus for the reform process, and improve baseline data and staff management systems and procedures.

Modernization of the Telecommunication Sector in Guyana
($1.1 million grant from the MIF)

This operation is intended to modernize the telecommunications sector of Guyana. Resources will be used to develop a strategy for the modernization of the telecommunications sector; reform the legal/regulatory framework; model the network and audit GT&T; develop outreach and training activities; and strengthen the regulatory agency.

HAITI

In 2000, no new loans were approved to Haiti. On a cumulative basis, the Bank has made 47 loans totaling $757 million and disbursements have totaled $535 million.

Throughout the year, the Bank developed a nonreimbursable technical cooperation program with resources from the Fund for Special Operations (FSO) for an amount slightly over $1.5 million. The Bank approved 13 technical cooperation operations for institutional development, risk management and disaster prevention, development of an economic and social strategy, arrangements for the 2001 Census, drafting of environmental planning, decentralization programs, local governing initiatives, and rural road planning programs, among others.

HONDURAS

In 2000, the Bank approved eight loans, two technical cooperation operations and two MIF financings to Honduras. On a cumulative basis, the Bank has made 121 loans totaling $2,090 million and disbursements have totaled $1,690 million.

Revitalization of the Rural Economy
($30 million loan from the FSO)

This program will strengthen the rural economy and reduce poverty by improving the competitiveness of the agricultural sector. Resources will finance demand-driven investments in rural roads, telecommunications and electricity, as well as improvements in plant and animal health and food safety services. Investments will be made in rural business centers and the initial processing of primary products.

Supplementary Financing for Road Infrastructure
($26.8 million loan from the FSO)

This loan supplements an emergency operation approved by the IDB for Honduras in January 1999 in the wake of Hurricane Mitch. The additional resources will finance repairs of over 100 kms of primary and secondary roads, including damage to the Tegucigalpa-San Pedro Sula highway. The program will also finance construction and repairs of bridges, as well as equipment and consultancy services to strengthen the Ministry of Public Works, Transport and Housing.

Poverty Reduction and Local Development Program
($25 million loan from the FSO)

Many social projects selected through municipal social investment plans in Honduras in 1998 are still awaiting full financing because of the devastation caused by Hurricane Mitch. This operation will ease that backlog by financing small-scale infrastructure projects, many of them in limbo since the hurricane, for education, health and sanitation, road and bridge construction or repairs, and environmental protection. Pilot programs will also strengthen municipal capacity and encourage participation by residents in project planning, operation and maintenance.

Third-Level Basic and Secondary Education Reform
($23 million loan from the FSO)

Primarily due to problems of access, only 12 percent of 6th graders in rural areas of Honduras advance to the 7th grade. This program will increase coverage of third-level basic education by adapting and building facilities to accommodate grades 7-9 into primary schools that now go only up to 6th grade. Primary schools that devise school development plans will be eligible for teacher training, textbooks, supplies and infrastructure. In addition, pilot programs in six secondary schools that currently include grades 7-12 will implement new curriculum and more autonomous administrative systems.

Modernization of Procurement Systems
($14.58 million loan from the FSO)

By improving government procedures and tightening management, this program will support more efficient and transparent public sector procurement. The program will strengthen the government's internal control system for investment projects, develop a national training system for procurement management, and support design and implementation of a new and modernized national procurement system.

Reconstruction Preinvestment Program
($12 million loan from the FSO)

Since Hurricane Mitch devastated much of Honduras in 1998, the international community has pledged substantial resources to help the country rebuild. Preinvestment studies and technical assistance under this program will help Honduras best use and coordinate available resources, particularly for social services and infrastructure such as water supply, sewerage, housing and roads. The studies will prepare projects to be carried out under the country's Master Plan for Reconstruction and Transformation. Training will be provided in project preparation, management and evaluation.

Comprehensive Pilot Program to Fight Urban Poverty
($8.1 million loan from the FSO)

This operation will finance innovative pilot programs to help the most vulnerable among the poor in Tegucigalpa, particularly children. It will finance early stimulation and nutrition programs for preschool children, particularly those of working women, as well as vocational training for adolescents who have dropped out of school. Cultural activities in music, the arts and theater will foster the social development of at-risk children and adolescents. A citizen outreach program will help identify alternatives for transient poor groups and for the use of public spaces in Tegucigalpa's historic city center.

Modernization of the Honduran Congress
($2.6 million loan from the FSO)

Technical support provided by this program will help to consolidate the democratic process by strengthening the legislative, oversight and representation functions of the Congress. The program will establish a technical advisory system for legislative committees, modernize legislative procedures, create citizen participation mechanisms, and develop a legislative information system.

Strengthening Legal, Regulatory and Financial Frameworks
($1.46 million MIF grant)

This program will broaden the ongoing financial sector reform process in Honduras and incorporate applicable international banking and insurance standards. The program will strengthen the regulatory and prudential framework of the financial system, and bolster training systems of the Honduran Association of Banking Institutions and the Honduran Chamber of Insurance Companies.

Competitiveness Program for the Apparel Sector
($1.1 million MIF grant)

This project will labor improve productivity in the apparel sector by creating an in-service training system for garment workers and middle management. The program is designed to augment the comparative advantage enjoyed by the country's apparel industry by raising productivity and improving working conditions.

JAMAICA

In 2000, the Bank approved three loans to Jamaica. On a cumulative basis, the Bank has made 76 loans totaling $1,547 million and disbursements have totaled $1,271 million.

Financial Sector Reform
($150 million loan from the OC, with $30 million in parallel lending from the Caribbean Development Bank and $75 million in parallel cofinancing from the World Bank)

This program aims to strengthen the financial sector and reduce its vulnerability to future crises. The operation will support improved supervision of the financial system by enhancing the enforcement and adjudication capacity of government authorities and improving coordination between them. It will also assist in the disposition of financial assets by the government agency charged with resolving issues of intervened financial institutions.

Basic and Primary Education
($31.5 million loan from the OC with $4 million in cofinancing from the OPEC fund and an IFF interest rate subsidy)

This program will strengthen primary school education by revising curriculum and national assessment standards, improving teacher training, and upgrading the quality of educational services provided to children from poor families. Resources will be used to acquire textbooks, implement literacy programs in targeted schools, and promote innovative learning models such as interactive radio and information technology. Attendance will be increased through school-community partnerships, and 11 schools will be rebuilt or repaired.

Agricultural Support Services
($22 million loan from the OC)

Critical support services financed by this program will help increase the competitiveness of the agricultural sector in domestic and global markets and raise the incomes of agricultural producers. Training, equipment and technical assistance will improve animal and plant health and food safety systems. Agricultural extension, research and marketing services will be developed, including five new Agribusiness Development Units to link service providers with producers. Specific productive projects that exploit opportunities in nontraditional agricultural sectors will also receive financing.

MEXICO

In 2000, the Bank approved seven loans and four MIF financings to Mexico. On a cumulative basis, the Bank has made 170 loans totaling $13,879 million and disbursements have totaled $11,177 million.

Housing Finance Program
($505 million loan from the OC)

Mexico's system for financing mortgages and housing subsidies for middle- and low-income families will be improved and expanded under this program. The financing will enable the government to originate some $1 billion in market-rate mortgages and grant $120 million in up-front subsidies to defray down payments, helping an estimated 60,000 families obtain affordable loans. Technical assistance will consolidate reforms of the second-tier mortgage finance institution that will run the program, facilitating more diverse mortgage products, a new housing subsidy policy, and better access to financing from capital markets.

Multisector Global Credit Program
($300 million loan from the OC)

Credit from the banking system to the private sector in Mexico fell by more than 20 percent over the past five years. Hard hit by the decline have been microenterprises and small and medium-sized businesses (MSMEs), which account for some 70 percent of national employment. This operation will expand the supply of formal credit services geared to MSMEs. Credit will be channeled through eligible financial intermediaries using auction, rediscount and credit supplier programs. Technical assistance to lenders will focus on improving competitiveness, transferring technology, and developing new credit distribution channels.

Restructuring the Banking System
($250 million loan from the OC and $505 million in cofinancing from the World Bank)

This program will support the consolidation of reforms designed to promote the continued safety and soundness of the banking system. Specific goals are to strengthen the legal and regulatory framework, transfer shareholding ownership of banks to the private sector, support the recovery of bank loans and assets resulting from restructuring and portfolio purchases, and implement a viable system for financing costs involved in stabilization of the banking sector.

Labor Market Modernization (Phase II)
($200 million loan from the OC)

This program will support efforts to bring labor policies in line with the long-term strategies developed in Phase I to increase labor productivity. The operation will support mechanisms to decentralize training for small businesses, establish a training grant program for the unemployed with an emphasis on private sector participation, promote development of information networks and administrative systems to modernize workplace practices, and support policy evaluation and institutional development.

Monterrey III Power Generation Project
($75 million loan from the OC with "B" loans totaling $382 million)

This project will finance construction of a combined-cycle natural gas, 1,000 MW power plant to supply electricity to private companies and to the national electricity commission. Transmission facilities, a cogeneration unit, and a wastewater treatment plant will be built, all designed to use clean fossil fuels to competitively meet growing electricity demand. The loan to Iberdrola Energía de Monterrey is the largest private sector financing ever approved by the Bank.

Vitro Cogeneration Power Plant
($45.5 million loan from the OC with a "B" loan of $91 million)

The 245 MW gas-fired Cogen Vitro facility financed through this project will be Mexico's first private power plant designed to sell electricity directly to industrial clients. The plant will be built and operated near Monterrey by Enron Energía Industrial de México. The project will provide an efficient and clean base load source of energy in an area of rising demand, mobilize private sector investment, and support efforts to develop a self-sustainable electricity sector.

Bajío Gas-Fired Power Project
($23 million loan from the OC with a "B" loan of $113 million)

This 600 MW combined-cycle power plant will provide electricity to the federal energy commission. Located in San Luis de la Paz in Guanajuato State, 160 miles northwest of Mexico City, the plant will be built and operated by Energia Azteca, a private company. The project is designed to provide an efficient base load source of clean energy, and to increase private investment in the power sector. The surplus power produced will be sold to industrial users.

Investment Fund for Small Business
($5 million equity fund from MIF)

This project will complement MIF's other investments in Mexico by pursuing different objectives, investment sizes and market niches. The MIF developed the idea of a Mexican venture fund with ZN Mexico Venture Capital Management in order to create an attractive investment vehicle that would leverage MIF resources with those of the private investor on behalf of Mexican small enterprises.

Professionalizing NGOs as Providers of Services
($2 million MIF grant)

This project will expand the supply of services and training to NGOs by developing new curricula, training trainers, and testing a regional-based model for delivering and expanding training and technical assistance to NGOs. The project will also consolidate the model and plan for the development of a larger nationwide system.

Industrial Integration Program
($2 million MIF grant)

This project will improve the productivity and competitiveness of small businesses and microenterprises, as well as integrate them into the national productive structure, by promoting cooperation among them and linking them with larger businesses.

Mediation and Arbitration
($1.35 million MIF grant)

By establishing a modern alternative dispute resolution system, this program will strengthen the Arbitration and Mediation Centers to ensure standardized practices and guarantee efficient and high-quality service. The long-term goal is to assist the private sector in developing a system that provides efficient, flexible, effective and transparent settlement of disputes and helps reduce the backlog of cases in the court system, without slowing the momentum achieved thus far under federal legislation on commercial arbitration.

NICARAGUA

In 2000, the Bank approved eight loans and three MIF financings to Nicaragua. On a cumulative basis, the Bank has made 105 loans totaling $1,663 million and disbursements have totaled $1,266 million.

Program to Fight Poverty and Strengthen Local Capacity
($50 million loan from the FSO)

This program will finance social infrastructure and services in poor communities and support mechanisms to help local governments participate in project planning. Resources will be used to repair and equip schools and health centers, install potable water and sanitation facilities, build shelters and day care centers, and carry out environmental projects such as reforestation and drainage works. Training and technical assistance will help local officials develop investment plans and manage project cycle responsibilities, as well as ensure project participation by women and other vulnerable groups.

Efficiency and Transparency in Government Procurement
($18 million loan from the FSO)

Public confidence in competitive bidding on government programs is particularly important as Nicaragua rebuilds after Hurricane Mitch. Training and technical assistance under this program will strengthen the government's internal oversight and management systems. A system of project inspections will address technical, financial, administrative, procedural and control issues, including supervision of construction works. Training and procurement management support, including assistance with information systems, will be provided to seven principal government agencies.

Environmental Sanitation Program for Managua
($15 million loan from the FSO with $25 million in cofinancing from Germany's KfW)

This financing supplements a 1996 Bank loan to build a wastewater treatment plant, repair and expand sewerage facilities, and clean up Lake Managua. The additional financing is required because of design modifications in the wake of Hurricane Mitch in 1998. Resources will be used primarily for extension of the sewage collector and conveyance system to the new Benito Escobar treatment plant. This will facilitate installation of household connections, particularly in low-income neighborhoods.

Implementation of the Poverty Reduction Strategy
($10 million loan from the FSO)

This operation was approved under the Bank's new flexible lending mechanism that allows for rapid processing and approval for innovative loans. It will support pilot projects that encourage a coordinated and targeted effort to reach quantitative poverty reduction goals. The projects will focus on integration of the rural economy, basic education, primary preventive health care, and protection of vulnerable groups such as children and the elderly. Technical assistance, training and equipment provided at the national and municipal levels will strengthen institutional capacity to develop and implement these projects.

Social Safety Net
($9 million loan from the FSO)

This operation will help the poorest among the country's population by providing food and education subsidies, training for family nutrition and health, and immunizations and growth monitoring for small children. The program, part of Nicaragua's ongoing response to the devastation caused by Hurricane Mitch, will be carried out by the nation's Emergency Social Investment Fund.

Modernization of the Municipality of Managua
($5.67 million loan from the FSO)

By promoting modernization, institutional strengthening, decentralization, and public participation in local projects, this operation will improve municipal services in the nation's capital. The loan will finance upgrades in roads and water, sewerage and waste collection services in poor neighborhoods. Improvements in strategic planning, tax administration, financial planning and information systems will increase the efficiency and transparency of city services.

Modernization and Accreditation of Tertiary Education
($3.84 million loan from the FSO)

This program will upgrade the quality and relevance of tertiary education by improving ties with other institutions, modernizing university management, and implementing evaluation procedures. The program will finance a series of projects that link tertiary education to productive sectors such as agriculture and tourism, and to secondary and technical schools through training and curriculum development. University workshops and training will lay the foundation for establishment of a national accreditation system.

Strengthening the Ministry of Family Affairs
($1 million loan from the FSO)

Nearly half the Nicaraguan population lives in poverty, including particularly vulnerable groups such as children, female heads of households, and poor people living in certain regions. This operation will help the ministry assist these groups more effectively by contracting out services to civil society organizations, and by restructuring the ministry itself. Training, technical assistance and new information technology will help bring policy formulation, regulation and sector coordination in line with ministry goals to help the poor.

Health Regulatory Reform
($1.7 million MIF grant)

This program will support and promote private sector participation in the health care services market in Nicaragua by improving and broadening existing regulations and creating a more stable and predictable investment climate conducive to government contracting. The project will have a direct impact on the development of medium-sized and small businesses through technical assistance and training.

PANAMA

In 2000, the Bank approved two loans, one technical cooperation operation and two MIF financings to Panama. On a cumulative basis, the Bank has made 109 loans totaling $1,918 million and disbursements have totaled $1,332 million.

La Chorrera Power Project
($20.3 million loan from the OC with a "B" loan of $39.5 million)

Electricity demand in Panama is forecast to grow at an annual average rate of 6 percent in the years ahead. This operation will boost energy supply by financing construction and operation of a 96 MW power plant about 35 kms southwest of Panama City. The plant will be powered by six Wartsila fuel oil generators. The financing for Pan Am Thermal Generating Limited (PATG) is the IDB's first private sector loan in Panama. PATG has a five-year power purchase agreement with Panama's largest privatized power distributor, which supplies the most populous concession area in the country.

Science, Technology and Innovation Center
($3.3 million loan from the OC)

This operation will strengthen the City of Knowledge Foundation (CK), a private, nonprofit group that is developing a science and technology center in the Inter Oceanic Region, formerly the Panama Canal Zone. Enterprises located in the park have direct contact with research, consulting and training opportunities designed to develop new skills and facilitate global competitiveness. The loan will help CK renovate information technology, implement a corporate-style organizational structure, and develop a marketing plan.

Sustainable Development Strategy for the Panama Canal Watershed
($1 million grant from the Japan Special Fund)

The operation will support decision-making processes with regard to natural resource management in the Panama Canal watershed, home to forest reserves as well as significant biodiversity. Technical assistance, consulting services and workshops will strengthen management capacity, establish basic standards, and analyze various development plans, culminating in creation of a sustainable development strategy for the watershed area.

Entrepreneurial Participation in Clean Production
($1.2 million MIF grant)

This program will improve the competitiveness of small and medium-sized enterprises through the development and implementation of environmental management instruments. The project will develop the regulatory framework based on the General Environment Act and related regulations, as well as promote the use of clean production systems by working directly with companies.

PARAGUAY

In 2000, the Bank approved six loans, three technical cooperation operations and one MIF financing to Paraguay. On a cumulative basis, the Bank has made 105 loans totaling $1,713 million and disbursements have totaled $1,230 million.

Western Integration Corridors Program
($100 million from the OC with $60 million in cofinancing from the Andean Development Corporation)

A number of key highways in the isolated Chaco region of western Paraguay will be upgraded through this highway improvement program. The program will improve nearly 500 kms of the Transchaco Highway and pave sections of highway between Mariscal Estigarribia and La Patria and between the latter and the Bolivian border. The improvements will cut travel time by a third and make some 900 kms of roadway usable all year around.

Strengthening Basic Education Reform
($40 million loan from the OC)

This program will improve the quality and equity of basic education through investments in teacher training, infrastructure, classroom materials and equipment. Improvements in 600 of the country's largest schools will promote greater autonomy in resource management and support new educational approaches. A pilot program will implement bilingual education in 1,000 rural primary schools in order to reduce repeater and dropout rates.

Modernization and Diversification of Small-Scale Farming
($10 million loan from the OC)

This financing will support new approaches to the production and marketing of fruits and vegetables by small farmers in order to increase their competitiveness and incomes. Technical assistance and grants will support changes in technology, production, processing, marketing and management in the agroindustrial chain, including creation of an integrated commercial marketing system.

Support for the 2002 National Population and Housing Census
($9.2 million loan from the OC)

Up-to-date census data helps policymakers shape a country's economic and social programs. This operation will ensure that Paraguay's 2002 census is conducted efficiently, effectively and on schedule. Technical assistance and equipment during the pre-census phase will support planning and organization, map updating, trial runs, training and public information campaigns. Funding will also be used to hire field personnel to collect data, process returns, and evaluate and release census information.

National Environmental System
($8 million loan from the OC)

This program will provide institutional support to better manage Paraguay's environment. It will develop mechanisms to sustainably finance projects, devise a new environmental legal framework, coordinate formulation of policies and regulation, and improve enforcement. Consulting services, information systems and other technical support will strengthen a national network of public agencies and private groups working to address the country's environmental problems. And a new environmental investment fund will finance high priority investments in environmental control and the preservation of biodiversity.

Modernization and Strengthening of Fiscal Management
($6 million loan from the OC)

This operation will support modernization of the state by strengthening two agencies responsible for fiscal management: the National Customs Office and the Subsecretariats of State for Financial Management and Taxation. To increase revenue collection and make public resource management more efficient, the program will improve the procedural and regulatory framework, organizational structures, and internal processes and procedures.

National Anti-Corruption Plan
($605,000 grant from the FSO)

This program will develop institutional monitoring and control mechanisms to help reduce corruption in the public sector. Training and workshops will support implementation of Paraguay's national anti-corruption plan, which focuses on institutional reforms to modernize public management and make it more transparent, increase participation by civil society, improve inter-institutional coordination and the legal framework, and implement public awareness campaigns.

Support for the Development of Public Procurement
($1.26 million MIF grant)

This program will help develop and implement a national government procurement system to reduce public spending, strengthen the legal security of government procurement, and ensure efficiency, transparency, open competition, and due process in procurement practices.

PERU

In 2000, the Bank approved three loans, three technical cooperation operations and five MIF financings to Peru. On a cumulative basis, the Bank has made 154 loans totaling $5,443 million and disbursements have totaled $4,455 million.

Sector Program for Public Finance Reform
($200 million sector loan and $6.5 million TC loan from the OC)

Fast-disbursing resources provided through this operation will support ongoing public finance reforms aimed at permanent fiscal stability, an efficient tax system, improved allocation and productivity of public resources, and better performance of deconcentrated public agencies. The program will support fiscal controls and modern management systems within the central government as well as entities that have been decentralized.

Program to Improve the Quality of Secondary Education
($120 million loan from the OC)

This program will strengthen secondary education by improving the quality, coverage and links to the labor market. Resources will support implementation of new curriculum aimed at developing specific skills, strengthen school management and professional development, increase educational resources, and encourage innovative approaches. The operation will also support implementation of a new level of secondary education (the *bachillerato* or high school).

Redesur Transmission Lines Project
($18.3 million loan from the OC with a "B" loan of $34.7 million)

This project will upgrade the distribution of electricity in southern Peru by financing the construction and operation of transmission lines and related electrical facilities. Transmission lines covering 445 kms will be built between Moquegua and Socabaya, Puno and Tacna. New substations will be built in Puno and Tacna and other substations expanded. The loan is to Redesur, a private company that was awarded a 30-year concession. The syndicated or "B" loan will include funds from financial institutions under subscription of participation agreements with the Bank.

Strengthening Competitiveness of Small and Medium-sized Enterprises (SMEs)
($1.6 million MIF grant)

The project will boost competitiveness of SMEs through the use of ISO 9000 standards and the internationally recognized conformity assessment system. The project will strengthen the INDECOPI national standardization and accreditation system to help businesses use the conformity assessment system as a way to integrate into international markets.

Market Development for Sustainable Energy
($1.19 million MIF grant)

This project will strengthen the market supply of energy services by providing technical and financial training and business development services. It will also encourage demand for this type of service through promotional activities targeted at industries with the highest energy intensity indices.

Tecsup Technological Distance Training Project
($1 million MIF grant)

This program will boost productivity and instill new practices and technologies through the creation of a virtual campus for distance technology education. The virtual campus will use modern communication systems to make available more training and continuing education services that are geared to the needs of the business sector.

SURINAME

In 2000, the Bank approved one loan to Suriname. On a cumulative basis, the Bank has made nine loans totaling $59 million and disbursements have totaled $36 million.

Community Development Fund
($10.3 million loan from the OC with $2.2 million in cofinancing from the Agence Française de Développement, support from the Japan Special Fund and the Canadian Technical Assistance Fund, and an IFF interest rate subsidy)

Resources provided through this operation will finance small-scale and locally generated projects in the country's poorest communities. The projects will be in such areas as health care, basic education, water and sanitation, electricity, transportation and productive infrastructure. Resources will also be used for training, capacity building and technical assistance.

TRINIDAD AND TOBAGO

In 2000, the Bank approved three MIF financings to Trinidad and Tobago. On a cumulative basis, the Bank has made 32 loans totaling $1,017 million and disbursements have totaled $636 million.

Dynamic Equity Fund
($3.37 million MIF equity investment)

This project will establish a small business equity fund to provide equity financing and fund managerial assistance to 15-20 small enterprises in their early or expanding stages of growth. The fund's success is expected to attract other domestic and regional institutional and private investors to venture capital investments, and to support access to the stock exchange by small enterprises.

Consolidated Financial Sector Supervision
($1.18 million MIF grant)

The objective of this program is to promote a sound and stable financial market by integrating supervision of insurance companies and pension plans with that of banking institutions. Technical assistance will be provided to support this integration process through the modernization of the legal and regulatory framework.

URUGUAY

In 2000, the Bank approved three loans and one MIF financing to Uruguay. On a cumulative basis, the Bank has made 107 loans totaling $2,322 million and disbursements have totaled $1,906 million.

Technology Development Program
($30 million loan from the OC)

This program aims to improve the competitiveness of the productive sectors by strengthening the capacity for research, innovation and scientific and technological development. The operation will finance projects to boost efficiency through innovations in production, management and distribution; support public and private research and development activities, particularly those that strengthen links with productive processes; and provide training and other institutional strengthening projects for the national innovation system.

Enhancing Competitiveness of the Livestock Sector
($7.7 million loan from the OC)

This program will support the adoption of innovative business plans all along the livestock production chain, particularly by small and medium-scale sheep and cattle breeders. The program will help producers develop plans that promote increased competitiveness by encouraging efficiency and innovation. A variety of plans and partnerships will then be eligible for financing. The program will also support marketing campaigns to position new products or open up new international markets.

Strengthening the Judicial System
($6.1 million loan from the OC)

This program will modernize court services, reorganize and improve administrative procedures, and strengthen management of the Supreme Court. The aim is to help reduce case backlogs, reinforce the judiciary's institutional and technical capacity, and prepare the system for long-term institutional changes. A pilot project will establish a case management and tracking system in 50 judicial offices.

Small Enterprise Competitiveness through ISO Standards
($1.45 million MIF grant)

The objective of this program is to increase competitiveness and achieve measurable improvements in all aspects of business performance among small and medium-sized enterprises in Uruguay. The purpose is to raise awareness of the importance of ISO systems and to facilitate access by small enterprises to resources to implement ISO systems.

VENEZUELA

In 2000, the Bank approved three loans to Venezuela. On a cumulative basis, the Bank has made 75 loans totaling $4,078 million and disbursements have totaled $2,957 million.

Early Childhood and Adolescent Support Program
($30 million loan from the OC)

In April 2000, Venezuela passed comprehensive legislation to protect the rights of children and adolescents. This operation will help implement that legislation by financing social projects and by strengthening the public agencies responsible for carrying those projects out. Some 230 projects in 14 states will address such problems as drug abuse, teenage pregnancy, child abuse, and child labor practices. Technical assistance, training, studies, information systems and social marketing will strengthen the capacity of the various agencies involved, including municipalities and civil society organizations.

Emergency Program for Flooding and Landslides
($20 million loan from the OC)

The torrential rains that hit Venezuela in late 1999 and early 2000 caused an estimated 20,000 deaths and untold injuries and damage, particularly along the central coastal region between Caracas and La Salina. This emergency program is helping restore basic services to stricken areas by clearing debris, stabilizing or demolishing damaged buildings, and repairing bridges and water supply, sanitation and flood control systems. The program will also provide institutional support to develop a disaster prevention system.

Strengthening Rural Communities
($10 million loan from the OC)

This operation will finance repairs of small irrigation systems by the users themselves, a process designed to facilitate privatization of the facilities. The project will be carried out in the states of Mérida, Táchira and Trujillo by rural producer associations. They will have access to a capital financing facility to purchase equipment such as intakes, lines, desanders, pipes, and water storage tanks. The program will also finance studies and demonstration projects in such areas as marketing, environmental management and protection or recovery activities.

REGIONAL

In 2000, the Bank approved one loan, eight technical cooperation operations and eight MIF financings at the regional level. On a cumulative basis, the Bank has made 60 loans totaling $2,872 million and disbursements have totaled $2,013 million.

TGM Gas Pipeline Project
($40 million loan from the OC with a "B" loan of $30 million)

This project will advance energy integration in the Mercosur region by financing construction of a 437-km natural gas pipeline in northern Argentina to supply fuel to a power plant in Brazil. The project marks the first direct interconnection of the two countries' hydrocarbon networks. The 24-inch pipeline will be owned and operated by a private company, Transportadora de Gas del Mercosur. The pipeline will run from the Argentine province of Entre Ríos to the Brazilian border on the Uruguay River. A connection pipeline has been constructed on the Brazilian side to carry the gas to a 600 MW thermoelectric plant in Uruguaiana in the state of Rio Grande.

Support for the Administrative Secretariat of the Free Trade Area of the Americas (FTAA), Panama, 2001-2003
($3 million grant from the FSO)

The IDB is part of a tripartite committee of organizations established to provide technical, logistical and analytical support for ongoing negotiations to establish the FTAA. This operation will support the move of the FTAA Administrative Secretariat from Miami to Panama for the next two-year period. Resources will be used to contract consultants and to acquire the goods and services necessary for the secretariat to fulfill its official mandate to facilitate the negotiations.

Regional Integration in the New Millennium
($2 million grant from the FSO)

This operation will support efforts by the Institute for the Integration of Latin America and the Caribbean (INTAL) to strengthen the policymaking and negotiating capacity of the region's governments on trade and economic integration. Technical assistance, training and research will support border integration and other trade initiatives. The program will also finance forums on policy and integration matters, upgrading of INTAL's documentation and information systems, and publications.

Research Network
($1.5 million grant from the FSO)

Since 1990, the Bank has financed the Regional Research Network Project in order to strengthen formulation of economic and social development policy and research capacity. This grant will finance studies and analysis on competitiveness, including such issues as volatility and the impact of globalization on structural change, political economy and the social fabric.

Training Program for C and D Countries
($1.35 million grant from the FSO)

The aim of this program is to improve the technical capacity of national agencies involved in the design and implementation of projects financed by the Bank. The program targets the 19 countries in the region that are classified as either less developed or having limited markets. Courses will be offered covering all aspects of the project cycle. To institutionalize the training, workshops will be held for instructors on follow-up and evaluation, institutional analysis, and gender and environmental analysis.

Democratic Leadership Training
($1 million grant from the FSO)

This program will train Latin American and the Caribbean leaders in ways to strengthen democracy and human rights. The Organization of American States will administer the program. Courses will be offered through leading national academic institutions on theories of democracy, how democratic institutions work, political management and negotiation, democratic values and practices, and public participation. Publications on democracy will be disseminated throughout the region.

Women's Leadership for Good Governance Project
($950,000 grant from The Netherlands PROLEAD Trust Fund)

Women on average hold only 10 to 20 percent of congressional seats in Central America, and in some countries those numbers have even declined in recent years. This program will promote good governance and increase the number of women in civic and public life by developing and strengthening their critical leadership skills. Grants will be awarded to NGOs, women's organizations and educational and research centers to provide training, seminars, special events and publications.

Dental Health for Poor Children
($870,200 grant from the Japan Special Fund)

This program will evaluate a low-cost technique to restore decayed teeth known as atraumatic restorative treatment (ATR). Health workers at schools can apply the treatment, which involves using a glass ionomer as a sealant and filler. Workshops will be held to train field staff in the technical and clinical aspects of ATR as well as conventional dental services. The program will be carried out by the Pan American Health Organization in Ecuador, Panama and Uruguay.

Diffusion of Information Technologies in Social Programs
($500,000 grant from the FSO with parallel financing from the European Commission)

This program will encourage the use and application of information technologies that can help improve the impact and efficiency of social projects. Civil society organizations and public agencies responsible for social development will be eligible to apply for grants for research and development of information technologies, telecommunications and information systems, data management, computer systems, and planning and monitoring systems.

CleanTech Fund
($11 million MIF grant)

The purpose of this program is to create an equity fund that will support businesses that use environmentally efficient industrial and commercial processes, including procedures and technologies that do not pollute. The fund will respond to the growing need for investment capital in clean technologies in a range of sectors, an area that has not been sufficiently developed in the region.

Recovery from National Disasters
($10 million MIF grant)

This program will establish a mechanism to guarantee the availability of easily accessible contingency resources to help microenterprises recover from emergencies. It will also support regulated and unregulated private microfinance institutions in the development of mitigation mechanisms to bolster their clients and their financial and operational self-sustainability in the face of this type of crisis.

Equity Investment in a B2B Incubator for Small and Medium-size Enterprises
($6 million MIF equity investment)

This project will support the development of new enterprises in the information technology sector, especially Business to Business (B2B) related to small enterprises. The beneficiary of the equity investment, Worldcap Internet Solutions Ltd. (WCIS), an Internet B2B network, will in turn invest in information technology initiatives by small businesses in the region. The MIF will deepen WCIS's current mandate by requiring it to invest at least $12 million in financing early stage companies and related services that meet MIF criteria.

Civil Aviation Safety Initiative
($4 million MIF grant)

This project will strengthen the institutional and regulatory framework for air transport safety as a means to improve the economic competitiveness of Central America, Panama, Haiti, the Dominican Republic and Belize. It will also modernize the Civil Aviation Authorities and help them comply with international and national safety standards, as required by International Civil Aviation Organization audits.

Customs-Related Business Facilitation Measures
($3 million MIF grant)

This project will contribute to economic integration both within Latin America and the Caribbean and with the rest of the world through the coordinated adoption of selected measures for facilitating trade by means of improved customs procedures.

Promotion of Entrepreneurship and Venture Capital
($1.75 million MIF grant)

This project will strengthen the institutional capacity of Endeavor Initiatives in Chile and two other countries in the region by implementing Endeavor's methodology for developing new entrepreneurial ventures, particularly high-growth startups. Endeavor is a network of nonprofit institutions with affiliates in Latin America that has developed methodologies for developing entrepreneurship and new ventures in various sectors by taking advantage of new technologies, particularly information technology.

Regional Employment Program for the Blind
($1.4 million MIF grant)

The objective of this program is to help the blind in Argentina, Chile and Uruguay to find jobs. The program will offer training and strengthen organizations that provide these services to the blind. Training activities will be geared toward employment opportunities that will be identified during the program by placement officers trained to find employment opportunities for the blind in each country.

Energy Sector Regulatory Training for the Southern Cone
($1.4 million MIF grant)

This program will help consolidate energy sector reform in the countries of the expanded MERCOSUR by strengthening training for regulators and adapting it to the demands of regulatory bodies and the energy market. It will serve as a catalyst for a network of institutions providing training, and will also promote cooperation among regulatory bodies and academic centers through the design and implementation of training programs for regulatory agents in the energy sector in Argentina and Brazil.

Technical Cooperation

The Bank's Technical Cooperation (TC) Program traditionally has been an important vehicle to address constraints to economic development and to carry out complex social reforms. Increased attention is being paid to local development, sustainable public institutions, and social sector reform programs. Technical cooperation has also proved to be an effective vehicle for sharing technical knowledge and experience among countries of the region. Critical support is also provided for development of the project pipeline and for design and preparation of the Bank's lending program. The regional focus of the Bank's TC program has channeled valuable assistance to initiatives and fora that strengthen regional dialogue on poverty and other development issues, such as integration, trade and the environment.

The resources used by the Bank to finance the nonreimbursable technical cooperation program come from the net income of the Fund of Special Operations and from donor trust funds. Commitments for the nonreimbursable TC program totaled $66.7 million in 2000. Of that amount, resources from the FSO net income financed $37.3 million, while resources from the donor trust funds provided $29.4 million, reflecting their increasing role in financing the program.

National

National TC operations accounted for $46 million in 2000. The main beneficiaries of the program have been countries in the C and D groups. Approvals for those countries totaled $29.4 million or 64 percent of the TC program.

The national TC program financed several general areas of activities during the year, including:

• Stepped-up efforts to address poverty, including assistance in the design of social safety programs and development strategies for Colombia, Guatemala and Haiti, as well as intensified support for microenterprise development in Belize and Honduras.

• Significantly increased involvement in social sector reform programs. Innovative approaches to education and stronger preschool education were introduced in the Dominican Republic, Ecuador, El Salvador, Paraguay and Suriname.

• Priority support for reform and modernization of public agencies at the national and local levels. Decentralization ef-

TABLE VII. Nonreimbursable Technical Cooperation[1]

(In thousands of U.S. dollars)

Country	2000	1961-2000
Argentina	$ 263	$ 66,153
Bahamas	25	17,724
Barbados	33	20,708
Belize	704	5,445
Bolivia	2,493	68,883
Brazil	3,183	141,608
Chile	756	9,006
Colombia	3,284	48,380
Costa Rica	823	40,649
Dominican Republic	2,136	43,965
Ecuador	2,276	50,861
El Salvador	2,101	41,087
Guatemala	2,438	40,633
Guyana	1,587	44,342
Haiti	1,770	44,560
Honduras	3,016	44,746
Jamaica	545	29,126
Mexico	1,237	15,646
Nicaragua	2,525	61,951
Panama	2,354	30,738
Peru	2,985	75,461
Paraguay	2,996	53,422
Suriname	821	21,722
Trinidad and Tobago	154	19,229
Uruguay	579	27,061
Venezuela		11,172
Regional	25,631	597,400
Total	**$ 66,715**	**$1,671,678**

[1] Does not include Small Project financings.

forts were strengthened in El Salvador, Guatemala, Honduras, Nicaragua and Panama. In Brazil and Ecuador, significant advances were made in natural resource and environmental management.

Regional

In 2000, the Bank approved 81 regional technical cooperation operations totaling $20.7 million. The operations included trade and integration; macroeconomic and financial policy; poverty and social safety nets; education and human resources; public policy management and transparency; natural disaster management; the environment; and public health and epidemiology.

Projects to combat poverty and support social protection networks centered on defining strategies to reduce inequality, and on broadening the spectrum of economic opportunities for the poor. Central issues in this area of technical cooperation were addressing social exclusion, promoting women's leadership roles, incorporating disabled persons into the development process, and strategically strengthening microenterprise development.

In education and human resource development, regional efforts focused on combating inequality and improving access to education. The systematization and dissemination of innovative practices was promoted in such areas as teacher training and the design and use of performance measuring tools and educational indicators at a regional level. Support was also provided to establish an engineering school accreditation program in Central America.

In the area of management and transparency of public policy, operations approved on a regional basis supported the democratic process through initiatives to improve governmental performance. This included training of public officials in critical sectors and institutional strengthening of civil society organizations.

Trade and integration was also an important area for regional technical cooperation. Bank-financed projects supported hemispheric trade negotiations and the strengthening of the policymaking and negotiating capacity of governments in the trade area.

For further information, see www.iadb.org/goto.pl?tc

Based on an initiative for regional policy dialogue set out in the Institutional Strategy, the Bank identified demand on the part of Latin American and Caribbean countries for forums for high-level cabinet officials to compare experiences, learn about practices outside the region, and explore areas for regional cooperation related to a globalized economy.

The Board of Executive Directors approved the purpose, objectives, and operation of the regional policy dialogue initiative, authorizing Management to launch policy dialogue activities in three priority areas: (i) poverty and social protection networks; (ii) trade and integration; and (iii) education and human resource training.

Cofinancing

In 2000, 16 IDB-supported projects were cofinanced for an amount of $1,888.5 million. Bilateral sources provided $53.9 million and multilateral institutions $1,835 million.

The German Agency for Technical Cooperation (GTZ) provided $1.6 million on concessional terms for the Agricultural Services Program in Bolivia. Germany's Kreditanstalt für Wiederaufbau (KfW) provided $10 million for the Potable Water and Sanitation Program in El Salvador, $25 million for an Environmental Program for Lake Managua and the City of Managua in Nicaragua, both on concessional terms, and a $7.5 million grant for the Small Cotton Farm Development Program in Paraguay.

The International Cooperation and Development Fund (ICDF) of Taipei provided $4.6 million for the Modernization of the Congress of the Dominican Republic and

TABLE VIII. COFINANCING IN 2000

(In millions of U.S. dollars)

Country	Project	Source of finance: IDB	World Bank	Other funds (Multilateral/ Bilateral)	Cofinancier
Belize	Tourism Development	$11.0		$3.0	International Cooperation and Development Fund of Taipei (ICDF)
Belize	Health Sector Reform	9.8		1.6	European Commission
				4.7	Caribbean Development Bank (CDB)
Bolivia	Agricultural Services Program	34.0		1.6	German Agency for Technical Cooperation (GTZ)
Colombia	Emergency Reconstruction and Development Program	133.7	93.2		
Colombia	Financial Sector Reform	300.0*	506.0*	200.0*	Andean Development Corporation (CAF)
Dominican Republic	Modernization of Congress	22.3		4.6	International Cooperation and Development Fund of Taipei (ICDF)
Ecuador	Sectoral Investment Program	150.0	150.0	200.0	Andean Development Corporation (CAF)
El Salvador	Water and Sanitation Program	43.7*		10.0*	Kreditanstalt für Wiederaufbau (KfW)
Jamaica	Financial Sector Reform Program	150.0	75.0	30.0	Caribbean Development Bank (CDB)
Jamaica	Primary Education Program III	31.5		4.0	Organization of Petroleum Exporting Countries (OPEC)
Mexico	Restructuring the Banking System	250.0	505.1		
Nicaragua	Environmental Sanitation Program for Managua	15.0		25.0	Kreditanstalt für Wiederaufbau (KfW)
Nicaragua	Pan-American Highway	50.0*		5.0*	Organization of Petroleum Exporting Countries (OPEC)
Paraguay	Small Cotton Farm Development Program	25.6*		7.5*	Kreditanstalt für Wiederaufbau (KfW)
Paraguay	Western Integration Corridor	100.0		60.0	Andean Development Corporation (CAF)
Suriname	Community Development Fund	10.3		2.2	Agence Française de Développement (AFD)
TOTAL		**$1,336.9**	**$1,329.3**	**$559.2**	

* Approved prior to 2000.

$3 million for a Tourism Development Project in Belize, both on concessional terms.

In its first cofinancing with the IDB, the French Agence Française de Développement (AFD) provided $2.2 million on concessional terms to support Suriname's Community Development Fund.

On the multilateral side, the World Bank cofinanced five projects for a total of $1,329 million. Mexico received $505 million for restructuring its banking system, and Colombia $506 million for its Financial Sector Reform Program. Another $93 million was approved for Colombia's Emergency Reconstruction and Development Program, and $150 million for Ecuador's Sector Investment Program. Jamaica's Financial Sector Reform Program received $75 million.

The Andean Development Corporation (CAF) provided $200 million for Colombia's Financial Sector Reform Program, $200 million for Ecuador's Sector Investment Program and $60 million for Paraguay's Integration Corridors Project.

The European Commission is financing the Health Sector Reform Program in Belize with a $1.6 million grant. The Caribbean Development Bank (CDB) provided a soft loan of $4.7 million for the same project. The CDB also lent $30 million on concessional terms for the Financial Sector Reform Program in Jamaica.

For further information, see www.iadb.org/goto.pl?cofineng

The Organization of Petroleum Exporting Countries (OPEC) financed the Pan-American Highway Project in Nicaragua with $5 million and the Primary Education Program in Jamaica with $4 million, both on concessional terms.

Funds in Administration

Trust funds are an important source of additional financing for projects, particularly those that benefit the poor (See Table IX). The first trust fund, created in 1961, was entrusted to the Bank by the United States. Other funds include the Venezuelan Trust Fund, the Swedish Fund for Small Projects, the Spanish Quincentennial Fund, the Japan Special Fund, and the Swedish Fund for Governance, State Reform and Civil Society. In 2000, there were a total of 58 funds in administration, including two regional endowment funds.

The Japan Special Fund (JSF) continued playing a crucial role in providing financial resources for the Bank's technical cooperation activities in 2000. The JSF, which was created in 1988 and is one of the largest and oldest funds entrusted with the Bank, approved 21 projects totaling $11.5 million during 2000. In recent years the fund has extended its eligible criteria to include social protection, women in development, nutrition, health, education and the environment. New contributions in 2000 from the Japanese government to the JSF were 416 million Yen (approximately $3.6 million), making the total contribution 24,205 million Yen (approximately $197 million).

The Japanese Trust Fund for Consultancy Services (JCF) has become the largest of the 28 smaller TC funds managed by the Bank. In 2000 the JCF approved 13 projects for $4.6 million. While all sectors are eligible, the JCF has mainly focused on the environment, health, finance and economic infrastructure sectors. The 2000 contributions from Japan for this fund totaled 261 million Yen (approximately $2.3 million), and the cumulative contributions totaled 2,560 million Yen (approximately $22.2 million).

An evaluation of the JSF and JCF since their inception was conducted in 1999-2000. The preliminary analysis indicates that the two funds have had an important developmental impact. More than 80 percent of the JSF/JCF technical cooperation projects have led to a loan, thereby expanding and potentially improving the Bank's assistance to the region. Most of the funds committed provided support to C and D countries.

The Bank continued to administer the Japan-IDB Scholarship program with grant

TABLE IX. FUNDS IN ADMINISTRATION

Name	Date Established	Entrusted by	Currency	Contributions (US$ millions equivalent)	Sector Concentration or Purpose
Social Progress Trust Fund	1961	USA	USD	525	Agriculture, sanitation, education, social
Canadian Fund	1964	Canada	CAD	47.2	Physical infrastructure and other sectors
Venezuelan Trust Fund	1975	Venezuela	USD VBO	400 100	Integration, natural resources, industry, exports
Norwegian Development Fund for Latin America	1987	Norway	USD	2.0	Low-income groups, health, education, agriculture, small scale industry
Japan Special Fund	1988	Japan	JPY	197	Technical assistance, small projects, emergency assistance
Spanish Quincentennial Fund	1990	Spain	EUR	83.8	Technical education, agriculture, health, communications, urban development
Trust Fund for Belgian Consultants	1991	Belgium	EUR	3.1	Technical assistance in support of the preparation of projects
IDB Graduate Scholarship Program	1991	Japan	JPY	17.3	Scholarship for advanced studies
Portuguese Technical Cooperation Fund	1991	Portugal	EUR	2.1	Technical Assistance, scholarships and training
Swedish Fund for Small Projects & Technical Assistance for Latin America	1991	Sweden	USD	5.0	Small projects financing for low-income groups
Austrian Technical Cooperation Trust Fund	1992	Austria	USD	0.6	Preparation, execution and supervision of projects
Israeli Consultant Trust Fund (Bank of Israel)	1992	Israel	USD	0.6	Preparation and appraisal of economic and social development projects.
Italian Consulting Firms and Specialized Institutions	1992	Italy	USD	8.7	Sector studies and special programs
Italian Individual Consultant Trust Fund	1992	Italy	USD	2.2	Short-term consultancy for development projects
Norwegian Fund for Women in Development	1993	Norway	USD	5.0	Technical assistance, studies, training and seminars under the Women in Development Program.
Swedish Fund for Microenterprise Activities in Bolivia	1993	Sweden	USD	3.9	Micro and small enterprise activities in Bolivia
Environmental Technical Cooperation Trust Fund from The Netherlands	1993	The Netherlands	EUR	2.9	Technical assistance for environmental activities
Canadian Technical Cooperation Program	1994	Canada	CAD	8.7	Consultancy services in all sectors with emphasis on social reform
Danish Consultants Fund	1994	Denmark	USD	9.1	Prefeasibility and feasibility studies in infrastructure,environment, health and education
Norwegian Technical Cooperation Trust Fund for Consulting Services	1994	Norway	USD	6.7	Prefeasibility and feasibility studies in infrastructure, environment, health and education
Spanish Fund for Consultants (ICEX)	1994	Spain	EUR	8.3	All sectors, preferably in agroindustry and industrial restructuring
Swiss Consultants Fund	1994	Switzerland	USD	4.0	Activities sponsored by the Bank and the Bolivar Program
United Kingdom Fund for Consulting Services	1994	United Kingdom	GBP	0.8	All sectors of activities, particularly for project assessment and technical support studies
Japanese Trust Fund for Consultancy Services	1995	Japan	JPY	22.2	All sectors of activities for the preparation and implementation of projects

TABLE IX. (continued)

Name	Date Established	Entrusted by	Currency	Contributions (US$ millions equivalent)	Sector Concentration or Purpose
USTDA-IDB Evergreen Fund for Technical Assistance	1995	USA	USD	3.3	All sectors, preferably in support of infrastructure and industrial projects
European Special Fund for Technical Assistance in Latin America	1997	European Union	EUR	6.0	Improve preparation of projects, transfer of technology and development of human resources
European Special Fund for Financing Small Productive Projects	1997	European Union	EUR	19.7	Small projects and technical assistance
Finnish Technical Cooperation Trust Fund for Consulting Services	1997	Finland	USD	2.0	All sectors, activities include project identification, preparation implementation and training services, policy, sector studies
French Technical Cooperation for Consultancy and Training Activities	1997	France	EUR	9.5	Consultancy services and training activities in all Bank sectors
Norwegian Fund for Innovation in Social Programs	1997	Norway	USD	3.3	Technical cooperation for social sector programs in poorest countries of IDB Region 2
US-DOE Sustainable Markets for Sustainable Energy Fund	1997	USA	USD	0.39	Studies for creation of sustainable markets for sustainable energy
Indigenous Fund	1998	Regional	USD	5.3	Endowment fund for assistance to indigenous peoples
Norwegian Fund for Microenterprise Development	1998	Norway	USD	1.6	Technical cooperation for microenterprise projects in the poorest countries
Regional Fund for Agricultural Technology	1998	Regional	USD	12.4	Endowment fund for assistance in agricultural projects
Swedish Trust Fund for Domestic Violence	1998	Sweden	USD	0.2	Financing of projects that address social and domestic violence
Swedish Trust Fund for Governance, State Reform and Civil Society	1998	Sweden	USD	1.1	Financing of projects for modernization of the state and civil society
Swedish Trust Fund for Consulting Services and Training Activities	1998	Sweden	USD	12.8	Consultants and training in areas of social and economic development
United Kingdom Capacity Building Fund for Local Institutions in Central America	1999	United Kingdom	USD	1.8	Capacity building of local institutions in Central America
IDB Disaster Assistance and Reconstruction Fund	1999	Austria	USD	4.1	Disaster assistance and reconstruction of countries affected by Hurricane Mitch
Italian Trust Fund for MIF Project Preparation	2000	Italy	USD	0.5	Support the preparation of MIF projects
Swedish Framework-SIDA IDB Partnership Program	2000	Sweden	USD	0.9	Social sectors of poorest countries in Central America affected by Hurricane Mitch
U.S. Department of Energy Hemispheric Sustainable Energy Fund	2000	USA	USD	1.3	Support clean energy technology projects in all energy consuming sectors
Partnership Program in Environment	2000	The Netherlands	USD	1.0	Support environmental projects
The Netherlands Framework Program for Women's Leadership for Good Governance	2000	The Netherlands	USD	0.2	Support women's leadership in civic and public life
Korean Trust Fund	2000	Korea	USD	0.2	Assistance to countries affected by Hurricane Mitch

funding to help develop human resources in the region. The program offers opportunities to selected individuals to undertake graduate studies at universities in member countries in the social sciences, management, engineering, and other development-related fields. The program provided scholarships for 59 recipients for the 2000-2001 academic year. Cumulative resources totaled 1,971 million Yen (approximately $17.3 million) as of the end of 2000. Since the program's inception, 328 scholarships have been awarded.

The Program for Development of Technical Cooperation among Member Countries of the Bank (TC/Funds Program) was established with the purpose of financing short and medium term assignments of consultants, and training activities such as seminars and workshops. A total of 32 trust funds in currency have been established for $138.5 million, and five Agreements in-kind for the provision of services.

Contributions have been donated by all but three of the nonborrowing member countries of the Bank. Funds have been established by Austria, Belgium, Canada, Denmark, the European Union, Finland, France, Israel, Italy, Japan, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom and the United States. Contributions in 2000 amounted to $18.5 million. In 2000, five new trust funds were established under the TC/Funds Program, of which three were constituted by current donor institutions of the Bank: the Royal Ministry of Foreign Affairs of the Netherlands: Program for Women's Leadership in Governance in Central America (PROLEAD); the Swedish International Development Agency (Sida): Sida/IDB Partnership Agreement Fund; and the United States Department of Energy: Hemispheric Sustainable Energy Fund. In addition, the Trust Fund for MIF Project Preparation was established by the Ministry of the Treasury, Budget and Economic Planning of Italy, and the Partnership Program in Environment, established by the Netherlands' Ministry for Development Cooperation. Also, the Government of Korea established the Korean Trust Fund for Technical Cooperation, a special consultant fund established outside the framework of the TC/Funds Program.

For further information, see www.iadb.org/goto.pl?funds

The TC/Funds Program has become the second largest source of financing of the Bank's nonreimbursable technical cooperation operations after the FSO.

The TC Funds Program continued to finance innovative operations, including a stakeholder consultation with the Mayan Community in Belize; dialogue for national peace and reduction of school violence in El Salvador; an integrated childcare program and strengthening of the procurement system in Nicaragua; preparation of a regional civil society participatory strategy; and development of an IDB strategy for the elderly. In addition, special contributions were received from CIDA-Canada, DFID-UK and the CDB to support the reform of the Caribbean judicial sector.

Procurement

Bank policies mandate that the procurement of goods, works and consulting services for IDB-financed projects comply with the principles of economy, efficiency, competency, transparency and due process. Procurement must be done based on a process of open selection and competitiveness, and there must be international public bidding for contracts above specific thresholds. Only firms from IDB member countries may participate in the bidding for Bank-financed contracts.

Borrowers are responsible for the execution and management of the projects, including the bidding process, from the drafting of bidding documentation to the adjudication and administration of the contracts. The Bank's Country Offices are in charge of monitoring this process and cooperating with the executing agencies to ensure full compliance with Bank procedures.

The Procurement Policy and Coordination Office at Bank headquarters is responsible for formulating norms and procedures for bidding policies. The office systematically holds seminars and training workshops on Bank procurement procedures for staff from executing agencies.

The Bank's Procurement Committee is a management-level, interdepartmental group that reviews and oversees procurement policies and procedures. The Committee is also responsible for resolving any serious procurement problems that may arise in Bank-financed projects.

Disbursements of convertible currencies for the purchase of goods, works and consulting services under investment and sector loans totaled $6.9 billion in 2000. Borrowing member countries received $4.7 billion, or 68 percent of this value. Local purchase of goods, works and consulting services for projects in the borrowing countries totaled $3.8 billion, while nonborrowing countries provided a total of $2.1 billion. The accompanying tables (Disbursements for Purchase of Goods and Services by Country of Origin, Tables X, XI and XII) break out disbursements for all Bank lending, sector loans and investment loans. Where applicable, the tables include a detailed breakdown of local purchases and exports of goods, works and consulting services.

The Bank promotes transparency in procurement for the projects it finances through its efforts to disseminate information on business opportunities in IDB-financed projects. The Office of External Relations organizes regular seminars for suppliers, contractors and consultants in Washington and throughout the Bank's member countries. The Bank's procurement information service, *IDB Projects Online*, is now available to subscribers at ***http://www.condc05.iadb.org/idbprojects***. The site provides subscribers with a wealth of information on the Bank's project pipeline, as well as on approved projects. It also has procurement notices and contract awards information. *IDB Projects Online* is updated on a weekly basis.

For further information, see www.iadb.org/goto.pl?procurement

TABLE X. DISBURSEMENTS FOR PURCHASE OF GOODS AND SERVICES BY COUNTRY OF ORIGIN (INVESTMENT AND SECTOR LOANS)

(In millions of U.S. dollars)

	1961-99						2000						1961-2000					
	Local Purchases		Exports		Total		Local Purchases		Exports		Total		Local Purchases		Exports		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BORROWING COUNTRIES																		
Argentina	$ 2,630.0	9.7	$ 1,188.7	3.5	$ 3,818.7	6.3	$ 512.7	13.2	$ 250.3	8.3	$ 763.0	11.0	$ 3,142.7	10.1	$ 1,439.0	4.0	$ 4,581.7	6.8
Bahamas	16.9	0.1	55.6	0.2	72.5	0.1	5.1	0.1	35.6	1.2	40.7	0.6	22.0	0.1	91.2	0.2	113.2	0.2
Barbados	40.4	0.1	5.1	0.0	45.5	0.1	6.4	0.2	1.1	0.0	7.5	0.1	46.8	0.2	6.2	0.0	53.0	0.1
Belize	3.9	0.0	0.3	0.0	4.2	0.0	4.9	0.1	0.3	0.0	5.2	0.1	8.8	0.0	0.6	0.0	9.4	0.0
Bolivia	700.3	2.6	55.9	0.2	756.2	1.2	58.7	1.5	14.8	0.5	73.5	1.1	759.0	2.4	70.7	0.2	829.7	1.2
Brazil	7,369.8	27.1	2,795.3	8.3	10,165.1	16.7	1,610.6	41.3	256.8	8.5	1,867.4	27.0	8,980.4	28.9	3,052.1	8.3	12,032.5	17.8
Chile	2,073.8	7.6	265.2	0.8	2,339.0	3.8	85.7	2.2	4.6	0.2	90.3	1.3	2,159.5	6.9	269.8	0.7	2,429.3	3.6
Colombia	1,581.8	5.8	308.1	0.9	1,889.9	3.1	183.4	4.7	46.7	1.6	230.1	3.3	1,765.2	5.7	354.8	1.0	2,120.0	3.1
Costa Rica	360.1	1.3	212.2	0.6	572.3	0.9	9.7	0.2	16.6	0.6	26.3	0.4	369.8	1.2	228.8	0.6	598.6	0.9
Dominican Republic	382.2	1.4	30.7	0.1	412.9	0.7	42.1	1.1	6.5	0.2	48.6	0.7	424.3	1.4	37.2	0.1	461.5	0.7
Ecuador	1,380.5	5.1	221.9	0.7	1,602.4	2.6	81.1	2.1	12.3	0.4	93.4	1.4	1,461.6	4.7	234.2	0.6	1,695.8	2.5
El Salvador	557.9	2.0	47.5	0.1	605.4	1.0	47.9	1.2	6.9	0.2	54.8	0.8	605.8	1.9	54.4	0.1	660.2	1.0
Guatemala	401.3	1.5	81.6	0.2	482.9	0.8	35.1	1.0	8.4	0.3	43.5	0.6	436.4	1.4	90.0	0.2	526.4	0.8
Guyana	53.7	0.2	2.4	0.0	56.1	0.1	18.2	0.5	0.0	0.0	18.2	0.3	71.9	0.2	2.4	0.0	74.3	0.1
Haiti	214.4	0.8	9.6	0.0	224.0	0.4	27.4	0.7	0.0	0.0	27.4	0.4	241.8	0.8	9.6	0.0	251.4	0.3
Honduras	321.9	1.2	40.2	0.1	362.1	0.6	47.4	1.2	0.5	0.0	47.9	0.7	369.3	1.2	40.7	0.1	410.0	0.6
Jamaica	223.3	0.8	85.1	0.3	308.4	0.5	10.3	0.3	1.5	0.0	11.8	0.2	233.6	0.8	86.6	0.2	320.2	0.5
Mexico	4,516.9	16.6	998.5	3.0	5,515.4	9.1	433.7	11.1	60.6	2.0	494.3	7.1	4,950.6	15.9	1,059.1	3.0	6,009.7	8.9
Nicaragua	305.0	1.1	22.8	0.1	327.8	0.5	39.1	1.0	0.8	0.0	39.9	0.6	344.1	1.1	23.6	0.1	367.7	0.5
Panama	415.0	1.5	103.4	0.3	518.4	0.9	37.2	1.0	1.7	0.1	38.9	0.6	452.2	1.5	105.1	0.3	557.3	0.8
Paraguay	505.3	1.9	79.1	0.2	584.4	1.0	71.6	1.8	8.8	0.3	80.4	1.2	576.9	1.8	87.9	0.2	664.8	1.0
Peru	1,368.6	5.0	152.8	0.5	1,521.4	2.5	149.8	3.8	11.2	0.4	161.0	2.3	1,518.4	4.8	164.0	0.4	1,682.4	2.4
Suriname	0.7	0.0	1.0	0.0	1.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	1.0	0.0	1.7	0.0
Trinidad and Tobago	213.6	0.8	74.3	0.2	287.9	0.5	16.7	0.4	18.5	0.6	35.2	0.5	230.3	0.7	92.8	0.3	323.1	0.5
Uruguay	756.7	2.8	168.0	0.5	924.7	1.5	104.3	2.7	25.9	0.9	130.2	1.8	861.0	2.8	193.9	0.5	1,054.9	1.6
Venezuela	826.3	3.0	690.6	2.1	1,516.9	2.5	256.8	6.6	53.8	1.7	310.6	4.5	1,083.1	3.5	744.4	2.0	1,827.5	2.7
Total Borrowers	**$27,220.3**	**100.0**	**$7,695.9**	**22.9**	**$34,916.2**	**57.4**	**$ 3,895.9**	**100.0**	**$ 844.2**	**28.0**	**$4,740.1**	**68.6**	**$31,116.2**	**100.0**	**$8,540.1**	**23.1**	**$39,656.3**	**58.6**
NONBORROWING COUNTRIES																		
Austria	$ 0.0	0.0	$ 100.0	0.3	$ 100.0	0.2			$ 11.3	0.4	$ 11.3	0.2	$ 0.0	0.0	111.3	0.3	$ 111.3	0.2
Belgium			244.0	0.7	244.0	0.4			1.8	0.1	1.8	0.0			245.8	0.7	$ 245.8	0.4
Canada			604.7	1.8	604.7	1.0			56.6	1.8	56.6	0.8			661.3	1.8	661.3	1.0
Croatia			3.9	0.0	3.9	0.0			0.2	0.0	0.2	0.0			4.1	0.0	4.1	0.0
Denmark			129.4	0.4	129.4	0.2			14.8	0.5	14.8	0.2			144.2	0.4	144.2	0.2
Finland			65.8	0.2	65.8	0.1			12.1	0.4	12.1	0.2			77.9	0.2	77.9	0.1
France			1,694.5	5.0	1,694.5	2.8			110.2	3.7	110.2	1.6			1,804.7	5.0	1,804.7	2.7
Germany			2,249.1	6.7	2,249.1	3.7			219.7	7.2	219.7	3.2			2,468.8	6.8	2,468.8	3.6
Israel			115.2	0.3	115.2	0.2			20.3	0.7	20.3	0.3			135.5	0.4	135.5	0.2
Italy			2,471.2	7.4	2,471.2	4.0			146.9	4.8	146.9	2.1			2,618.1	7.2	2,618.1	3.9
Japan			1,839.5	5.5	1,839.5	3.0			128.3	4.3	128.3	1.9			1,967.8	5.4	1,967.8	2.9
Netherlands			538.2	1.6	538.2	0.9			35.4	1.2	35.4	0.5			573.6	1.6	573.6	0.8
Norway			41.3	0.1	41.3	0.1			6.4	0.2	6.4	0.1			47.7	0.1	47.7	0.1
Portugal			38.5	0.1	38.5	0.1			10.9	0.4	10.9	0.2			49.4	0.1	49.4	0.1
Slovenia			13.0	0.0	13.0	0.0			12.1	0.4	12.1	0.2			25.1	0.1	25.1	0.0
Spain			1,068.0	3.2	1,068.0	1.8			127.6	4.2	127.6	1.8			1,195.6	3.3	1,195.6	1.8
Sweden			494.0	1.6	494.0	0.8			35.9	1.2	35.9	0.5			529.9	1.4	529.9	0.8
Switzerland			661.1	2.0	661.1	1.1			46.8	1.6	46.8	0.7			707.9	2.0	707.9	1.0
United Kingdom			831.8	2.5	831.8	1.4			80.4	2.7	80.4	1.2			912.2	2.5	912.2	1.3
United States			12,642.4	37.7	12,642.4	20.8			1,089.1	36.2	1,089.1	15.8			13,731.5	37.6	13,731.5	20.3
Yugoslavia			14.3	0.0	14.3	0.0			0.0	0.0	0.0	0.0			14.3	0.0	14.3	0.0
Total Nonborrowers	**0.0**	**0.0**	**25,859.9**	**77.1**	**25,859.9**	**42.6**			**2,166.8**	**72.0**	**2,166.8**	**31.4**	**0.0**	**0.0**	**28,026.7**	**76.9**	**28,026.7**	**41.4**
TOTAL	**$27,220.3**	**100.0**	**$33,555.8**	**100.0**	**$60,776.1**	**100.0**	**$ 3,895.9**	**100.0**	**$3,011.0**	**100.0**	**$6,906.9**	**100.0**	**$31,116.2**	**100.0**	**$36,566.8**	**100.0**	**$67,683.0**	**100.0**

TABLE XI. DISBURSEMENTS FOR PURCHASE OF GOODS AND SERVICES BY COUNTRY OF ORIGIN (SECTOR LOANS)[1]

(In millions of U.S. dollars)

	1961-99						2000						1961-2000					
	Local Purchases		Exports		Total		Local Purchases		Exports[2]		Total		Local Purchases		Exports		Total	
Amount	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BORROWING COUNTRIES																		
Argentina	$ 30.0	40.2	$ 499.1	3.6	$ 529.1	3.8			$ 183.2	7.8	$ 183.2	7.8	$ 30.0	40.2	$ 682.3	4.2	$ 712.3	4.3
Bahamas			6.4	0.0	6.4	0.0			0.0	0.0	0.0	0.0			6.4	0.0	6.4	0.0
Barbados			3.1	0.0	3.1	0.0			1.1	0.0	1.1	0.0			4.2	0.0	4.2	0.0
Belize			0.2	0.0	0.2	0.0			0.3	0.0	0.3	0.0			0.5	0.0	0.5	0.0
Bolivia			22.4	0.2	22.4	0.2			10.3	0.4	10.3	0.4			32.7	0.2	32.7	0.2
Brazil			1,331.7	9.5	1,331.7	9.4			147.1	6.2	147.1	6.2			1,478.8	9.1	1,478.8	9.0
Chile			199.8	1.4	199.8	1.4			0.0	0.0	0.0	0.0			199.8	1.2	199.8	1.2
Colombia			178.2	1.3	178.2	1.3			43.8	1.9	43.8	1.9			222.0	1.4	222.0	1.4
Costa Rica			64.7	0.5	64.7	0.5			4.4	0.2	4.4	0.2			69.1	0.4	69.1	0.4
Dominican Republic			0.6	0.0	0.6	0.0			0.0	0.0	0.0	0.0			0.6	0.0	0.6	0.0
Ecuador			181.2	1.3	181.2	1.3			10.5	0.4	10.5	0.4			191.7	1.2	191.7	1.2
El Salvador			20.7	0.1	20.7	0.1			2.8	0.1	2.8	0.1			23.5	0.1	23.5	0.1
Guatemala			31.7	0.2	31.7	0.2			4.4	0.2	4.4	0.2			36.1	0.2	36.1	0.2
Guyana			1.7	0.0	1.7	0.0			0.0	0.0	0.0	0.0			1.7	0.0	1.7	0.0
Haiti	14.6	19.5	0.0	0.0	14.6	0.1			0.0	0.0	0.0	0.0	14.6	19.5	0.0	0.0	14.6	0.1
Honduras			9.3	0.1	9.3	0.1			0.3	0.0	0.3	0.0			9.6	0.1	9.6	0.1
Jamaica			3.4	0.0	3.4	0.0			0.0	0.0	0.0	0.0			3.4	0.0	3.4	0.0
Mexico			373.1	2.7	373.1	2.7			36.3	1.5	36.3	1.5			409.4	2.5	409.4	2.5
Nicaragua	0.4	0.5	0.9	0.0	1.3	0.0			0.5	0.0	0.5	0.0	0.4	0.5	1.4	0.0	1.8	0.0
Panama	29.7	39.8	62.9	0.5	92.6	0.7			1.2	0.1	1.2	0.1	29.7	39.8	64.1	0.4	93.8	0.6
Paraguay			35.6	0.3	35.6	0.3			8.0	0.3	8.0	0.3			43.6	0.3	43.6	0.3
Peru			62.5	0.4	62.5	0.4			10.2	0.4	10.2	0.4			72.7	0.4	72.7	0.4
Suriname			1.0	0.0	1.0	0.0			0.0	0.0	0.0	0.0			1.0	0.0	1.0	0.0
Trinidad and Tobago			25.0	0.2	25.0	0.2			16.5	0.7	16.5	0.7			41.5	0.3	41.5	0.3
Uruguay			129.3	0.9	129.3	0.9			25.6	1.1	25.6	1.1			154.9	0.9	154.9	0.9
Venezuela			500.1	3.6	500.1	3.6			52.2	2.2	52.2	2.2			552.3	3.4	552.3	3.4
Total Borrowers	**$ 74.7**	**100.0**	**$ 3,744.6**	**26.8**	**$ 3,819.3**	**27.2**			**$ 558.7**	**23.5**	**$ 558.7**	**23.5**	**$ 74.7**	**100.0**	**$ 4,303.3**	**26.3**	**$ 4,378.0**	**26.6**
NONBORROWING COUNTRIES																		
Austria			$ 33.2	0.2	$ 33.2	0.2			$ 10.2	0.4	$ 10.2	0.4			$ 43.4	0.3	$ 43.4	0.3
Belgium			154.1	1.1	154.1	1.1			1.5	0.1	1.5	0.1			155.6	1.0	155.6	1.0
Canada			287.9	2.1	287.9	2.0			39.3	1.7	39.3	1.7			327.2	2.0	327.2	2.0
Croatia			1.6	0.0	1.6	0.0			0.2	0.0	0.2	0.0			1.8	0.0	1.8	0.0
Denmark			36.4	0.3	36.4	0.3			7.1	0.3	7.1	0.3			43.5	0.2	43.5	0.3
Finland			36.9	0.3	36.9	0.3			11.4	0.5	11.4	0.5			48.3	0.3	48.3	0.3
France			385.3	2.8	385.3	2.7			89.7	3.8	89.7	3.8			475.0	3.0	475.0	2.9
Germany			936.2	6.7	936.2	6.7			197.0	8.3	197.0	8.3			1,133.2	7.0	1,133.2	6.9
Israel			26.7	0.2	26.7	0.2			12.0	0.5	12.0	0.5			38.7	0.2	38.7	0.2
Italy			542.7	3.8	542.7	3.9			115.4	5.0	115.4	5.0			658.1	4.0	658.1	4.0
Japan			649.4	4.6	649.4	4.6			119.3	5.1	119.3	5.1			768.7	4.7	768.7	4.7
Netherlands			352.6	2.5	352.6	2.5			24.4	1.0	24.4	1.0			377.0	2.3	377.0	2.3
Norway			28.0	0.2	28.0	0.2			6.4	0.3	6.4	0.3			34.4	0.2	34.4	0.2
Portugal			9.6	0.1	9.6	0.1			5.4	0.2	5.4	0.2			15.0	0.1	15.0	0.1
Slovenia			4.3	0.0	4.3	0.0			0.4	0.0	0.4	0.0			4.7	0.0	4.7	0.0
Spain			373.6	2.7	373.6	2.7			82.3	3.5	82.3	3.5			455.9	2.8	455.9	2.8
Sweden			124.6	0.9	124.6	0.9			34.7	1.5	34.7	1.5			159.3	1.0	159.3	1.0
Switzerland			184.8	1.3	184.8	1.3			32.7	1.4	32.7	1.4			217.5	1.3	217.5	1.3
United Kingdom			267.5	1.9	267.5	1.9			57.2	2.4	57.2	2.4			324.7	2.0	324.7	2.0
United States			5,792.3	41.5	5,792.3	41.2			956.6	40.5	956.6	40.5			6,748.9	41.3	6,748.9	41.1
Yugoslavia			0.8	0.0	0.8	0.0			0.0	0.0	0.0	0.0			0.8	0.0	0.8	0.0
Total Nonborrowers			**10,228.5**	**73.2**	**10,228.5**	**72.8**			**1,803.2**	**76.5**	**1,803.2**	**76.5**			**12,031.7**	**73.7**	**12,031.7**	**73.4**
TOTAL	**$ 74.7**	**100.0**	**$ 13,973.1**	**100.0**	**$ 14,047.8**	**100.0**			**$2,361.9**	**100.0**	**$2,361.9**	**100.0**	**$ 74.7**	**100.0**	**$ 16,335.0**	**100.0**	**$ 16,409.7**	**100.0**

[1] Sector lending began in 1990.

[2] Since 1998, the information in this table has reflected adjustment loan disbursements to each borrower as pro rata shares of that borrower's eligible imports from supplying countries, using the latest available import data drawn from United Nations trade statistics.

TABLE XII. DISBURSEMENTS FOR PURCHASE OF GOODS AND SERVICES BY COUNTRY OF ORIGIN (INVESTMENT LOANS)

(In millions of U.S. dollars)

	1961-99						2000						1961-2000					
	Local Purchases		Exports		Total		Local Purchases		Exports		Total		Local Purchases		Exports		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
BORROWING COUNTRIES																		
Argentina	$ 2,600.0	9.6	$ 689.6	3.5	$ 3,289.6	7.0	$ 512.7	13.2	$ 67.1	10.3	$ 579.8	12.8	$ 3,112.7	10.0	$ 756.7	3.7	$ 3,869.4	7.5
Bahamas	16.9	0.1	49.2	0.3	66.1	0.1	5.1	0.1	35.6	5.5	40.7	0.9	22.0	0.1	84.8	0.4	106.8	0.2
Barbados	40.4	0.1	2.0	0.0	42.4	0.1	6.4	0.2	0.0	0.0	6.4	0.1	46.8	0.2	2.0	0.0	48.8	0.1
Belize	3.9	0.0	0.1	0.0	4.0	0.0	4.9	0.1	0.0	0.0	4.9	0.1	8.8	0.0	0.1	0.0	8.9	0.0
Bolivia	700.3	2.6	33.5	0.2	733.8	1.6	58.7	1.5	4.5	0.7	63.2	1.4	759.0	2.4	38.0	0.2	797.0	1.5
Brazil	7,369.8	27.1	1,463.6	7.5	8,833.4	18.9	1,610.6	41.3	109.7	16.9	1,720.3	37.9	8,980.4	28.9	1,573.3	7.8	10,553.7	20.6
Chile	2,073.8	7.6	65.4	0.3	2,139.2	4.6	85.7	2.2	4.6	0.7	90.3	2.0	2,159.5	7.0	70.0	0.3	2,229.5	4.3
Colombia	1,581.8	5.8	129.9	0.7	1,711.7	3.7	183.4	4.7	2.9	0.4	186.3	4.1	1,765.2	5.7	132.8	0.7	1,898.0	3.7
Costa Rica	360.1	1.3	147.5	0.8	507.6	1.1	9.7	0.2	12.2	1.9	21.9	0.5	369.8	1.2	159.7	0.8	529.5	1.0
Dominican Republic	382.2	1.4	30.1	0.2	412.3	0.9	42.1	1.1	6.5	1.0	48.6	1.1	424.3	1.4	36.6	0.2	460.9	0.9
Ecuador	1,380.5	5.1	40.7	0.2	1,421.2	3.0	81.1	2.1	1.8	0.3	82.9	1.8	1,461.6	4.7	42.5	0.2	1,504.1	3.0
El Salvador	557.9	2.1	26.8	0.1	584.7	1.2	47.9	1.2	4.1	0.6	52.0	1.1	605.8	2.0	30.9	0.2	636.7	1.2
Guatemala	401.3	1.5	49.9	0.3	451.2	1.0	35.1	1.0	4.0	0.6	39.1	0.9	436.4	1.4	53.9	0.3	490.3	1.0
Guyana	53.7	0.2	0.7	0.0	54.4	0.1	18.2	0.5	0.0	0.0	18.2	0.4	71.9	0.2	0.7	0.0	72.6	0.1
Haiti	199.8	0.7	9.6	0.0	209.4	0.4	27.4	0.7	0.0	0.0	27.4	0.6	227.2	0.7	9.6	0.0	236.8	0.5
Honduras	321.9	1.2	30.9	0.2	352.8	0.8	47.4	1.2	0.2	0.0	47.6	1.0	369.3	1.2	31.1	0.2	400.4	0.8
Jamaica	223.3	0.8	81.7	0.4	305.0	0.7	10.3	0.3	1.5	0.2	11.8	0.3	233.6	0.8	83.2	0.4	316.8	0.6
Mexico	4,516.9	16.6	625.4	3.2	5,142.3	11.0	433.7	11.1	24.3	3.7	458.0	10.0	4,950.6	15.9	649.7	3.2	5,600.3	11.0
Nicaragua	304.6	1.1	21.9	0.1	326.5	0.7	39.1	1.0	0.3	0.0	39.4	0.9	343.7	1.1	22.2	0.1	365.9	0.7
Panama	385.3	1.4	40.5	0.2	425.8	0.9	37.2	1.0	0.5	0.1	37.7	0.8	422.5	1.4	41.0	0.2	463.5	0.9
Paraguay	505.3	2.0	43.5	0.2	548.8	1.2	71.6	1.8	0.8	0.1	72.4	1.6	576.9	1.9	44.3	0.2	621.2	1.2
Peru	1,368.6	5.0	90.3	0.5	1,458.9	3.1	149.8	3.8	1.0	0.2	150.8	3.3	1,518.4	4.9	91.3	0.5	1,609.7	3.2
Suriname	0.7	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0	0.0	0.7	0.0
Trinidad and Tobago	213.6	0.8	49.3	0.3	262.9	0.6	16.7	0.4	2.0	0.3	18.7	0.4	230.3	0.7	51.3	0.3	281.6	0.5
Uruguay	756.7	2.8	38.7	0.2	795.4	1.7	104.3	2.7	0.3	0.0	104.6	2.3	861.0	2.8	39.0	0.2	900.0	1.8
Venezuela	826.3	3.1	190.5	1.0	1,016.8	2.2	256.8	6.6	1.6	0.2	258.4	5.7	1,083.1	3.5	192.1	0.9	1,275.2	2.5
Total Borrowers	**$27,145.6**	**100.0**	**$ 3,951.3**	**20.4**	**$31,096.9**	**66.6**	**$ 3,895.9**	**100.0**	**$ 285.5**	**43.7**	**$4,181.4**	**92.0**	**$31,041.5**	**100.0**	**$ 4,236.8**	**20.9**	**$35,278.3**	**68.8**
NONBORROWING COUNTRIES																		
Austria			$ 66.8	0.3	$ 66.8	0.1			$ 1.1	0.2	$ 1.1	0.0			$ 67.9	0.3	$ 67.9	0.1
Belgium			89.9	0.5	89.9	0.2			0.3	0.0	0.3	0.0			90.2	0.4	90.2	0.2
Canada			316.8	1.6	316.8	0.7			17.3	2.7	17.3	0.4			334.1	1.7	334.1	0.7
Croatia			2.3	0.0	2.3	0.0			0.0	0.0	0.0	0.0			2.3	0.0	2.3	0.0
Denmark			93.0	0.5	93.0	0.2			7.7	1.2	7.7	0.2			100.7	0.5	100.7	0.2
Finland			28.9	0.1	28.9	0.1			0.7	0.1	0.7	0.0			29.6	0.1	29.6	0.1
France			1,309.2	6.7	1,309.2	2.8			20.5	3.2	20.5	0.5			1,329.7	6.6	1,329.7	2.6
Germany			1,312.9	6.7	1,312.9	2.8			22.7	3.5	22.7	0.5			1,335.6	6.6	1,335.6	2.6
Israel			88.5	0.5	88.5	0.2			8.3	1.3	8.3	0.2			96.8	0.5	96.8	0.2
Italy			1,928.5	9.8	1,928.5	4.1			31.5	5.0	31.5	0.7			1,960.0	9.7	1,960.0	3.9
Japan			1,190.1	6.1	1,190.1	2.5			9.0	1.4	9.0	0.2			1,199.1	5.9	1,199.1	2.3
Netherlands			185.6	0.9	185.6	0.4			11.0	1.7	11.0	0.2			196.6	1.0	196.6	0.4
Norway			13.3	0.1	13.3	0.0			0.0	0.0	0.0	0.0			13.3	0.1	13.3	0.0
Portugal			28.9	0.1	28.9	0.1			5.5	0.8	5.5	0.1			34.4	0.2	34.4	0.1
Slovenia			8.7	0.0	8.7	0.0			11.7	1.8	11.7	0.3			20.4	0.1	20.4	0.0
Spain			694.4	3.5	694.4	1.5			45.3	7.0	45.3	1.0			739.7	3.7	739.7	1.4
Sweden			369.4	1.9	369.4	0.8			1.2	0.2	1.2	0.0			370.6	1.8	370.6	0.7
Switzerland			476.3	2.4	476.3	1.0			14.1	2.2	14.1	0.3			490.4	2.4	490.4	1.0
United Kingdom			564.3	2.8	564.3	1.2			23.2	3.6	23.2	0.5			587.5	2.9	587.5	1.1
United States			6,850.1	35.0	6,850.1	14.7			132.5	20.4	132.5	2.9			6,982.6	34.5	6,982.6	13.6
Yugoslavia			13.5	0.1	13.5	0.0			0.0	0.0	0.0	0.0			13.5	0.1	13.5	0.0
Total Nonborrowers			**15,631.4**	**79.6**	**15,631.4**	**33.4**			**363.6**	**56.3**	**363.6**	**8.0**			**15,995.0**	**79.1**	**15,995.0**	**31.2**
TOTAL	**$27,145.6**	**100.0**	**$19,582.7**	**100.0**	**$46,728.3**	**100.0**	**$ 3,895.9**	**100.0**	**$ 649.1**	**100.0**	**$4,545.0**	**100.0**	**$31,041.5**	**100.0**	**$20,231.8**	**100.0**	**$51,273.3**	**100.0**

STATEMENT OF APPROVED LOANS AND GUARANTEES, 2000

Ordinary Capital

Country	Project	Loan Number	Amount (US$ millions)
Argentina	Support for Fiscal Balance and Social Management	1295/OC-AR	$400
	Modernizing the Cordoba Provincial Government	1287/OC-AR	215
	Border Crossing and Integration Corridors Program	1294/OC-AR	200
	Strengthening the Ministry of Foreign Relations	1279/OC-AR	7.5
Bahamas	Infrastructure Rehabilitation Project	1266/OC-BH	21
Belize	Hurricane Keith Emergency Reconstruction Facility	1275/OC-BL	20
	Tourist Support Program	1250/OC-BL	11
	Health Sector Reform	1271/OC-BL	9.8
Brazil	Rio de Janeiro "Favela Bairro" Urban Upgrading, Stage II	1241/OC-BR	180
	Federal District Basic Sanitation Program	1288/OC-BR	130
	Light-Serviços de Eletricidade	1267/OC-BR	100
	Sustainable Development Program for the Pantanal	1290/OC-BR	82.5
	Cana Brava Hydroelectric Power Project	1260A/OC-BR[1]	75
	Consolidation and Self-Sufficiency of Agrarian Reform Settlements	1248/OC-BR	51
	Energia Norte Power Project	1272A/OC-BR[2]	23.7
	Dona Francisca Hydroelectric Power Plant	1297A/OC-BR[3]	16
Chile	Improving the Efficiency and Management of Regional Investment	1281/OC-CH	300
	Technology Development and Innovation Program	1286/OC-CH	100
	Santiago-Viña del Mar Toll Road Project	1303/OC-CH	75
	Strengthening Partnerships between Civil Society and the State	1291/OC-CH	8.7
Colombia	Social Safety Net Program	1280/OC-CO	270
	Strengthening the Comptroller General and Auditor General Offices	1243/OC-CO	23
Costa Rica	Regularization of the Cadastre and Property Registry	1284/OC-CR	65
Dominican Republic	Program and Modernization of Secondary Education, Phase I	1289/OC-DR[4]	52
	Modernization of Congress and the Comptroller General's Office	1258/OC-DR[4]	22.3
Ecuador	Investment Sector Program	1259/OC-EC	150
	Support for the Population and Housing Census and the National Statistics System	1296/OC-EC[4]	12.5
	Galapagos Environmental Management Program	1274/OC-EC[4]	10.4
	Rural Transportation Infrastructure	1282/OC-EC[4]	9
	Beneficiary Identification Mechanism for Social Programs	1261/OC-EC	4.5

[1] Complemented by a "B" loan syndication up to $90 million.
[2] Complemented by a "B" loan syndication up to $37.2 million.
[3] Complemented by a "B" loan syndication up to $24.7 million.
[4] Interest rate partially subsidized by the Intermediate Financing Facility.

STATEMENT OF APPROVED LOANS AND GUARANTEES, 2000

Ordinary Capital (continued)

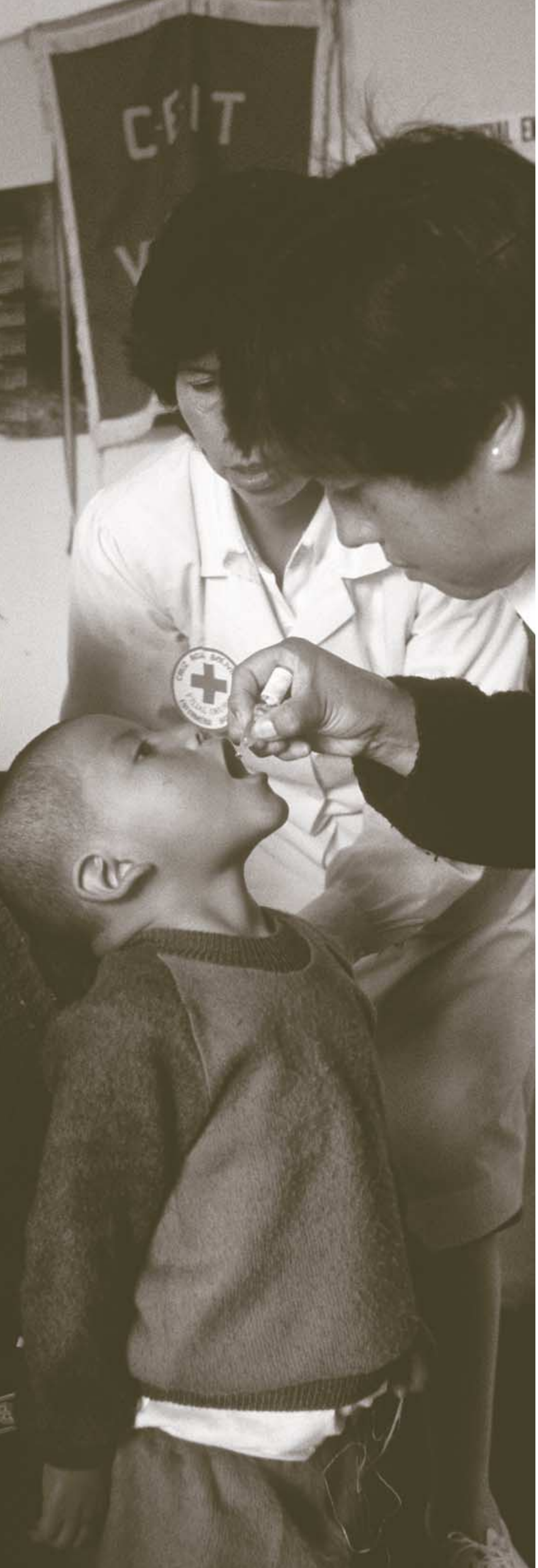
Country	Project	Loan Number	Amount (US$ millions)
El Salvador	Restructuring of the Salvadoran Social Security Institute	1265/OC-ES	5.8
Jamaica	Financial Sector Reform	1268/OC-JA	150
	Primary Education Support Project	1264/OC-JA[4]	31.5
	Agricultural Support Services	1283/OC-JA	22
Mexico	Housing Finance Program	1298/OC-ME	505
	Multisector Global Credit Program	1252/OC-ME	300
	Restructuring the Banking System	1251/OC-ME	250
	Labor Market Modernization (Phase II)	1256/OC-ME	200
	Monterrey III Power Generation Project	1262A/OC-ME[5]	75
	Vitro Cogeneration Power Plant	1269A/OC-ME[6]	45.5
	Bajío Gas-Fired Power Plant	1245A/OC-ME[7]	23
Panama	La Chorrera Power Project	1244A/OC-PN[8]	20.3
	Science, Technology and Innovation Center	1273/OC-PN	3.3
Paraguay	Western Integration Corridors Program	1278/OC-PR	100
	Strengthening Basic Education Reform	1254/OC-PR	40
	Modernization and Diversification of Small-Scale Farming	1255/OC-PR	10
	Support for the 2002 National Population and Housing Census	1301/OC-PR	9.2
	National Environmental System	1300/OC-PR	8
	Modernization and Strengthening of Fiscal Management	1253/OC-PR	6
Peru	Sector Program for Public Finance Reform	1235/OC-PE	200
	Sector Program for Public Finance Reform	1236/OC-PE	6.5
	Program to Improve the Quality of Secondary Education	1237/OC-PE	120
	Redesur Transmission Lines Project	1285A/OC-PE[9]	18.3
Suriname	Community Development Fund	1246/OC-SU[4]	10.3
Uruguay	Technology Development Program	1293/OC-UR	30
	Enhancing Competitiveness of the Livestock Sector	1299/OC-UR	7.7
	Strengthening the Judicial System	1277/OC-UR	6.1
Venezuela	Early Childhood and Adolescent Support Program	1302/OC-VE	30
	Emergency Program for Flooding and Landslides	1239/OC-VE	20
	Strengthening Rural Communities	1292/OC-VE	10
Regional	TGM Gas Pipeline Project	1238A/OC-RG[10]	40

[5] Complemented by a "B" loan syndication of up to $382.4 million.
[6] Complemented by a "B" loan syndication of up to $91 million.
[7] Complemented by a "B" loan syndication of up to $113 million.
[8] Complemented by a "B" loan syndication of up to $39.5 million.
[9] Complemented by a "B" loan syndication of up to $34.7 million.
[10] Complemented by a "B" loan syndication of up to $30 million.

STATEMENT OF APPROVED LOANS AND GUARANTEES, 2000

Fund for Special Operations

Country	Project	Loan Number	Amount (US$ millions)
Bolivia	Campesino Development Investment Program	1057/SF-BO	34
	Customs Reform	1056/SF-BO	5
Guyana	Georgetown Waste Disposal Site Improvements	1052/SF-GY	0.9
Honduras	Revitalization of the Rural Economy	1063/SF-HO	30
	Supplementary Financing for Road Infrastructure	1053/SF-HO	26.8
	Poverty Reduction and Local Development Program	1068/SF-HO	25
	Third-Level Basic and Secondary Education Reform	1069/SF-HO	23
	Modernization of Procurement Systems	1059/SF-HO	14.5
	Reconstruction Preinvestment Program	1073/SF-HO	12
	Comprehensive Pilot Program to Fight Urban Poverty	1066/SF-HO	8.1
	Modernization of the Honduran Congress	1070/SF-HO	2.6
Nicaragua	Program to Fight Poverty and Strengthen Local Capacity	1067/SF-NI	50
	Efficiency and Transparency in Government Procurement	1064/SF-NI	18
	Environmental Sanitation Program for Managua	1060/SF-NI	15
	Implementation of the Poverty Reduction Strategy	1071/SF-NI	10
	Social Safety Net	1055/SF-NI	9
	Modernization of the Municipality of Managua	1058/SF-NI	5.67
	Modernization and Accreditation of Tertiary Education	1072/SF-NI	3.84
	Strengthening the Ministry of Family Affairs	1061/SF-NI	1



Institutional Aspects

Evaluation and Internal Audit

The Bank's Office of Evaluation and Oversight (OVE) prepared its Annual Report; the Oversight Memorandum on budgetary allocations for evaluation works; an oversight review of the Bank's system for monitoring and reporting on lending projects; and a methodology for establishing the evaluability of project documents.

OVE also began to conduct country program evaluations, carrying out research for country program evaluations in Argentina, Peru and Trinidad and Tobago.

Evaluation capacity building is one of the key commitments between the Bank and member countries. OVE is addressing this issue through its own work program and through closer cooperation with Management in the project design process. There has also been ongoing cooperation with the Caribbean Development Bank and the University of the West Indies to support public sector project evaluation in the Caribbean.

In the area of strategy evaluation, OVE began a comprehensive review entitled Decentralization and Citizen Participation.

In terms of policy evaluation, OVE commissioned a review of private sector projects approved to date. The Board of Executive Directors approved the report in 2000. As part of the process of evaluating the Bank's private sector financing, OVE is participating in the work of an External Review Group convened by the President. Further evaluation is expected to be necessary to deepen the Bank's understanding of how such projects can most effectively contribute to the Bank's economic and social development mission.

Finally, OVE is evaluating the performance of Inter-American Investment Corporation (IIC) projects. Parallel to the work on evaluating private sector projects, OVE has been asked to provide evaluation services to the IIC on an interim basis, while the Corporation looks into the issue of developing its own in-house operations.

During 2000, the Auditor General's Office (AUG) continued to coordinate all internal audits with the Bank's external auditors to provide maximum audit coverage of Bank activities and to minimize possible duplication of efforts. At headquarters, the emphasis was in the areas of management of a liquid investment, electronic fund transfers, and the security effectiveness of the Loan Management System, which is the system for the Bank's lending and guarantee program. AUG also continued review of the Borrowing Management System, focusing on the enhancements required for reporting financial derivatives under the new accounting standards. System security surrounding the Bank's remote dial-in networks and Internet security was evaluated to ensure that new technologies and changes within the Bank-wide network are adequately controlled. AUG also reviewed tests and enhancements of the Bank's disaster recovery plan surrounding its critical mission computer systems. Finally, AUG worked on the selection of the Bank's future Budget and Financial Management System, which will replace current systems for budgeting, general ledger, accounts payable, purchasing, Country Office accounting and project accounting.

In the Regional Operational Departments and Country Offices, AUG focused on the Management Oversight System at headquarters, as well as all key operational control features in Country Offices pertaining to project supervision, procurement, disbursement, reporting and resource management. In addition to its ongoing audit of Country Office operations, AUG reviewed the effectiveness of key control features for highly decentralized projects, including the eligibility requirements for the performance of ex-post reviews of procurement and disbursements; the adequacy and timelines of Bank supervision; the responsibilities of external auditors and consultants regarding projects; and the adequacy of existing reporting requirements. In addition, AUG worked on the development of the Bank's anti-corruption strategy and supported the reviews by Regional Operational Departments of certain executing agencies to strengthen their transparency and overall control environment. AUG has also continued reviewing the involvement of national audit institutions in auditing Bank-financed projects.

For further information, see
www.iadb.org/goto.pl?evaluation

Country Offices

The Country Offices play a fundamental role in promoting the Bank's relations with host countries on a day-to-day basis. As the first direct point of contact for the Bank in its borrowing member countries, the Country Offices report on political, financial, institutional and social issues that impact on Bank actions. Country Offices interact with national institutions, international, regional and bilateral organizations, the private sector, civil society organizations, the press and media, and academic and professional groups.

The Country Offices participate in the identification, analysis, negotiation, administration, evaluation and reporting of all Bank operations. Operational functions include assisting in the monitoring and evaluation of the country portfolio to ensure that project resources are disbursed effectively and contribute to meeting overall development objectives. With respect to the programming process, Country Offices are increasingly taking the lead in the preparation of Country Papers; teams coordinated this task in the Dominican Republic, Ecuador, Guatemala and Mexico in 2000. In Chile, the Bank's Country Office hosted a meeting of government officials, representatives from civil society organizations and

BOX 8

STREET CHILDREN AWARENESS CAMPAIGN

Throughout Latin America and the Caribbean, approximately 40 million children and adolescents spend the majority of their time on the street, away from their families, schools and communities. The root cause of this situation is poverty, which affects family stability and leads youngsters into low-paying jobs, petty theft, prostitution or other survival strategies, in violation of their rights as children. Many of these "street children" are victims of abuse, and most never go beyond a fourth-grade education.

Since the early 1990s, the IDB has approved approximately 60 operations amounting to $3.5 billion to support basic services (sanitation, health, nutrition, early child care and development, pre-school, and education), with a broad focus on disadvantaged children and adolescents in the region. In 1998, the Bank developed an integrated strategy on Early Child Care and Development (ECCD) that sets out a combination of preventive approaches to meet children's needs, particularly those at high risk. The strategy recognizes the need to complement ongoing programs with communication components that will raise awareness of and demand for measures aimed at combating the problem.

To this end, the Bank has engaged this year in a regional communication campaign that aims to sensitize the public to the complex problem of street children. The campaign, however, casts the issue in a constructive light. Traditionally, street children have been perceived as either victims of their surroundings or threats to society. The challenge at hand was to change public perception, and to demonstrate the rich potential that could be realized by incorporating these children into mainstream society.

As a first step, the Norwegian Fund for Innovative Social Programs sponsored a technical review meeting in Mexico City with participation from governmental and non-governmental representatives, as well as communications and sector specialists, to review existing programs in this area, and to provide the roadmap for the campaign. Their recommendations in terms of format, audience profiles and key messages laid out the foundation for the *Don´t Call Me Street Kid!* Campaign.

The campaign includes, as its primary tool, a video documentary entitled *Don't Call Me Street Kid! Innovative Projects At Work*. As agreed upon during the Mexico consultation, the video showcases the techniques of projects for street children in Latin America and the Caribbean, as well as the knowledge, actions and concerns of multiple actors in civil society. The Japan Special Fund supported the video production. The campaign will be launched on a pilot basis in 2001.

IDB staff to discuss strategic areas. Inputs from this meeting were later used to prepare the Country Paper.

In project administration, the Country Offices are becoming more proactive in ensuring borrower participation throughout the project cycle and in the dialogue with the national authorities regarding demands by those countries as a result of natural disasters, financial restrictions, political events and changes in priorities. Country Offices play a pivotal role in the life of a project, beginning with the selection of the appropriate lending instrument, design of the operation, involvement in project start-up workshops, loan administration, mid-term reviews and evaluations.

The Country Offices continued to play an important role during the year in responding to natural disasters, assisting reconstruction efforts and supporting the agenda for discussions on peace processes. In Central America, the Country Offices coordinated efforts with the international community in dealing with post-Hurricane Mitch reconstruction. Other Country Offices, such as those in Belize, Venezuela, Mexico and Nicaragua, rallied to support emergency situations. The Country Office in Colombia has taken an active role in promoting the peace process and in providing assistance to areas affected by the conflict.

Non-financial services provided by the Country Offices are becoming more impor-

TABLE XIII. Consolidated Administrative Expenses

(In thousands of U.S. dollars)

Category	1998 Actual	1999 Actual	2000 Actual
Board of Governors	1,777.4	2,512.5	2,095.9
Board of Executive Directors	15,206.8	16,027.9	14,751.1
Evaluation Office	3,755.3	3,212.5	3,633.8
Headquarters and Country Offices	295,520.8	305,556.6	292,102.2
Post-Retirement Benefits	16,271.0	4,300.0	1,200.0
Total before Reimbursement [1,2,3]	**332,531.3**	**331,609.6**	**313,783.1**
Reimbursement from Funds under Administration and IIC	(2,469.7)	(2,132.4)	(2,526.9)
Total Administrative	**330,061.6**	**329,477.2**	**311,256.2**
Capital	12,074.4	14,197.2	10,750.0
TOTAL ADMINISTRATIVE AND CAPITAL	**342,136.0**	**343,674.4**	**322,006.2**

[1] Excludes depreciation amounting to $13.7 million in 1998, $14.5 million in 1999 and $15.7 million in 2000.
[2] Net of certain income items in the amount of $11.7 million, $13.7 million, and $13.1 million in 1998, 1999, and 2000, respectively.
[3] Includes $16.8 million and $24.3 million of pre-paid pension costs in 1998 and 1999, respectively.

tant. Activities such as consultative group meetings, policy dialogues, sector specific workshops, and meetings to support the private sector and civil society organizations are increasingly seen as a key factor in the Bank's performance and strategy in a particular country. The Country Offices are also playing a crucial role in facilitating partnerships between the public and private sectors, and have been very supportive in the case of operations financed or developed by the Multilateral Investment Fund (MIF) or the Private Sector Department (PRI).

Administration

One of the main activities in the area of human resources was the preparation of a Human Resources Strategy and the corresponding implementation plan. The objective is to improve human resources management, considered a critical area in order for the Bank to accomplish its mission. The purpose of the strategy is to promote an environment of fairness, transparency and rigor that rewards excellence and commitment by the staff. The strategy is comprised of several components, including an employment model, recruitment, leadership assessment and development, compensation policy, staffing plan, performance management, career mobility and development, diversity and a separation policy. The strategy is based on the principle that staff diversity, reflected in a broad spectrum of backgrounds, ideas, cultures, and lifestyles enriches the Bank and lends value to the fulfillment of its institutional objectives.

In 2000, the Board of Executive Directors approved the document entitled "Proposal to Address Issues Related to Long-term Consultants at the Bank." Following a diagnosis of the status of individual long-term consultants at the Bank, the proposal includes an action plan consistent with the new employment modalities of the Human Resources Strategy. The action plan entails a maximum authorized staff headcount for the next three years; the review, prioritization and filling of new positions through a

BOX 9

THE INTER-AMERICAN INSTITUTE FOR SOCIAL DEVELOPMENT

During 2000, the Inter-American Institute for Social Development (INDES) diversified its training initiatives for professionals from Latin America and the Caribbean on topics related to the design and management of social policies and programs. Professionals from many governmental and non-governmental organizations participated in INDES courses.

The four-week core courses for policymakers and program managers continued to be the flagship of INDES initiatives. Four core courses were carried out in Washington, D.C. during 2000, including one in English exclusively targeted to the English-speaking countries of the Caribbean. Some 116 professionals participated in the core courses. These events promoted analysis of and exchange of experiences and perspectives about diverse topics related to social policy design and management. The topics were grouped into four thematic modules: contexts and reforms of social development in Latin America and the Caribbean; processes of policymaking and policy/program management; tools and methodologies for policymaking and policy/program management; and current trends in the reforms of social sectors in Latin America and the Caribbean. During 2000, several changes were introduced in the flagship course, particularly centered on the discussion of the most recent reforms in social service delivery and the incorporation of up-to-date materials and case studies, prepared specifically for the course.

Another line of work that INDES pursued during 2000 was a series of training events for specific target populations with well-defined roles in social policymaking and program management. In this area, the Institute carried out a seminar for youth leaders, seeking to strengthen the social mission and the management capacities of youth organizations. It also maintained its collaborative venture with the Foundation for a New Ibero-American Journalism (Fundación para un Nuevo Periodismo Iberoamericano - Cartagena, Colombia), carrying out three workshops for Latin American journalists on coverage of issues related to social policies, poverty, inequality and social development. Also, through the Japan Program, INDES carried out a seminar for Latin American professionals who are descendants of Japanese and other Asian nationals, on the design and management of health policies. Finally, in 2000, the Institute began the preparation of a first course (to be carried out in 2001) on social policy design and management for leaders of indigenous groups.

To the extent that INDES proposes not only to offer training directly, but also to strengthen institutions that are dedicated to the education and training of professionals in the region, it maintained a line of work on training of trainers during 2000. It carried out two courses in Washington, D.C. for university professors and instructors for professional training institutes.

INDES also carried out several training initiatives in the region. It began national programs in Nicaragua and the Dominican Republic. In each of these, a specially adapted core course was developed in order to focus on the specific development issues and training needs of each country. In both programs, several courses and workshops were carried out during 2000, reaching 257 professionals in Nicaragua and 141 in the Dominican Republic.

INDES has sought to maintain communication with the professionals who complete its courses in order to get feedback on its training and to promote an exchange of experiences among those professionals. INDES conducts a follow-up survey of course participants approximately six to eight months after they have completed the training. In that survey INDES has identified that its training fosters greater clarity as to the importance of promoting greater efficiency, equity and sustainability of social policies and programs, and creates awareness as to the importance of the articulation of economic, social and institutional policies in order to promote equitable development. INDES training also generates the commitment and the skills needed to apply effective and modern management tools to improve the design and implementation of social policies and programs. The survey respondents frequently cited specific initiatives that have benefited from the training received through INDES.

For further information, see
www.iadb.org/goto.pl?indes

competitive process; the use of tools such as outsourcing and a mutually agreed separation program; and a new control mechanism, implementation timetable and estimated budgetary impact.

In 2000, the Bank carried out its first large-scale mobility exercise, where staff were encouraged to apply for transfers, including to and from the Country Offices, in order to promote professional growth. More than 180 employees changed positions through the mobility exercise or internal transfers.

The Office of Learning (LRN) focused on responding to special operational needs of the Bank such as modernization of the state, social reform, competitiveness and integration; supporting the leadership and management development component of the human resources strategy; and providing ongoing language and computer courses. In addition, LRN designed the training plans of approximately 40 different units to balance business objectives, institutional priorities and employees' career objectives.

A net Administrative Budget of $346.8 million and a Capital Improvement Program of $14.9 million have been authorized for 2001. Table XIII shows total expenditures for 1998, 1999 and 2000. In 2000, total administrative expenditures of $311.3 million represented 90 percent of the net approved budget. The 2000 budget execution was affected by a substantial decrease in required Bank contributions to retirement plans — due to revised actuarial estimates during the course of the fiscal year.

At year-end 2000, Bank staff funded by the administrative budget, excluding the Board of Executive Directors and the Evaluation Office, totaled 1,719, of whom 1,206 staff were in professional grades and 513 in administrative. Of this total, 497 staff were assigned to Country Offices. At year's end, there were 437 professional women at the Bank, comprising 36.2 percent of all professional staff.

For further information, see www.iadb.org/goto.pl?mif

Multilateral Investment Fund

The Multilateral Investment Fund (MIF) plays a unique role in encouraging private sector development in Latin America and the Caribbean. Focused on innovation, the MIF is testing and introducing new development approaches and playing a catalytic role in promoting broad reforms. With over 70 percent of its projects with private sector partners new to the IDB, the MIF is reaching into new communities and working to lay the groundwork for change. It also plays a special role in supporting regional approaches to development issues, and in promoting shared private and public sector initiatives.

During 2000, the MIF approved 78 projects totaling $115 million, including $10 million for a special contingency fund to contribute to the recovery of microenterprises in the wake of natural disasters.

Recognizing the rapidly growing need for goods and services that are certified as meeting international standards, MIF introduced a cluster of projects to bring regional quality management capacity up to ISO and other standards. Building on earlier MIF achievements in introducing alternative dispute resolution to the region, the MIF is now working on sharing the lessons learned from its projects, and providing a forum for the creation of strong regional networks.

A series of pilot projects addresses the need for modern labor relations, occupational health and safety, regulation of competition, and the strengthening of the secured transactions framework. A set of initiatives to encourage greater eco-efficiency was also launched. The MIF is also creating alliances with business organizations to develop new approaches to promoting youth entrepreneurship through an innovative financing and mentoring package.

BOX 10

MICROENTERPRISE DEVELOPMENT

Two decades ago, when the Inter-American Development Bank was the first multilateral organization in Latin America and the Caribbean to extend loans to very small businesses, few people could have imagined the economic weight that would ultimately be achieved by the microenterprises that employ less than ten people. Today, however, it is generally acknowledged that the sector holds enormous potential. During the mid-1990s the microenterprise sector employed more than half the work force in most Latin American countries. Currently, more than 65 million microenterprises operate in the region, providing employment to more than 110 million people. Microenterprise development is now widely recognized as an important vehicle for low-income people to escape poverty through market-driven, productive activities.

Microenterprises, the smallest type of entrepreneurial enterprise, come in all shapes and forms, from subsistence businesses to firms that use relatively sophisticated production methods, display rapid growth, and are directly linked to larger firms in the formal economy. They include street vendors, bike repair shops, metal shops, bakeries, tailors, to name just a few. In Latin America's volatile economies, microenterprises are often the first recourse of the poor seeking to survive by creating jobs for themselves, especially women, who own or operate between 30-60 percent of microenterprises in the region. Typically, microenterprises in Latin America and the Caribbean are characterized in part by their limited access to the formal financial sector and to business support services. However, for the past decade, microenterprise development programs have focused primarily on expanding the reach and depth of financial services.

Microfinance is the provision of financial services–including credit, deposits, and insurance–to low-income people who operate their own businesses. As micro-finance has grown to respond to the burgeoning sector of microenterprises, the clients who borrow have grown more sophisticated and their demands for services are now more diverse. The microfinance industry in Latin America and the Caribbean has been undergoing a major transformation in which microcredit institutions are incorporating into their practices social concepts with financial and commercial market principles. This combination has led to greater outreach of financial services to the poor and the establishment of a growing number of sustainable microfinance institutions. These institutions have profitable operations, serve a significant number of clients, and have high repayment rates. Their emergence as profitable institutions has drawn the attention of commercial banks and other formal financial institutions, including specialized investment funds, to the potential of the low-income market segment.

Despite the remarkable progress that has been made in the development of the microfinance industry, much less attention has been placed on the provision of business development services, or non-financial services, such as training, technology transfer, marketing assistance and general management assistance and mentoring. However, in view of the lessons learned from the microfinance industry, donors are beginning to place emphasis on developing these as demand-oriented services. As a consequence, business development services progressively have been incorporating cost recovery mechanisms that promote institutional sustainability.

For the past decade, the IDB has consistently been a pioneer in support for microenterprises in Latin America. This support has taken many forms: equity investment in micro-finance institutions, technical assistance to providers of business development services, or diffusion of best practices in regulatory reform. During this time, the IDB has pursued a comprehensive vision for the hemisphere's microenterprise sector that includes efficient and self-sustainable institutions dedicated to providing financial and non-financial services to a growing number of microentrepreneurs, working within a clear and straightforward regulatory environment. In its efforts to search for the most effective means to address poverty, the IDB continues to sharpen its focus on microenterprise development.

For further information, see
www.iadb.org/goto.pl?micro

A special Working Group on MIF Strategy undertook extensive analysis during the year and confirmed that MIF should continue to pilot new ideas, and play a catalytic role in improving the framework for private sector growth, focusing on the areas of small business development, microenterprise, market functioning and financial sector reform.

The MIF continued to build on its leadership role in extending the reach of microfinance institutions, introducing new financing mechanisms such as bond offers and leasing, and increasing microfinance capacity. Using both technical assistance and investment mechanisms, the MIF is leading the transition of the region's NGOs into regulated financial institutions, and building links between microfinance institutions and capital markets. The networks and institutions that now provide two-thirds of all microfinance in the region have been direct beneficiaries of MIF grants and investments.

The MIF's work in demonstrating the use of equity as a development tool for microfinance and small enterprises entered a new phase this past year, as the initial investments began to mature. The first exit was successfully completed, providing an important demonstration model to the market that this type of investing can be attractive. The portfolio of active investments has now reached over $142 million, and these investments have leveraged an additional $312 million from other investors.

Inter-American Investment Corporation

For further information, see www.iadb.org/goto.pl?iic

The Inter-American Investment Corporation (IIC) began operations in 1989. As an affiliate of the IDB, the IIC promotes the economic development of its Latin American and Caribbean member countries by providing financing for small and medium-size private enterprises in the region.

The IIC's developmental financing program targets projects proposed by small and medium-size private companies that do not have access to other suitable sources of equity capital or long-term loans. The IIC lends to and invests in these companies directly or provides financing indirectly through financial intermediaries or private equity funds.

On a cumulative basis, the IIC has provided or mobilized funding for more than 2,400 small and medium-size private companies in the productive and service sectors in the region. Projects with an aggregate cost in excess of $8 billion have been undertaken with IIC funding.

In 2000, the IIC's Board of Directors approved 19 transactions. These approvals—which include operations in eight countries, plus three that are regional in scope—totaled $143 million. Many of the operations approved during the year broke new ground, either for the IIC or for the region as a whole. Examples include:

• Transfer of technology and equipment to the Costa Rican telecommunications sector;

• Mortgage-backed securities for medium- and low-income housing in Brazil;

• Securities issued by privately held small and middle-market media and telecommunications companies throughout the region;

• Funding for a hospital in Mexico that provides charity services and in-house training and research programs.

Also noteworthy were the seven transactions with financial institutions and five private equity funds that will allow the IIC to channel more than $500 million to even smaller companies throughout the region.

The total cost of the projects for which the IIC approved financing in 2000 was almost $900 million. As they are implemented, these projects will create 53,000 jobs and generate $420 million in value added and $90 million annually in foreign currency income in the IIC's regional member countries.

Financial Matters

Highlights

In 2000, 99.9 percent of the ordinary capital portfolio was fully performing. Ordinary capital operations, which have been profitable every year since the inception of the institution, generated net income of $846 million, compared with $568 million in 1999. The increase in net income is due largely to higher loan charges on a limited number of short-term loans approved in 1998-99 in response to the market liquidity crisis. The interest coverage ratio was 1.33 times in 2000. Total ordinary capital reserves amounted to $8.1 billion as of December 31, 2000, compared with $7.4 billion the previous year. The reserves to net loans ratio at the end of 2000 was 19.9 percent. These ratios are consistent with Bank policy and reflect the institution's financial soundness.

The Bank set its lending spread at 0.5 percent during the first and second semesters of 2000, a level equal to that of the previous year. Similarly, the inspection and supervision fee remained at the one percent level for the first and second semesters. The credit commission was set at 0.75 percent for both the first and second semester. The collection of basic fees in 2000 was needed to meet the Bank's desired income targets for the year.

The loan portfolio of the Fund for Special Operations (FSO) was fully performing during 2000. FSO operations generated net income before technical cooperation expenses in an amount of $134.8 million, compared to $103.2 million in 1999.

An amount of $23.5 million was allocated from the FSO to the Intermediate Financing Facility (IFF) in both 2000 and 1999 for its standard operations. Moreover, $11 million was transferred from the FSO general reserve in connection with the Highly Indebted Poor Countries (HIPC) initiative in both years and $32 million was transferred in 2000 in connection with the agreement on concessional resources approved by the Board of Governors in 1999. IFF income from investments was $12.7 million, compared to $9.3 million in the previous year. Interest paid on behalf of ordinary capital borrowers during the year amounted to $70.8 million, compared with $71 million in 1999. As of December 31, 2000, the balance of the IFF was $258.9 million, compared with $259.8 million at the end of the previous year.

As has always been the case since it was established 41 years ago, the Bank was again rated AAA by the major rating agencies in 2000.

The audited financial statements of the ordinary capital, the Fund for Special Operations and the Intermediate Financing Facility, as well as of the Social Progress Trust Fund, appear on pages 93-148 of this report.

Borrowings

With its continuing objective of securing the lowest cost of financing for its borrowers, the Bank in 2000 issued bonds for a total amount of $8.1 billion equivalent, with an average life of 6.4 years.

In order to achieve its goals, the Bank maintained a strong presence in core currency markets and also continued to pursue opportunities in other markets that offered cost-effective financing.

The Bank increased the size of its strategic benchmark global transactions in U.S. dollars from $1 billion to $2 billion. The first of these was issued in January, with a 10-year maturity, followed by a second in June, with a three-year maturity. The latter was subsequently re-opened and $1 billion was added, bringing the outstanding amount to $3 billion. This became the Bank's largest bond issue ever.

In 2000, the Bank issued its inaugural euro-denominated benchmark bond in an amount of $1 billion, with a 10-year maturity, and the issue met with strong demand from international investors. Moreover, the

TABLE XIV. CONTRIBUTION QUOTAS TO THE FUND FOR SPECIAL OPERATIONS[1]

(In thousands of U.S. dollars)

Country	As of December 31, 2000
Argentina	$ 485,309
Austria	17,619
Bahamas	10,327
Barbados	1,681
Belgium	40,786
Belize	7,442
Bolivia	47,723
Brazil	532,708
Canada	291,345
Chile	154,455
Colombia	150,458
Costa Rica	22,895
Croatia	5,149
Denmark	18,747
Dominican Republic	33,274
Ecuador	29,665
El Salvador	20,919
Finland	17,549
France	208,594
Germany	227,853
Guatemala	32,209
Guyana	8,157
Haiti	21,300
Honduras	26,056
Israel	17,886
Italy	199,713
Jamaica	28,157
Japan	586,208
Mexico	321,492
Netherlands	34,302
Nicaragua	23,690
Norway	18,510
Panama	24,887
Paraguay	27,444
Peru	78,184
Portugal	7,103
Slovenia	3,218
Spain	198,554
Suriname	6,171
Sweden	36,011
Switzerland	57,966
Trinidad and Tobago	20,472
United Kingdom	170,913
United States	4,806,442
Uruguay	54,619
Venezuela	309,058
Subtotal	9,443,220
Unallocated	115,790
TOTAL	**$9,559,010**

[1] After exchange adjustments.

For further information see
www.iadb.org/goto.pl?capitalmarkets

Bank issued traditional arbitrage-driven bonds in pounds sterling, Taiwan dollars and Hong Kong dollars.

The Bank maintained a broad geographical distribution of its bond sales to institutional investors, with 30 percent placed in North and South America, 39 percent in Europe and the Middle East, and 31 percent in Asia.

Terms and Conditions

Ordinary Capital

In 2000 the Bank offered five types of lending instruments from its ordinary capital: (i) sovereign obligation loans denominated and disbursed in one of four currencies: European Union euros, Swiss francs, Japanese yen, or U.S. dollars (Single Currency Facility loans); (ii) LIBOR-based or fixed rate loans denominated and disbursed only in U.S. dollars to be on-lent to private sector borrowers, which carry a government guarantee (Dollar Window loans); (iii) loans that are denominated in a pool of currencies and are sovereign obligations; (iv) loans to finance private sector operations, which do not carry a government guarantee; and (v) sovereign local currency loans. Loans extended from the ordinary capital during 2000 were made for terms ranging from 12 to 25 years. Moreover, the Bank is authorized to undertake guarantees, both with and without government counter-guarantees.

Single Currency Facility Loans

Single Currency Facility loans are denominated in European Union euros, Japanese yen, Swiss francs, or U.S. dollars. These loans can take the form of one or more sub-loans, at the discretion of the borrower. Loans are denominated in the currency and amount chosen by the borrower for each sub-loan.

TABLE XV. CAPITAL OF THE BANK

(In thousands of U.S. dollars) [1]

	Subscriptions as of December 31, 2000		
Country	**Paid-in**	**Callable**	**Total**
Argentina	$ 465,118	$ 10,393,829	$ 10,858,947
Austria	6,900	153,688	160,588
Bahamas	11,533	198,347	209,880
Barbados	5,634	124,253	129,887
Belgium	14,235	316,762	330,997
Belize	7,202	103,516	110,718
Bolivia	37,324	834,355	871,680
Brazil	465,118	10,393,829	10,858,947
Canada	173,677	3,866,209	4,039,887
Chile	127,716	2,853,919	2,981,634
Colombia	127,716	2,853,919	2,981,634
Costa Rica	18,662	417,081	435,743
Croatia	2,087	46,384	48,471
Denmark	7,347	163,435	170,782
Dominican Republic	24,911	556,788	581,699
Ecuador	24,911	556,788	581,699
El Salvador	18,662	417,081	435,743
Finland	6,900	153,688	160,588
France	82,273	1,831,446	1,913,719
Germany	82,273	1,831,446	1,913,719
Guatemala	24,911	556,788	581,699
Guyana	7,793	153,773	161,566
Haiti	18,662	417,081	435,743
Honduras	18,662	417,081	435,743
Israel	6,804	151,541	158,345
Italy	82,273	1,831,446	1,913,719
Jamaica	24,911	556,788	581,699
Japan	217,106	4,833,154	5,050,260
Mexico	298,980	6,681,308	6,980,288
Netherlands	14,633	325,640	340,273
Nicaragua	18,662	417,081	435,743
Norway	7,347	163,435	170,782
Panama	18,662	417,081	435,743
Paraguay	18,662	417,081	435,743
Peru	62,235	1,390,745	1,452,980
Portugal	2,316	51,656	53,972
Slovenia	1,267	28,096	29,362
Spain	82,273	1,831,446	1,913,719
Suriname	5,718	82,852	88,570
Sweden	14,139	314,807	328,946
Switzerland	20,411	454,249	474,660
Trinidad and Tobago	18,662	417,081	435,743
United Kingdom	41,776	929,946	971,722
United States	1,303,020	29,006,704	30,309,724
Uruguay	49,870	1,114,335	1,164,206
Venezuela	249,339	5,568,456	5,817,795
Sub-total	4,339,289	96,596,415	100,935,704
Unallocated	1,363	22,317	23,680[2]
TOTAL	**$4,340,652**	**$96,618,732**	**$100,959,384**

[1] Data are rounded to the nearest one thousand: detail may not add up to subtotals and totals because of rounding.
[2] Total unallocated amount of $23,680 consists of 1,963 shares (113 paid-in and 1,850 callable) pertaining to the remainder of the former Social Federal Republic of Yugoslavia.

TABLE XVI. OUTSTANDING BORROWINGS BY CURRENCY AS OF DECEMBER 31, 2000

(In millions of U.S. dollars)

Currency[1]	Amount
British pounds sterling	$ 3,513
Canadian dollars	766
Danish kroner	50
Euro	4,606
Greek drachmas	137
Hong Kong dollars	1,241
Japanese yen	5,799
New Taiwan dollars	591
New Zealand dollars	220
Polish zlotys	24
South African rand	73
Swedish kronor	52
Swiss francs	2,398
United States dollars	21,924
Total	**$ 41,394**

[1] Before swaps.

The lending rate charged to each sub-loan is a function of the selected currency; it is a single-currency, pool-based variable rate, reset semi-annually to reflect the effective cost during the previous six months of each of the single currency pools of borrowings allocated to fund such loans. The rates corresponding to each of the four currencies are equal to the weighted average cost of borrowing in each of the four currencies necessary to fund the program during the prior semester, plus the applicable ordinary capital lending spread. The lending rates applicable for loans approved in the first semester of 2000 were as follows: for operations denominated in European Union euros, 5.38 percent; in Japanese yen, 2.30 percent; in Swiss francs, 3.88 percent; and in U.S. dollars, 6.77 percent. The rates for the second semester were 6.13 percent, 2.34 percent, 4.47 percent, and 7.03 percent, respectively. During 2000, 46 loans in an aggregate amount of $3,606 million equivalent were approved and $2,669.9 million disbursed from this facility.

Currency Pool Loans

The Bank's currency pool-based variable lending rate methodology uniformly adjusts the lending rate applicable to the outstanding balances of all currency pool loans approved since January 1, 1990. Consistent with the cooperative nature of the institution, all borrowers equally share both the costs and benefits of changes in the exchange rates of constituent currencies and the lending rate.

The target composition of the currency pool is 50 percent in U.S. dollars, and 25 percent each in Japanese yen and European currencies. At December 31, 2000, the levels reached were 50.07 percent in U.S. dollars, 25.03 percent in Japanese yen, and 24.90 percent in European currencies.

The lending rate charged on outstanding balances of variable rate loans was 6.38 percent during the first six months of 2000 and 6.36 percent during the last six months. The lending rate for new disbursements of fixed-at-disbursement loans approved prior to 1990 was 6.71 percent during the first six months of 2000 and 6.37 percent during the last six months.

During 2000, ten loans in an aggregate amount of $484 million equivalent were made from this facility.

U.S. Dollar Window Loans

During 2000, one loan in the amount of $300 million was approved and $51.9 million was disbursed from the ordinary capital's U.S. Dollar Window. These loans have maturities of up to 25 years and a choice of either a fixed rate or a LIBOR-based floating rate based, in either case, on the Bank's cost of U.S. dollar funding of that type, plus the same lending spread as other ordinary capital loans. This program is aimed at stimulating private sector activity of local financial intermediaries by providing financing on terms more compatible with the needs of the private sector borrowers to whom the funds are on-lent.

TABLE XVII. BORROWINGS[1], FISCAL YEAR 2000

(Amounts in millions)

Type	Issue	Units	Amount	Amount (US$ equiv.)
Domestic Bond	7.25%, due 2002	GBP	350	$ 539
	5.20%, due 2005	TWD	2,000	63
	5.12%, due 2003	TWD	4,000	124
	7.60%, due 2010[2]	USD	25	25
	7.25%, due 2010[2]	USD	25	25
Euro-MTN	5.75%, due 2009	GBP	200	314
	6.00%, due 2006	GBP	150	217
	5.25%, due 2021	GBP	150	217
	7.75%, due 2003[3]	HKD	780	100
	7.1125%, due 2003	HKD	200	27
	7.30%, due 2003	HKD	1,000	128
	7.50%, due 2005	HKD	500	64
	6.80%, due 2003	HKD	1,000	128
	7.05%, due 2005	HKD	1,000	128
	7.30%, due 2007[2]	USD	50	50
	7.20%, due 2005[2]	USD	35	35
Global Bond	5.50%, due 2010	EUR	1,000	955
	7.375%, due 2010	USD	2,000	2,000
	7.00%, due 2003	USD	3,000	3,000
Total Borrowings				**$ 8,139**

[1] Before swaps.
[2] The issuer has multiple call options.
[3] These bonds were launched on December 15, 1999 and settled on January 14, 2000.

Fees on Sovereign Lending

In addition to the interest rate on loans, the Bank's basic fees are a credit fee of 0.75 percent on the undisbursed balances of ordinary capital loans approved after January 1, 1989; 1.25 percent on ordinary capital loans approved prior to that date; and 0.50 percent on loans from the Fund for Special Operations, as well as a one-time inspection and supervision fee of one percent on all loans. Fees on ordinary capital loans may be reduced or waived if financial conditions permit.

Private Sector Loans Without Government Guarantees

The Bank has been making direct loans to the private sector without government guarantees for infrastructure projects since 1995. This type of lending is currently limited to five percent of the Bank's outstanding loans and guarantees (not including emergency lending). Moreover, it is subject to a number of restrictions, including a ceiling on financing the lesser of 25 percent of the total costs of an individual project or $75 million, although in the case of certain specified countries the Bank may finance up to the lesser of 40 percent of the total costs of an individual project or $75 million. In 2000, ten loans of this type were approved, for a total of $336.8 million. The interest rates charged on 2000 approvals ranged from 0.55 to 4.5 percentage points over LIBOR and maturities varied between 12 and 16 years. Interest rates were chosen from available fixed and floating rate options, and were based on market rates and reflected the underlying risks of the operations. Moreover, on a case-by-case basis, operations may be charged an analysis fee, a commitment fee on undisbursed balances, a front-end fee, and late payment and pre-payment fees.

Guarantees

Guarantees are available with and without government counter-guarantees. Fees charged for guarantees vary both between the types of guarantees and within each type, according to the coverage of the guarantees.

For future guarantees with a government counter-guarantee, facility fees would be fixed on the amount of the guarantee and charged from the date the Bank enters into a guarantee commitment until the date the commitment expires. The Bank would also charge a guarantee fee, which is set on a case-by-case basis to adequately reflect the coverage of risks involved in each transaction. The sum of the facility fee and the guarantee fee for any project will not exceed one percent.

Pricing for guarantees without government counter-guarantees, which are covered under the five percent limit for outstanding balances of non-guaranteed operations, is on a case-by-case basis. These guarantees encompass a broad range of possible risks and are expected to be priced higher than the charges on guarantees with government counter-guarantees. In 2000, two guarantees with a total amount of $175 million were made under this program.

A two-year Guarantee Disbursement Loan (GDL) Pilot Program was established in the last quarter of 2000 in an amount not to exceed $1 billion for borrowing member countries that are implementing a macroeconomic program satisfactory to the Bank, and limited to no more than $250 million for any individual borrowing country. Under the GDL program, borrowers have the flexibility to choose payment in the form of either a conventional disbursement or a guarantee. Operations with a guarantee under the pilot program are subject to a front-end fee of one percent and a commitment fee of 0.75 percent. The annual fee for guarantees under this program is a basic spread equivalent, plus 200 basis points. The interest rate for disbursements where the guarantee option under the pilot program is not used is the Bank's ordinary capital rate plus 200 basis points.

Local Currency Loans

In 2000, one loan was made from the ordinary capital in the members' own currency, which carries an interest rate of four percent and maturity of 25 years.

Concessionary Resources

The rate of interest charged on convertible currency loans from the Fund for Special Operations for less developed member countries, which are made to or guaranteed by member governments, is one percent during the first 10 years and two percent thereafter, with 10-year grace periods and 40-year maturities. The rates of interest charged on local currency loans from the FSO vary from one to four percent depending on the stage of development of the country concerned, as well as on the nature of the projects, with grace periods ranging from five to 10 years; maturities vary from 25 to 40 years.

The Intermediate Financing Facility pays a share of the interest payments on each eligible ordinary capital loan, up to five percent per annum on the outstanding amount such that the net lending rate paid by the borrower on each of these loans shall be no lower than 3.38 percent. In 2000, seven of the ordinary capital loans approved, totaling $104.4 million, received assistance from the IFF. The level of IFF subsidies is deeper for loans selected for delivery of debt relief under the HIPC initiative.

Loans for the financing of small projects, which need not be guaranteed, are extended with maturities of up to 40 years, grace periods of up to 10 years, and are charged a commission of one percent per year.

Technical Cooperation

Technical cooperation is extended on a reimbursable, grant or contingent recovery basis. Contingent recovery technical cooperation, which accounts for a small amount of the total, is subject to repayment only if as a result of the TC a loan is subsequently made by the Bank, or by another external financial institution, for the execution of a project or program.

PART II
FINANCIAL STATEMENTS

ORDINARY
CAPITAL

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have audited the accompanying balance sheets of the Inter-American Development Bank—Ordinary Capital as of December 31, 2000 and 1999, and the related statements of income and general reserve, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Bank'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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 the Inter-American Development Bank—Ordinary Capital as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Washington, D.C.
February 21, 2001

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in thousands of United States dollars

	December 31, 2000		December 31, 1999	
ASSETS				
Cash and investments				
Cash	**$ 185,954**		$ 269,158	
Investments				
Trading	**11,020,779**		10,272,181	
Held-to-maturity	**3,101,208**	**$14,307,941**	3,055,322	$13,596,661
Loans outstanding	**41,871,615**		38,551,851	
Allowance for loan losses	**(1,308,146)**	**40,563,469**	(1,166,736)	37,385,115
Accrued interest and other charges				
On investments	**98,849**		100,965	
On loans	**689,439**	**788,288**	623,484	724,449
Receivable from members				
Capital subscriptions	**20,021**		141,854	
Non-negotiable, non-interest bearing demand obligations	**733,560**		768,900	
Amounts required to maintain value of currency holdings	**56,367**	**809,948**	64,314	975,068
Amounts receivable on swaps				
Investments—trading	**2,492,045**		919,953	
Borrowings	**10,327,874**	**12,819,919**	10,125,835	11,045,788
Other assets				
Property, net	**266,507**		271,499	
Accrued interest and charges on swaps, net	**124,105**		117,163	
Unamortized borrowing costs	**139,477**		168,312	
Miscellaneous	**124,006**	**654,095**	71,122	628,096
Total assets		**$69,943,660**		$64,355,177
LIABILITIES AND CAPITAL				
Liabilities				
Borrowings				
Short-term	**$ 1,070,944**		$ 782,941	
Medium and long-term	**41,370,180**	**$42,441,124**	38,769,670	$39,552,611
Amounts payable on swaps				
Investments—trading	**2,677,118**		1,098,966	
Borrowings	**11,387,994**	**14,065,112**	10,981,750	12,080,716
Accrued interest on borrowings		**832,639**		791,773
Accounts payable and accrued expenses		**161,093**		156,402
Total liabilities		**57,499,968**		52,581,502
Capital				
Capital stock				
Subscribed 8,369,043 shares (1999—8,362,584 shares)	**100,959,384**		100,881,466	
Less callable portion	**(96,618,732)**		(96,543,697)	
	4,340,652		4,337,769	
General reserve	**5,542,421**		4,723,565	
Special reserve	**2,665,500**		2,665,500	
Accumulated translation adjustments	**(104,881)**	**12,443,692**	46,841	11,773,675
Total liabilities and capital		**$69,943,660**		$64,355,177

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

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND GENERAL RESERVE

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Income		
Loans		
Interest	**$2,838,581**	$2,376,659
Credit commissions	**136,506**	130,534
Supervision and inspection and other fees	**85,700**	74,334
	3,060,787	2,581,527
Investments	**765,479**	576,188
Other	**51,633**	36,544
Total income	**3,877,899**	3,194,259
Expenses		
Borrowing expenses		
Interest	**2,527,017**	2,080,335
Amortization of borrowing costs	**42,811**	48,316
Other costs	**—**	769
	2,569,828	2,129,420
Provision for loan losses	**174,428**	220,528
Administrative expenses	**287,587**	276,270
Total expenses	**3,031,843**	2,626,218
Net income	**846,056**	568,041
Allocation to the Fund for Special Operations	**(27,200)**	—
Addition to general reserve for the year	**818,856**	568,041
General reserve, beginning of year	**4,723,565**	4,155,524
General reserve, end of year	**$5,542,421**	$4,723,565

STATEMENT OF COMPREHENSIVE INCOME

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Net income	**$ 846,056**	$568,041
Translation adjustments		
General reserve	**(81,490)**	9,726
Special reserve	**(70,232)**	(8,560)
Total translation adjustments	**(151,722)**	1,166
Comprehensive income	**$ 694,334**	$569,207

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

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in thousands of United States dollars

	Years ended December 31,	
	2000	**1999**
Cash flows from lending and investing activities		
Lending:		
Loan disbursements (net of participations)	**$ (6,682,526)**	$ (7,947,170)
Loan collections (net of participations)	**2,312,434**	1,988,381
Net cash used in lending activities	**(4,370,092)**	(5,958,789)
Gross purchases of held-to-maturity investments	**(18,864,271)**	(13,065,531)
Gross proceeds from maturities of held-to-maturity investments	**18,696,210**	10,068,282
Proceeds from sale and maturities of investment swaps	**(86,257)**	(52,927)
Purchase of property	**(10,747)**	(14,198)
Miscellaneous assets and liabilities	**(12,401)**	18,927
Net cash used in lending and investing activities	**(4,647,558)**	(9,004,236)
Cash flows from financing activities		
Medium and long-term borrowings:		
Gross proceeds	**8,143,176**	8,881,263
Repayments	**(4,123,468)**	(2,258,715)
Proceeds from short-term borrowings, net	**287,562**	779,528
Capital:		
Collections of receivables from members	**159,963**	197,321
Net cash provided by financing activities	**4,467,233**	7,599,397
Cash flows from operating activities		
Loan income collections	**2,990,522**	2,538,388
Interest and other costs of borrowings	**(2,486,565)**	(2,063,745)
Income from investments	**744,238**	542,617
Other income	**17,194**	16,772
Administrative expenses	**(253,204)**	(301,765)
Net cash provided by operating activities	**1,012,185**	732,267
Adjustments to receivable from members	**(1,177)**	(64,281)
Change in market value of trading investments	**50,745**	(18,363)
Effect of exchange rate fluctuations on cash and trading investments	**(188,834)**	147,572
Allocation to the Fund for Special Operations	**(27,200)**	—
Net increase (decrease) in cash and trading investments	**665,394**	(607,644)
Cash and trading investments, beginning of year	**10,541,339**	11,148,983
Cash and trading investments, end of year	**$11,206,733**	$10,541,339

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

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Note A – Origin
The Inter-American Development Bank (Bank) is an international organization which was established in December 1959. The principal purpose of the Bank is to promote the economic and social development of Latin America and the Caribbean, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform. The primary activities of the Bank are conducted through the Ordinary Capital with such operations supplemented by those of the Fund for Special Operations (FSO) and the Intermediate Financing Facility Account (IFF). The FSO was established for the purpose of making loans in the less developed member countries in Latin America and the Caribbean by providing financing on terms which are highly concessional. The IFF's purpose is to subsidize part of the interest payments for which certain borrowers are liable on loans from the Ordinary Capital.

Note B – Summary of Significant Accounting Policies
The Bank's financial statements are prepared in conformity with United States generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

New accounting pronouncements
In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 133, as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities—Deferral of the Effective Date of FASB Statement No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities, an amendment of Statement 133", is effective for the Bank on January 1, 2001. SFAS No. 133, as amended, establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the Balance Sheet as either an asset or liability measured at its fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. For fair value hedge transactions in which the Bank is hedging changes in the fair value of an asset, liability, or firm commitment, changes in the fair value of the derivative instrument will generally be offset in the Statement of Income and General Reserve by changes in the hedged item's fair value. For cash flow hedge transactions, in which the Bank is hedging the variability of cash flows related to a variable rate asset, liability, or a forecasted transaction, changes in the fair value of the derivative instrument will be reported in other comprehensive income. The gains and losses on the derivative instrument that are reported in other comprehensive income will be reclassified as earnings in the periods in which earnings are impacted by the variability of the cash flows of the hedged item. The ineffective portion of all hedges will be recognized in current period earnings.

The Bank estimates that the initial adoption of SFAS No. 133 on January 1, 2001 will result in the recognition of a cumulative effect adjustment of $96,101,000 (gain) in earnings and $44,760,000 (gain) in accumulated other comprehensive income to recognize all derivative instruments at fair value. The Bank expects to record an offsetting cumulative effect adjustment of $45,263,000 (loss) in earnings to recognize the difference between the carrying values and fair values of related hedged assets, liabilities and firm commitments on designated fair value hedges.

Translation of currencies
The Bank's financial statements are expressed in United States dollars; however, the Bank conducts its operations in the currencies of all of its members. The Bank's resources are derived from capital, borrowings and accumulated earnings in those various currencies. The Bank has a number of general policies aimed at minimizing exchange-rate risk in a multicurrency environment. The Bank generally follows the policy of investing and lending the proceeds of borrowings (after swaps) and paid-in capital in the currencies received. In addition, the Bank periodically undertakes currency conversions to match more closely the currencies underlying its general and special reserves with those of the outstanding loans.

Assets and liabilities derived from borrowings, denominated in currencies other than the United States dollar, are translated at approximate market exchange rates prevailing at the dates of the financial statements. Exchange rate fluctuations do not have any effect on the United States dollar equivalent of currencies from paid-in capital because of the maintenance of value described below. Income and expenses are translated at approximate market exchange rates prevailing during each month. Net adjustments resulting from the translation into United States dollars of assets and liabilities are charged or credited to translation adjustments and are shown in the Statement of Comprehensive Income.

Valuation of capital stock
The Agreement Establishing the Bank (Agreement) provides that the Ordinary Capital be expressed in terms of the United States

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

dollar of the weight and fineness in effect on January 1, 1959. The Second Amendment to the Articles of Agreement of the International Monetary Fund eliminated par values of currencies in terms of gold effective April 1, 1978, and consequently the General Counsel of the Bank has rendered an opinion that the Special Drawing Right (SDR) has become the successor to the 1959 United States dollar as the standard of value of the Bank's capital stock and for the purpose of maintaining the value of the Bank's currency holdings. The SDR has a value equal to the sum of the values of specific amounts of stated currencies, including the United States dollar. Pending a decision by the Bank's governing boards and as suggested in the General Counsel's opinion, the Bank is continuing its practice of using the 1959 United States dollar, which pursuant to the devaluations of the United States dollar in 1972 and 1973 is equal to approximately 1.2063 current United States dollars, as the basis of valuation. If the 1959 United States dollar were to have been substituted with the SDR on December 31, 2000, the financial position and the results of operations of the Bank would not have been materially affected.

Maintenance of value

In accordance with the Agreement, each member is required to maintain the value of its currency held in the Ordinary Capital, except for currency derived from borrowings. Likewise, the Bank is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the Ordinary Capital, except for currency derived from borrowings. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959.

General and special reserves

In accordance with resolutions of the Board of Governors, the net income from the Ordinary Capital resources of the Bank is generally added to the general reserve to provide for possible annual excess of expenses over income.

The special reserve consists of loan commissions set aside from the Bank's inception to 1998 pursuant to Article III, Section 13 of the Agreement, which are held in investments. These investments may be used only for the purpose of meeting liabilities of the Bank on its borrowings and guarantees in the event of defaults on loans made, participated in, or guaranteed by the Bank.

Investments

Investment securities are classified based on management's intention on the date of purchase. Securities which management has the intent and ability to hold until maturity are included in the held-to-maturity portfolio and reported at amortized cost. All other investment securities are held in a trading portfolio carried and reported at market value, with realized and unrealized gains and losses included in income from investments. Trading investments are included in the Statement of Cash Flows as cash equivalents due to their nature and the Bank's policy governing the level and use of such investments.

The Bank uses derivatives, mostly currency and interest rate swaps, exclusively for hedging purposes as part of its asset and liability management enabling the Bank to lower its funding costs and enhance investment returns without increasing the Bank's exposure to market risk. Investment derivatives, which modify the interest rate and/or currency characteristics of the investment portfolio, are held in the trading portfolio, which is carried and reported at market value. The interest component of these derivatives is recognized as an adjustment to the investment yield over the life of the derivative contract and is included in income from investments on the Statement of Income and General Reserve. The change in the derivative's market value is recognized currently in income from investments. The market values of currency swap payables and receivables and interest rate swaps are presented as separate items on the Balance Sheet. Net principal cash flows from currency swaps are included under proceeds from sale and maturities of investment swaps in the Statement of Cash Flows.

Loans

The Bank makes loans to its developing member countries, agencies or political subdivisions of such members or to private enterprises located in their territories. In the case of loans to borrowers other than national governments, central banks or other governmental or inter-governmental entities, the Bank has followed the general policy, since 1967, of requiring a guarantee engaging the full faith and credit of the government. Up to 5% of the Bank's outstanding loans and guarantees, not including emergency lending, may be made directly to private sector entities without a government guarantee on the basis of market-based pricing and provisioning (Private Sector Program). These loans are subject to a number of restrictions, including a ceiling on financing the lesser of 25% of the total costs of an individual project or $75 million, although in the case of certain specified countries the Bank may finance up to the lesser of 40% of the total costs of an individual project or $75 million. There is also a ceiling on partial risk guarantees of the lesser of 50% of the total costs of an individual project or $150 million.

Loans representing a substantial portion of the outstanding balances have repayment obligations in various currencies determined on the basis of a currency pooling system (Currency Pooling System). The principal amount of Currency Pooling Sys-

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

tem loans is repayable, in aggregate, in the currencies lent. Multicurrency loans approved prior to January 1, 1983 and single currency loans are repayable in the specific currencies disbursed.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are considered immaterial to the financial results of the Bank. Front-end fees on "emergency loans" are deferred and amortized over the first four years of the loan on a straight-line basis, which approximates the effective interest method.

It is the policy of the Bank to place on nonaccrual status all loans made to or guaranteed by a member of the Bank if principal, interest or other charges with respect to any such loan are overdue by more than 180 days. In addition, if loans made to a member country by the FSO or any fund owned or administered by the Bank are placed on nonaccrual status, all loans made to or guaranteed by that member government will also be placed on nonaccrual status by the Bank. On the date a member's loans are placed on nonaccrual status, unpaid interest and other charges accrued on loans outstanding to the member are deducted from the income of the current period. Interest and other charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the Bank. On the date a member pays in full all overdue amounts, the member's loans emerge from nonaccrual status, its eligibility for new loans is restored and all overdue charges (including those from prior years) are recognized as income from loans in the current period.

For Private Sector Program loans, it is the policy of the Bank to place on nonaccrual status loans made to a borrower when interest or other charges are past due by more than 90 days, or when management has doubts about the future collectibility of principal or interest. Income is recorded thereafter only as it is collected, until loan service is current. If the collectibility risk is considered to be particularly high at the time of arrears clearance, the borrower's loans will not automatically emerge from nonaccrual status.

The Bank's Ordinary Capital has a policy of not rescheduling public sector loan repayments and has never had a write-off on any of its loans. The Bank reviews the collectibility of loans on a continuous basis and records, as an expense, provisions for loan losses in accordance with its determination of the collectibility risk of the total loan and guarantees portfolio.

Guarantees

The Bank provides partial guarantees for debt financing designed to encourage private sector lending and investments. The partial risk guarantees and partial credit guarantees are provided mostly for infrastructure projects and may be offered on a standalone basis or in conjunction with a Bank loan. Guarantees may be made either without a government counter-guarantee under the 5% limit for the Private Sector Program operations mentioned above or with a member government counter-guarantee. Fees are recognized as income over the term of the guarantee.

Receivable from members

Receivable from members includes non-negotiable, non-interest bearing demand obligations that have been accepted in lieu of the immediate payment of all or any part of a member's subscribed paid-in capital stock.

Property

Property is recorded at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straight-line method over estimated useful lives (30 to 40 years for buildings, 10 years for building improvements and capitalized software, and 4 to 15 years for equipment).

Borrowings

To ensure funds are available for lending and liquidity purposes, the Bank borrows in the international capital markets, offering its securities to private and public investors. The Bank issues medium and long-term debt instruments denominated in various currencies with both fixed and adjustable interest rates. The Bank also issues short-term discount notes for liquidity management purposes. Borrowings are carried on the Balance Sheet at their par value (face value) adjusted for any unamortized premiums or discounts. Premiums or discounts are amortized on a straight-line basis, which approximates the effective interest method. Amortization of premiums and discounts is included in interest under borrowing expenses on the Statement of Income and General Reserve. Borrowing costs associated with a bond offering are deferred and amortized on a straight-line basis, which approximates the effective yield method, over the period during which the related indebtedness is outstanding. The unamortized balance of the borrowing costs is presented separately under other assets on the Balance Sheet and the amortization of the borrowing costs is presented as a separate element under borrowing expenses on the Statement of Income and General Reserve.

The Bank uses derivatives, mostly currency and interest rate swaps, exclusively for hedging purposes as part of its asset and liability management enabling the Bank to lower its funding costs and enhance investment returns without increasing the Bank's exposure to market risk. Borrowing derivatives, which modify the interest rate and/or currency characteristics of the borrowing portfolio, are accounted for under the accrual method. The interest component of these derivatives is recognized as an adjustment to the borrowing cost over the life of the derivative contract and is included in interest under borrowing expenses on the Statement of Income and General Reserve. Upon termination, the change in the derivative's market value is recorded as an adjustment to the carrying value of the underlying borrowing and recognized as an adjustment of the borrowing cost over the remaining life of the borrowing. In instances where the underlying borrowing is prepaid, the change in the associated derivative's market value is recognized immediately into income. Currency swap payables and receivables are recorded at cost and are presented as separate items on the Balance Sheet. Net principal cash flows from currency swaps are included under repayments of medium and long-term borrowings in the Statement of Cash Flows. The notional principal on interest rate swaps is treated as an off-balance sheet item.

Administrative expenses
Substantially all administrative expenses of the Bank, including depreciation, are allocated between the Ordinary Capital and the FSO pursuant to an allocation method approved by the Board of Executive Directors. During 2000, such expenses were charged 84.1% to the Ordinary Capital and 15.9% to the FSO (1999—82.4% and 17.6%, respectively).

Fair values of financial instruments
The following methods and assumptions were used by the Bank in estimating its fair value disclosures for financial instruments:

Cash: The carrying amount reported in the Balance Sheet for cash approximates fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: The Bank is one of very few lenders of development and structural adjustment loans to Latin American and Caribbean countries. There is no secondary market for development loans. For all loans and related commitments, the Bank is of the opinion that, due to its unique position in lending operations and the absence of a secondary market, it is not practicable to estimate a fair value for the Bank's lending portfolio.

Swaps and futures: Fair values for the Bank's interest rate and currency swaps are based on pricing models and represent the estimated cost of replacing these contracts. Fair values for the Bank's financial futures contracts are based on market prices.

Borrowings: The fair values of the Bank's borrowings are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Note C – Restricted Currencies
At December 31, 2000, cash includes $119,030,000 (1999—$142,348,000) in non-convertible currencies of regional borrowing members, of which $23,219,000 (1999—$24,823,000) has been restricted by one of the members, in accordance with the provisions of the Agreement, to be used for making payments for goods and services produced in its territory.

Note D – Investments
As part of its overall portfolio management strategy, the Bank invests in government, agency, bank and corporate obligations, time deposits, asset-backed securities, and related derivative instruments, in particular financial futures contracts and currency and interest rate swaps. The Bank limits its activities of investing in securities to a list of authorized dealers and counterparties. The Bank establishes credit limits for each counterparty and, for swap counterparties, has agreements in place providing for collateralization in the event that the mark-to-market exposure exceeds certain contractual limits, which are a function of the counterparty's credit rating.

Government and agency obligations: These obligations include marketable bonds, notes and other obligations issued or unconditionally guaranteed by a government of a country, an agency or instrumentality of a government of a country, a multilateral organization, or any other official entity. The Bank invests only in (i) obligations of or guaranteed by the government of the member country whose currency is being invested, (ii) obligations issued or unconditionally guaranteed by an agency or instrumentality of a government of a member country or any other official entity with credit quality equivalent to a AA– or better rating in the currency of that same country, (iii) obligations of multilateral organizations, in any currency, with credit quality equivalent to a AAA rating, and (iv) non-local currency obligations of or guaranteed by member governments with credit quality equivalent to a AA– or better rating.

Bank obligations and time deposits: These obligations include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks or other financial institutions. The Bank invests in these types of obligations if the entity issuing or guaranteeing them has a senior debt securities rating of at least A+.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

Corporate securities: These obligations include publicly issued, unsubordinated and marketable bonds, notes or other debt obligations issued or unconditionally guaranteed by non-bank corporate entities or trusts. The Bank invests only in these types of securities with credit ratings of AAA.

Asset-backed securities: Asset-backed securities are debt instruments collateralized by one or more types of assets. The cash flow of these instruments is based on the cash flows of the pool of underlying assets managed by a special purpose vehicle, or trust, which provides credit enhancements to ensure higher credit ratings. The Bank invests only in these types of securities with credit ratings of AAA.

Currency swaps: Currency swaps are agreements to exchange cash flows denominated in different currencies at one or more certain times in the future. Cash flows are based on a predetermined exchange rate and a formula, which reflects fixed or floating rates of interest and an exchange of principal.

Interest rate swaps: Interest rate swaps are agreements involving the exchange of periodic interest payments of differing character, based on an underlying notional principal amount for a specified time.

Financial futures: Financial futures contracts are commitments to either purchase or sell a financial instrument at a future date for a specified price and may be settled in cash or through delivery of the underlying financial instrument. The Bank invests only in financial futures contracts that are traded on regulated United States and international exchanges. The Bank generally closes out open positions in futures contracts prior to maturity. Therefore, cash receipts or payments, and thus the Bank's credit risk, are mostly limited to the net change in market value of open futures contracts. Gains and losses on futures contracts are recognized as income from investments.

The Bank's general investment authority limits the modification of the portfolio's duration through the use of futures and options to not more than two months. There were no financial futures or option contracts outstanding at December 31, 2000 and 1999, and the activity during those years was minimal. Gross gains and losses during 2000 and 1999 were minimal.

Trading portfolio: A summary of the Bank's position in trading portfolio instruments at December 31, 2000 and 1999 is shown in the Summary Statement of Trading Investments and Swaps in Appendix I-1.

Net unrealized losses on trading portfolio instruments, held at December 31, 2000, of $1,612,000 (1999—$19,159,000), were included in income from investments. The average return on trading investments, after swaps, including realized and unrealized gains and losses, during 2000 and 1999 was 5.70% and 4.57%, respectively.

Held-to-maturity portfolio: A summary of the Bank's held-to-maturity portfolio and the portfolio's maturity structure at December 31, 2000 and 1999 are shown in the Summary Statement of Held-to-Maturity Investments in Appendix I-2. The average return on held-to-maturity investments for the years ended December 31, 2000 and 1999 was 3.70% and 3.17%, respectively.

Note E – Loans and Guarantees Outstanding

Approved loans are disbursed to borrowers in accordance with the requirements of the project being financed; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately $45,103,000 at December 31, 2000.

The average interest rate earned on loans outstanding was 7.24% in 2000 and 6.96% in 1999. The average total return on loans outstanding was 7.81% in 2000 and 7.56% in 1999.

A summary statement of loans is presented in Appendix I-3 and a summary of the Bank's outstanding loans by currency and product type and their maturity structure at December 31, 2000 and 1999 is shown in Appendix I-4.

Multicurrency loans – With a government guarantee

Fixed rate loans: Prior to January 1, 1983, the interest rate due on all amounts disbursed under each loan was the interest rate prevailing at the time that the loan was approved. In 1982, the Bank established the Currency Pooling System to equalize exchange risk among the borrowers in determining their repayment obligations. The interest rate due for Currency Pooling System loans approved from January 1, 1983 to December 31, 1989 is fixed at the time of each disbursement, for the life of the loan, at a rate which represents the cost of the funds borrowed by the Bank for such loans over the two calendar semesters prior to the date of disbursement, plus a spread which, including loan fees, is estimated to cover administrative and other costs.

Adjustable rate loans: On January 1, 1990, the Bank mitigated its interest rate risk by moving from fixed rate to adjustable rate lending for all Currency Pooling System loans made after that date. This rate, which resets twice a year, represents the effective cost during the previous six months of a pool of borrowings allocated to fund such loans, plus a spread which, including loan fees, is estimated to cover administrative and other costs and to meet desired net income targets.

Average maturity: The Bank maintains a targeted currency composition in its Currency Pooling System. The present target ratio is 50% United States dollars, 25% Japanese yen and 25% European currencies (primarily Swiss francs and euro). The composition of the multicurrency loans is affected by the selection of currencies for disbursements on those loans and by the currencies selected for the billing of the principal repayments, both of which are managed so as to maintain the alignment of the multicurrency loans' composition with the target ratio. The selection of currencies by the Bank for billing purposes does not permit the determination of average maturity information for multicurrency loans by individual currency. Accordingly, the Bank discloses the maturity periods for its multicurrency loans and the average maturity for the total multicurrency loan portfolio on a combined U.S. dollar equivalent basis.

Single currency loans – With a government guarantee
Adjustable rate loans: In 1996, the Board of Executive Directors approved the creation of the Single Currency Facility pursuant to which the borrowers have the option to choose to denominate each loan in the Currency Pooling System, in one of four currencies (United States dollars, euro, Japanese yen and Swiss francs) or in a combination of the Currency Pooling System and such currencies. The rates charged on Single Currency Facility loans are reset semi-annually to reflect the effective cost during the previous six months of each of the single-currency pools of borrowings allocated to fund such loans, plus a spread which, including loan fees, is estimated to cover administrative and other costs and to meet desired net income targets.

LIBOR-based loans: In 1994, the Board of Executive Directors approved a lending program (U.S. Dollar Window Program) aimed for private sector borrowers under which the loans are denominated and disbursed only in United States dollars and are guaranteed by a government. The amount approved for this program is currently $500,000,000 per calendar year. Borrowers under the U.S. Dollar Window Program have the option of electing either a LIBOR-based fixed or floating-rate loan. For fixed rate loans, the interest rate is fixed for each disbursement, for the life of the loan, at a rate based on a LIBOR funding cost. For floating-rate loans, the interest rate resets every six months based on a LIBOR rate. In either case, the borrower pays the Bank's spread and fees.

In December 1998, the Board of Executive Directors approved guidelines for emergency lending to participate in concerted international emergency financial assistance to the Bank's borrowing member countries in response to the global liquidity crisis. Emergency loans had to be approved by the end of 1999. As of December 31, 2000, emergency loans approved, net of cancellations, amounted to $7,545,500,000 (1999—$7,610,000,000) and disbursements amounted to $6,492,136,000 (1999—$4,350,000,000). Outstanding emergency loans amounted to $6,251,636,000 at December 31, 2000 (1999—$4,350,000,000). These loans are for a term not to exceed five years, with a three year grace period, and carry a six-month LIBOR interest rate plus a spread of 400 basis points, a front-end fee of 1% on the total amount of the loan, and a commitment fee of 0.75% per annum on the undisbursed balance. Under the guidelines approved by the Board of Executive Directors, these loans are currently not eligible for the standard fee waivers described below.

Charges on loans with a government guarantee (excluding emergency lending)
In addition to the interest rate, for loans made under the Currency Pooling System, the U.S. Dollar Window Program and the Single Currency Facility, the Bank charges a credit commission of 0.75% (1.25% on loans approved prior to January 1, 1989) per annum on the undisbursed convertible currency portion of a loan and a one-time supervision and inspection fee of 1% on the principal amount of a loan which is capitalized into the loan balance in quarterly installments during the disbursement period of the loan. Waivers of these fees are granted, at the discretion of the Board of Executive Directors, when their collection is not needed to meet desired net income targets. Lending spreads, credit commissions and one-time supervision and inspection fees prevailing during 2000 and 1999 were as follows:

	Lending spread %	Credit commission %	One-time supervision & inspection fee %
1999: First six months	0.50	Full	1.00
Second six months	0.50	Full	1.00
2000: First six months	0.50	Full	1.00
Second six months	0.50	Full	1.00

Single currency loans – Without a government guarantee
Under the terms of the Eighth General Increase in the Resources of the Bank and subsequent agreements, the Bank is authorized to lend under the Private Sector Program up to 5% of outstanding loans and guarantees, not including emergency lending, directly to private sector entities without a gov-

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NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

ernment guarantee on the basis of market-based pricing and provisioning, subject to a number of restrictions. Disbursements are denominated in United States dollars and borrowers have the option of either a LIBOR-based fixed or floating-rate loan. For fixed rate loans, the interest rate is fixed upon approval or for each disbursement, for the life of the loan, at a rate based on a LIBOR funding cost plus a credit spread. For floating-rate loans, the interest rate resets every six months based on a LIBOR rate plus a credit spread. The credit spreads and fees for Private Sector Program loans are set on a case by case basis.

As of December 31, 2000, cumulative Private Sector Program loans approved, net of cancellations and participations, amounted to $1,568,730,000 (1999—$1,420,967,000). Outstanding loans, net of participations, under this Program amounted to $722,398,000 at December 31, 2000 (1999—$531,319,000).

Inter-American Investment Corporation (IIC)

In 1992, the Bank approved a loan to the IIC in the amount of $210,000,000, of which $75,000,000 was disbursed and repaid and $135,000,000 was cancelled. In 1997, the Bank approved a new loan to the IIC in the amount of $300,000,000. Disbursements under this loan are denominated in United States dollars and carry a LIBOR-based interest rate. The undisbursed balance was $300,000,000 as of December 31, 2000 and 1999, and there were no amounts outstanding.

Loan participations and guarantees

Under the loan contracts with the borrowers, the Bank may sell participations in the loans to commercial banks or other public or private organizations, but it reserves to itself the administration of the loans. As of December 31, 2000, there were $1,071,876,000 (1999—$746,779,000) in loan participations outstanding not included in the Balance Sheet.

As of December 31, 2000, the Board of Executive Directors had approved guarantees without government counterguarantees in the amount of $531,250,000 (1999—$356,250,000) of which $93,662,000 (1999—$31,250,000) was subject to call. Guarantees are not included in reported loan balances.

IFF subsidy

The IFF was established in 1983 by the Board of Governors of the Bank for the purpose of subsidizing part of the interest payments for which certain borrowers are liable on loans from the Ordinary Capital resources of the Bank. During 2000, the IFF paid $70,820,000 (1999—$70,957,000) of such interest on behalf of the borrowers. The IFF is funded primarily from the general reserve of the Bank's FSO.

Nonaccrual loans and allowance for loan losses

At December 31, 2000, loans made to or guaranteed by Suriname with an outstanding balance of $27,441,000 and a Private Sector loan with an outstanding balance of $28,660,000 were on nonaccrual status, pursuant to the policy described in Note B. If these loans had not been on nonaccrual status, income from loans for 2000 would have been higher by $2,438,000.

The changes in the allowance for loan losses for the years ended December 31, 2000 and 1999 were as follows (in thousands):

	2000	1999
Balance at January 1,	$1,166,736	$ 948,042
Provision for loan losses	174,428	220,528
Translation adjustments	(33,018)	(1,834)
Balance at December 31,	$1,308,146	$1,166,736

Note F – Property

As of December 31, 2000 and 1999, the property of the Bank—Ordinary Capital—consists of the following (in thousands):

	2000	1999
Land, buildings, improvements, capitalized software and equipment, at cost	$ 446,326	$ 435,580
Less: accumulated depreciation	(179,819)	(164,081)
	$ 266,507	$ 271,499

Note G – Borrowings

The primary objective of the Bank's borrowing policy is to obtain the necessary resources to finance its lending program at the lowest possible cost for borrowers. The Bank enters into swap agreements as part of its borrowing strategy to lower the Bank's borrowing costs. The Bank follows guidelines regarding the counterparties with whom it will enter into swap agreements, establishes credit limits for each of those counterparties and has agreements in place providing for collateralization in the event that the mark-to-market exposure exceeds certain contractual limits, which are a function of the counterparty's credit rating.

The medium and long-term borrowings of the Bank consist of loans, notes and bonds issued in various currencies at contracted interest rates ranging from 0.50% to 19.00%, before swaps, and from (0.28%) to 12.77%, after swaps, with various maturity dates through 2027. A summary of the Bank's medium and long-term borrowing portfolio and its maturity structure at December 31, 2000 and 1999 is shown in Appendix I-5.

The Bank has a short-term borrowing facility under which discount notes are issued in amounts not less than $100,000 and maturities of 360 days or less.

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The average cost of total borrowings during 2000 and 1999 was 6.23% and 6.52%, respectively, before swaps, and 6.07% and 5.81%, respectively, after swaps.

Currency swaps

Currency swaps are agreements in which the proceeds of a borrowing are converted into a different currency and, simultaneously, an agreement is executed providing for a schedule of future exchanges of the two currencies in order to recover the original currency converted. The combination of a borrowing and a currency swap produces the financial equivalent of substituting a borrowing in the currency obtained in the initial conversion for the original borrowing.

Interest rate swaps

Interest rate swaps are agreements involving the exchange of periodic interest payments of differing character, based on an underlying notional principal amount for a specified time.

Fair value

The following table reflects the carrying and estimated fair values of the borrowing portfolio as of December 31, 2000 and 1999 (in thousands):

	2000		1999	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Borrowings	$ 42,441,124	$ 43,985,001	$ 39,552,611	$40,019,577
Swaps				
Currency				
Payable	11,387,994	11,305,816	10,981,750	10,888,419
Receivable	(10,327,874)	(10,251,057)	(10,125,835)	(9,834,399)
Interest rate	—	(89,097)	—	296,138

Note H – Credit Risk

The Bank is party to a variety of financial instruments, certain of which involve elements of credit risk in excess of the amounts recorded on the Balance Sheet. Credit risk exposure represents the maximum potential accounting loss due to possible nonperformance by obligors and counterparties under the terms of the contracts. Additionally, the nature of the instruments involves contract value and notional principal amounts that are not reflected in the basic financial statements. For both on and off-balance sheet instruments, the Bank limits trading to a list of authorized dealers and counterparties. Credit risk is controlled through the application of eligibility criteria and exposure limits for transactions with individual counterparties. In addition, the Bank has entered into master swap agreements which contain legally enforceable close-out netting provisions and mark-to-market collateral arrangements. These agreements may further reduce the gross credit risk exposure related to the swaps shown below. The Bank does not anticipate nonperformance by any of its counterparties.

The notional amounts and credit risk exposures, as applicable, for these financial instruments at December 31, 2000 and 1999 (prior to considering any master swap or collateral arrangements) are shown below (in thousands):

	2000	1999
Investments – Trading Portfolio		
Currency swaps		
Credit exposure due to potential nonperformance by counterparties	$ 3,333	$ 17,867
Interest rate swaps		
Notional principal	894,368	2,328,436
Credit exposure due to potential nonperformance by counterparties	2,128	5,983
Borrowing Portfolio		
Currency swaps		
Credit exposure due to potential nonperformance by counterparties	192,115	195,456
Interest rate swaps		
Notional principal	13,097,508	10,377,529
Credit exposure due to potential nonperformance by counterparties	294,500	98,058

Note I – Capital Stock

Composition

The capital of the Bank consists of "paid-in" and "callable" shares. The subscribed "paid-in" capital has been or is to be paid in gold and/or United States dollars and in the currency of the respective member, which in some cases must be made freely convertible, in accordance with the terms for the respective increase in capital. Non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of the immediate payment of all or any part of the member's subscribed "paid-in" capital stock. The subscribed "callable" portion of capital may only be called when required to meet obligations of the Bank created by borrowings of funds for inclusion in the Bank's Ordinary Capital resources or guarantees chargeable to such resources and is payable at the option of the member either in gold, in United States dollars, in fully convertible currency of the member country, or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made. For a Statement of Subscriptions to Capital Stock at December 31, 2000 and 1999, see Appendix I-6.

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NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

Voting power

Under the Agreement, each member country shall have 135 votes plus one vote for each share of Ordinary Capital stock held by that country. The Agreement, as amended by the Eighth General Increase in the Resources of the Bank, also provides that no increase in the subscription of any member to the Ordinary Capital stock shall have the effect of reducing the voting power of the regional developing members below 50.005%, of the United States below 30%, and of Canada below 4% of the total voting power, leaving the voting power available for nonregional members at up to 15.995%, including approximately 5% for Japan.

In making decisions concerning operations of the FSO and the IFF, the number of votes and percent of total voting power for each member country are the same as determined by the provisions of the Agreement referred to above.

Changes for the period

On July 31, 1995, the Board of Governors of the Bank approved the Eighth General Increase in the Resources of the Bank which provided, subject to the member countries' subscriptions, for an increase in the capital stock of the Bank in the amount of $40,000,000,000, consisting of $1,000,000,000 of "paid-in" capital and $39,000,000,000 of "callable" capital. During 2000, the Bank's member countries completed the subscriptions to this increase.

Total subscriptions to shares of Ordinary Capital stock and the voting power of the member countries as of December 31, 2000 are shown in the Statement of Subscriptions to Capital Stock and Voting Power in Appendix I-7.

The composition of subscribed capital and receivable from members as of December 31, 2000 and 1999 is as follows (in thousands):

	Subscribed capital			
		Amount		
	Shares	Paid-in	Callable	Total
Balance at January 1, 1999	7,810,324	$4,171,414	$90,047,901	$ 94,219,315
Subscriptions during 1999	552,260	166,355	6,495,796	6,662,151
Balance at December 31, 1999	8,362,584	4,337,769	96,543,697	100,881,466
Subscriptions during 2000	6,459	2,883	75,035	77,918
Balance at December 31, 2000	8,369,043	$4,340,652	$96,618,732	$100,959,384

Receivable from members	2000	1999
Regional developing members	$601,703	$666,330
United States	51,222	76,832
Canada	8,096	8,096
Non-regional members	148,927	223,810
Total	$809,948	$975,068

As a result of an agreement with one of its regional developing members, in 1999 the Bank recognized an increase in receivable from members—amounts required to maintain the value of currency holdings of $64,281,000, decreasing cash by the same amount.

Membership

On April 21, 1993, the Bank's Board of Executive Directors decided that the Socialist Federal Republic of Yugoslavia (SFRY) had ceased to be a member of the Bank and that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia and the Federal Republic of Yugoslavia (Serbia and Montenegro) are authorized to succeed to the SFRY's membership. Accordingly, the shares representing SFRY's membership in the Ordinary Capital of the Bank were classified as unallocated until each successor republic succeeded to the membership of the SFRY. The Republics of Croatia and Slovenia have since become members of the Bank and have subscribed to the 1,142 and 655 shares, respectively, allocated to them. On June 21, 1993, the Government of the former Yugoslav Republic of Macedonia declined the offer to succeed to the membership of the SFRY in the Bank.

Note J – Allocation of Net Income

The agreement for the Eighth General Increase in the Resources of the Bank provides for up to $136,000,000 of unallocated special contributions to the FSO to be paid by contributions from members. Any unpaid portion is to be paid to the FSO by periodic transfers from the net income of the Ordinary Capital, consistent with prudent financial management, between January 1, 2000 and December 31, 2004. As of December 31, 2000, no such contributions had been paid by members. Accordingly, the Bank transferred $27,200,000, representing one fifth of the unallocated special contributions, from the net income of the Ordinary Capital to the FSO in 2000.

Note K – Accumulated Translation Adjustments

The following is a summary of changes in the accumulated translation adjustments for the years ended December 31, 2000 and 1999 (in thousands):

	General Reserve	Special Reserve	Total
Balance at January 1, 1999	$239,710	$(194,035)	$ 45,675
Translation adjustments	9,726	(8,560)	1,166
Balance at December 31, 1999	249,436	(202,595)	46,841
Translation adjustments	(81,490)	(70,232)	(151,722)
Balance at December 31, 2000	$167,946	$(272,827)	$(104,881)

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NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

Note L – Pension and Postretirement Benefit Plans

The Bank has two defined benefit retirement plans (Plans), the Staff Retirement Plan (SRP) for the pension benefit of its international employees and the employees of the IIC and the Local Retirement Plan (LRP) for the pension benefit of local employees in the country offices. The Plans are funded by employee and Bank contributions in accordance with the provisions of the Plans. Any and all contributions to the Plans by the Bank are irrevocable and are held separately in retirement funds solely for the payment of benefits under the Plans.

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

The following table summarizes the change in benefit obligation, change in plan assets, and funded status of the Plans and the PRF and amounts recognized in the Balance Sheet for the years ended December 31, 2000 and 1999 (in thousands):

	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Change in benefit obligation				
Benefit obligation, beginning of year	$1,379,638	$1,175,707	$657,661	$566,781
Service cost	38,050	37,427	22,472	20,737
Interest cost	83,740	62,537	40,792	29,056
Plan participants' contributions	14,416	13,630	—	—
Actuarial (gain) loss	(27,957)	129,141	(15,928)	49,061
Benefits paid	(43,250)	(38,804)	(9,216)	(7,974)
Benefit obligation, end of year	1,444,637	1,379,638	695,781	657,661

	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Change in plan assets				
Fair value of plan assets, beginning of year	1,971,011	1,663,824	840,173	712,211
Actual return on plan assets	5,730	301,025	(17,115)	135,936
Employer contribution	1,753	29,715	—	—
Plan participants' contributions	14,416	13,630	—	—
Benefits paid	(43,250)	(38,804)	(9,216)	(7,974)
Net payments (to) from other plans	(44)	1,621	—	—
Fair value of plan assets, end of year	1,949,616	1,971,011	813,842	840,173
Funded status	504,979	591,373	118,061	182,512
Unrecognized:				
Net actuarial gain	(415,756)	(541,245)	(106,135)	(171,747)
Prior service cost	8,667	10,120	(6,797)	(8,571)
Prepaid benefit cost	$ 97,890	$ 60,248	$ 5,129	$ 2,194
Amounts recognized in the Balance Sheet consist of:				
Prepaid benefit cost	$ 97,890	$ 60,248	$ 7,143	$ 3,050
Accrued benefit liability	—	—	(2,014)	(856)
Net amount recognized	$ 97,890	$ 60,248	$ 5,129	$ 2,194

Unrecognized actuarial gains and losses which exceed 10.0% of the greater of the benefit obligation or fair value of plan assets at the beginning of the period are amortized over the average remaining service period of active employees expected to receive benefits under the SRP and LRP plans, which approximates 10.4 and 12.9 years, respectively. Excess unrecognized actuarial gains and losses for the PRF are amortized over the average remaining life of active participants, which approximates 11.4 years.

Unrecognized prior service cost is amortized over 15 years for the Plans and over 7 years for the PRF.

The weighted average actuarial assumptions taken into consideration for the calculation of the benefit obligation as of December 31, 2000 and 1999 are as follows:

	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Discount rate	5.75%	6.25%	5.75%	6.25%
Expected return on plan assets	6.50%	7.00%	6.50%	7.00%
Rate of salary increase SRP	4.83%	5.33%	—	—
Rate of salary increase LRP	6.23%	6.73%	—	—

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The accumulated postretirement benefit obligation was determined using health care cost trend rates of 8.0% to 9.5% for those participants assumed to retire in the United States. The rate was assumed to decrease gradually to 5.0% in 2011 and thereafter. For those participants assumed to retire outside of the United States, a 9.5% health care cost trend rate was used.

Net periodic benefit cost (income) for the years ended December 31, 2000 and 1999 consists of the following components (in thousands):

	Pension Benefits		Postretirement Benefits	
	2000	1999	2000	1999
Service cost	$ 38,050	$ 37,427	$ 22,472	$ 20,737
Interest cost	83,740	62,537	40,792	29,056
Expected return on plan assets	(122,136)	(100,034)	(56,188)	(37,085)
Amortization of:				
Prior service cost	1,453	1,453	(1,774)	(1,774)
Unrecognized net gain	(36,996)	(22,755)	(8,237)	(6,656)
Net periodic benefit (income) cost	$ (35,889)	$ (21,372)	$ (2,935)	$ 4,278

Total net benefit income for the Plans and the PRF for the year ended December 31, 2000 amounted to $38,824,000 (1999—$17,094,000) and was allocated to the ORC and FSO as indicated in Note B. The portion of this income that was credited to the Ordinary Capital for the year ended December 31, 2000 is $31,176,000 (1999—$13,412,000). The balance has been credited to the FSO.

In 2000, the SRP and PRF had benefit income of $38,760,000 and $4,128,000, respectively, which is included in the total net benefit income for the year (1999—$25,196,000 income from SRP). The portion of this benefit income related to the Ordinary Capital in the amount of $34,439,000 (1999—$19,769,000) has been included in other income.

Assumed health care cost trend rates have a significant effect on the amounts reported for the PRF. A one-percentage point change in assumed health care costs trend rates would have the following effects as of December 31, 2000 (in thousands):

	1-Percentage Point Increase	1-Percentage Point Decrease
Effect on total of service and interest cost components	$ 13,206	$ (10,253)
Effect on postretirement benefit obligation	119,292	(97,045)

Note M – Reconciliation of Net Income to Net Cash Provided by Operating Activities

A reconciliation of net income to net cash provided by operating activities, as shown in the Statement of Cash Flows, is as follows (in thousands):

	Years ended December 31,	
	2000	1999
Net income	$ 846,056	$568,041
Difference between amounts accrued and amounts paid or collected for:		
Loan income	(70,265)	(43,139)
Investment income	29,504	(51,934)
Net unrealized (gain) loss on trading investments	(50,745)	18,363
Interest and other costs of borrowings	83,263	65,675
Administrative expenses, including depreciation	(56)	(45,267)
Provision for loan losses	174,428	220,528
Net cash provided by operating activities	$1,012,185	$732,267
Supplemental disclosure of noncash activities		
(Decrease) increase resulting from exchange rate fluctuations:		
Held-to-maturity investments	$ (107,428)	$ 62,381
Investment swaps	(65,402)	(75,499)
Loans outstanding	(1,050,328)	(41,770)
Borrowings	(1,205,721)	104,279

Note N – Segment Reporting

Management has determined that the Bank has only one reportable segment since the Bank does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. The Bank does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing the services among individual countries. For the year 2000, loans made to or guaranteed by three countries individually generated in excess of 10 percent of loan income. Loan income from these three countries was $775,712,000, $557,265,000 and $388,837,000, respectively.

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APPENDIX I-1

SUMMARY STATEMENT OF TRADING INVESTMENTS AND SWAPS – NOTE D

December 31, 2000
Expressed in thousands of United States dollars

	Euro	Japanese yen	Swiss francs	United States dollars	Other currencies	All currencies
Obligations of the United States Government and its corporations and agencies:						
Carrying value	—	—	—	355,566	—	355,566
Average balance during year	—	—	—	410,467	—	410,467
Net gains for the year	—	—	—	8,265	—	8,265
Average yield-to-maturity (%) [(2)]	—	—	—	6.39	—	6.39
Average maturity (years)	—	—	—	0.96	—	0.96
Obligations of other governments and agencies:						
Carrying value	266,544	439,634	—	389,158	33,883	1,129,219
Average balance during year	208,816	891,572	—	689,713	31,101	1,821,202
Net gains (losses) for the year	11,241	(6,965)	—	2,415	408	7,099
Average yield-to-maturity (%) [(2)]	5.05	0.45	—	6.60	5.69	3.81
Average maturity (years)	2.76	0.90	—	1.44	1.32	1.54
Bank obligations and time deposits:						
Carrying value	1,835,032	314,030	52,368	3,849,421	10,619	6,061,470
Average balance during year	1,225,989	452,561	89,985	4,566,861	13,778	6,349,174
Net gains (losses) for the year	26	(27)	—	23,554	134	23,687
Average yield-to-maturity (%) [(2)]	5.03	0.50	3.36	6.53	5.85	5.73
Average maturity (years)	1.03	0.09	0.05	1.08	0.05	1.00
Other, primarily asset-backed securities:						
Carrying value	102,277	8,716	—	3,363,531	—	3,474,524
Average balance during year	87,512	936	—	3,053,055	—	3,141,503
Net gains (losses) for the year	(67)	4	—	10,316	—	10,253
Average yield-to-maturity (%) [(2)]	5.18	0.75	—	6.78	—	6.72
Average maturity (years)	0.69	2.60	—	6.16	—	5.99
Total trading investments:						
Carrying value	2,203,853	762,380	52,368	7,957,676	44,502	11,020,779
Average balance during year	1,522,317	1,345,069	89,985	8,720,096	44,879	11,722,346
Net gains (losses) for the year	11,200	(6,988)	—	44,550	542	49,304
Currency swaps receivable:						
Carrying value	—	771,729	—	1,720,316	—	2,492,045
Average balance during year	—	643,791	—	920,953	—	1,564,744
Net gains (losses) for the year	—	(194)	—	406	—	212
Average yield-to-maturity (%)	—	0.68	—	6.73	—	4.86
Average maturity (years)	—	0.65	—	1.40	—	1.17
Currency swaps payable:						
Carrying value	(2,074,324)	(175,098)	—	(392,597)	(33,883)	(2,675,902)
Average balance during year	(958,722)	(335,211)	—	(298,975)	(31,101)	(1,624,009)
Net gains (losses) for the year	(11,102)	8,180	—	(194)	(408)	(3,524)
Average cost (%)	5.05	0.47	—	6.64	5.69	4.99
Average maturity (years)	1.28	0.72	—	0.79	1.32	1.17
Net interest rate swaps:						
Carrying value	—	(2,404)	—	1,188	—	(1,216)
Average balance during year	(10)	(1,418)	—	4,531	—	3,103
Net gains (losses) for the year	41	(462)	—	(3,983)	—	(4,404)
Average maturity (years)	—	1.93	—	2.39	—	2.08
Total trading investments and swaps:						
Carrying value	129,529	1,356,607	52,368	9,286,583	10,619 [(1)]	10,835,706
Average balance during year	563,585	1,652,231	89,985	9,346,605	13,778	11,666,184
Net gains for the year	139	536	—	40,779	134	41,588

[(1)] The carrying value of total trading investments and swaps held in other currencies consists of the following:

Canadian dollars	$ 2,756
British pounds sterling	7,863
Total	$10,619

[(2)] After interest rate swaps.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-1

SUMMARY STATEMENT OF TRADING INVESTMENTS AND SWAPS – NOTE D

December 31, 1999
Expressed in thousands of United States dollars

	Euro	Japanese yen	Swiss francs	United States dollars	Other currencies	All currencies
Obligations of the United States Government and its corporations and agencies:						
Carrying value	—	—	—	492,258	—	492,258
Average balance during year	—	—	—	1,150,172	—	1,150,172
Net gains for the year	—	—	—	7,753	—	7,753
Average yield-to-maturity (%) [2]	—	—	—	6.67	—	6.67
Average maturity (years)	—	—	—	2.04	—	2.04
Obligations of other governments and agencies:						
Carrying value	19,973	1,348,084	—	851,911	—	2,219,968
Average balance during year	96,305	1,726,718	—	764,458	—	2,587,481
Net gains (losses) for the year	2,302	(25,833)	—	6,268	—	(17,263)
Average yield-to-maturity (%) [2]	4.98	0.19	—	6.23	—	2.55
Average maturity (years)	4.09	0.56	—	1.05	—	0.78
Bank obligations and time deposits:						
Carrying value	417,560	635,856	98,411	3,571,504	24,155	4,747,486
Average balance during year	606,938	381,475	175,019	4,042,189	406,764	5,612,385
Net gains (losses) for the year	183	12	—	5,381	(251)	5,325
Average yield-to-maturity (%) [2]	3.46	0.25	2.14	5.74	5.57	4.73
Average maturity (years)	0.71	0.11	0.05	0.29	0.04	0.30
Asset-backed securities:						
Carrying value	71,438	—	—	2,741,031	—	2,812,469
Average balance during year	103,296	—	—	2,434,558	—	2,537,854
Net losses for the year	(21)	—	—	(3,203)	—	(3,224)
Average yield-to-maturity (%) [2]	3.54	—	—	6.49	—	6.42
Average maturity (years)	1.88	—	—	6.02	—	5.91
Total trading investments:						
Carrying value	508,971	1,983,940	98,411	7,656,704	24,155	10,272,181
Average balance during year	806,539	2,108,193	175,019	8,391,377	406,764	11,887,892
Net gains (losses) for the year	2,464	(25,821)	—	16,199	(251)	(7,409)
Currency swaps receivable:						
Carrying value	—	270,511	—	646,659	—	917,170
Average balance during year	—	29,228	—	679,723	—	708,951
Net gains (losses) for the year	—	(191)	—	2,458	—	2,267
Average yield-to-maturity (%)	—	0.32	—	6.43	—	4.63
Average maturity (years)	—	1.56	—	0.80	—	1.02
Currency swaps payable:						
Carrying value	(278,231)	(701,311)	—	(119,424)	—	(1,098,966)
Average balance during year	(53,563)	(800,253)	—	(14,465)	—	(868,281)
Net gains (losses) for the year	(2,592)	6,878	—	138	—	4,424
Average cost (%)	3.57	0.38	—	6.39	—	1.84
Average maturity (years)	1.01	0.72	—	2.44	—	0.98
Net interest rate swaps:						
Carrying value	(91)	(2,297)	—	5,171	—	2,783
Average balance during year	(61)	(14,417)	—	(6)	—	(14,484)
Net gains (losses) for the year	(31)	20,912	—	9,426	—	30,307
Average maturity (years)	1.72	0.87	—	1.33	—	1.19
Total trading investments and swaps:						
Carrying value	230,649	1,550,843	98,411	8,189,110	24,155 [1]	10,093,168
Average balance during year	752,915	1,322,751	175,019	9,056,629	406,764	11,714,078
Net gains (losses) for the year	(159)	1,778	—	28,221	(251)	29,589

[1] The carrying value of total trading investments and swaps held in other currencies consists of the following:

Canadian dollars	$10,880
British pounds sterling	13,275
Total	$24,155

[2] After interest rate swaps.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-2

SUMMARY STATEMENT OF HELD-TO-MATURITY INVESTMENTS – NOTE D

December 31, 2000
Expressed in thousands of United States dollars

	Euro	Japanese yen	Swiss francs	United States dollars	Other currencies	All currencies
Obligations of the United States Government and its corporations and agencies:						
Amortized cost	—	—	—	175,066	—	175,066
Gross unrealized gains	—	—	—	331	—	331
Gross unrealized losses	—	—	—	271	—	271
Market value	—	—	—	175,126	—	175,126
Average yield-to-maturity (%)	—	—	—	5.64	—	5.64
Average maturity (years)	—	—	—	3.83	—	3.83
Obligations of other governments and agencies:						
Amortized cost	372,656	601,571	124,895	40,181	671,819	1,811,122
Gross unrealized gains	164	149	333	1,166	2,983	4,795
Gross unrealized losses	8,852	1,166	1,360	—	798	12,176
Market value	363,968	600,554	123,868	41,347	674,004	1,803,741
Average yield-to-maturity (%)	3.31	0.35	2.61	6.66	5.68	3.23
Average maturity (years)	2.11	1.01	1.91	4.10	1.76	1.65
Bank obligations and time deposits:						
Amortized cost	289,893	81,623	50,721	41,130	255,506	718,873
Gross unrealized gains	—	61	—	146	—	207
Gross unrealized losses	—	—	—	—	7	7
Market value	289,893	81,684	50,721	41,276	255,499	719,073
Average yield-to-maturity (%)	4.90	0.55	3.48	7.08	5.63	4.69
Average maturity (years)	0.04	0.44	0.03	0.38	0.10	0.13
Other, primarily asset-backed securities:						
Amortized cost	31,807	—	—	165,176	199,164	396,147
Gross unrealized gains	—	—	—	3,998	1,196	5,194
Gross unrealized losses	88	—	—	8	300	396
Market value	31,719	—	—	169,166	200,060	400,945
Average yield-to-maturity (%)	5.23	—	—	6.52	5.83	6.07
Average maturity (years)	3.38	—	—	4.13	1.98	2.99
Total held-to-maturity investments:						
Amortized cost	694,356	683,194	175,616	421,553	1,126,489 (1)	3,101,208
Gross unrealized gains	164	210	333	5,641	4,179	10,527
Gross unrealized losses	8,940	1,166	1,360	279	1,105	12,850
Market value	685,580	682,238	174,589	426,915	1,129,563	3,098,885

(1) The amortized cost of held-to-maturity investments held in other currencies consists of the following:

Canadian dollars	$ 588,678
British pounds sterling	476,433
Other	61,378
Total	$1,126,489

MATURITY STRUCTURE OF HELD-TO-MATURITY INVESTMENTS

December 31, 2000
Expressed in thousands of United States dollars

Year of Maturity	Amortized Cost	Market Value
2001	$1,464,476	$1,463,666
2002	588,780	587,985
2003	741,103	734,642
2004	153,303	154,814
2005	124,914	127,808
2007	9,754	10,045
2008	18,878	19,925
Total	$3,101,208	$3,098,885

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-2

SUMMARY STATEMENT OF HELD-TO-MATURITY INVESTMENTS – NOTE D

December 31, 1999
Expressed in thousands of United States dollars

	Euro	Japanese yen	Swiss francs	United States dollars	Other currencies	All currencies
Obligations of the United States Government and its corporations and agencies:						
Amortized cost	—	—	—	270,005	—	270,005
Gross unrealized gains	—	—	—	—	—	—
Gross unrealized losses	—	—	—	2,966	—	2,966
Market value	—	—	—	267,039	—	267,039
Average yield-to-maturity (%)	—	—	—	5.29	—	5.29
Average maturity (years)	—	—	—	1.25	—	1.25
Obligations of other governments and agencies:						
Amortized cost	406,037	579,071	118,781	—	549,014	1,652,903
Gross unrealized gains	—	6	152	—	508	666
Gross unrealized losses	14,763	1,639	1,558	—	11,312	29,272
Market value	391,274	577,438	117,375	—	538,210	1,624,297
Average yield-to-maturity (%)	3.17	0.16	1.97	—	5.04	2.65
Average maturity (years)	2.75	1.53	2.23	—	1.81	1.97
Bank obligations and time deposits:						
Amortized cost	202,837	133,518	90,725	47,756	402,360	877,196
Gross unrealized gains	—	—	—	—	—	—
Gross unrealized losses	51	—	24	—	4	79
Market value	202,786	133,518	90,701	47,756	402,356	877,117
Average yield-to-maturity (%)	3.46	0.31	2.12	6.05	5.61	3.97
Average maturity (years)	0.26	0.04	0.14	0.13	0.10	0.13
Asset-backed securities:						
Amortized cost	32,720	—	—	72,790	149,708	255,218
Gross unrealized gains	—	—	—	—	—	—
Gross unrealized losses	86	—	—	363	3,316	3,765
Market value	32,634	—	—	72,427	146,392	251,453
Average yield-to-maturity (%)	3.59	—	—	6.17	5.58	5.49
Average maturity (years)	4.39	—	—	3.40	2.77	3.16
Total held-to-maturity investments:						
Amortized cost	641,594	712,589	209,506	390,551	1,101,082 [1]	3,055,322
Gross unrealized gains	—	6	152	—	508	666
Gross unrealized losses	14,900	1,639	1,582	3,329	14,632	36,082
Market value	626,694	710,956	208,076	387,222	1,086,958	3,019,906

[1] The amortized cost of held-to-maturity investments held in other currencies consists of the following:

Canadian dollars	$ 557,071
British pounds sterling	487,691
Other	56,320
Total	$1,101,082

MATURITY STRUCTURE OF HELD-TO-MATURITY INVESTMENTS

December 31, 1999
Expressed in thousands of United States dollars

Year of Maturity	Amortized Cost	Market Value
2000	$1,416,794	$1,414,405
2001	550,131	545,745
2002	476,767	467,232
2003	519,293	501,051
2004	92,337	91,473
Total	$3,055,322	$3,019,906

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-3

SUMMARY STATEMENT OF LOANS – NOTE E

December 31, 2000 and 1999
Expressed in thousands of United States dollars

Member in whose territory loans have been made	Loans approved, less cancellations[1],[2]	Principal collected	Loans sold[1]	Undisbursed	Outstanding 2000	Currency in which outstanding portion of approved loans is collectible: Freely convertible currencies	Other currencies	Outstanding 1999
Argentina	$14,552,283	$ 3,249,731	$117,806	$ 3,977,917	$ 7,206,829	$ 7,124,947	$ 81,882	$ 6,713,932
Bahamas	293,140	55,308	—	58,764	179,068	179,068	—	174,097
Barbados	316,207	58,572	—	139,164	118,471	118,458	13	118,152
Belize	85,235	—	—	69,174	16,061	16,061	—	4,945
Bolivia	1,003,999	431,671	14,000	16,741	541,587	540,204	1,383	590,210
Brazil	19,809,502	4,510,178	59,740	4,577,295	10,662,289	10,616,650	45,639	8,464,371
Chile	4,343,970	3,125,858	121,508	509,990	586,614	581,737	4,877	602,974
Colombia	7,132,365	2,618,303	172,705	1,140,885	3,200,472	3,168,089	32,383	3,223,671
Costa Rica	1,584,937	469,091	1,521	381,374	732,951	732,951	—	747,545
Dominican Republic	1,044,870	195,324	200	472,600	376,746	376,746	—	364,472
Ecuador	2,641,792	827,340	103,257	396,495	1,314,700	1,314,406	294	1,232,502
El Salvador	1,636,543	331,130	15,251	483,177	806,985	806,549	436	732,425
Guatemala	1,497,673	391,901	40,725	491,706	573,341	573,212	129	561,360
Guyana	106,454	75,616	—	—	30,838	30,838	—	40,538
Honduras	495,907	268,282	18,060	2,186	207,379	207,379	—	231,818
Jamaica	1,178,710	367,473	—	270,575	540,662	540,662	—	469,511
Mexico	12,863,677	4,552,998	22,186	2,490,960	5,797,533	5,793,382	4,151	5,667,957
Nicaragua	243,312	104,813	1,794	1,014	135,691	135,691	—	150,823
Panama	1,585,026	348,274	58,000	566,422	612,330	612,330	—	587,960
Paraguay	1,126,026	151,647	429	481,865	492,085	491,863	222	424,707
Peru	4,733,688	1,202,499	122,663	969,507	2,439,019	2,436,758	2,261	2,489,923
Suriname	56,275	6,492	—	22,342	27,441	27,441	—	27,927
Trinidad and Tobago	960,651	122,134	—	380,296	458,221	458,221	—	485,461
Uruguay	2,164,184	424,703	13,951	416,020	1,309,510	1,309,508	2	1,234,886
Venezuela	3,903,433	808,351	5,768	1,121,000	1,968,314	1,966,136	2,178	1,860,880
Regional	2,190,088	986,030	1,000	388,978	814,080	814,080	—	817,485
Private Sector	1,568,730	96,715	—	749,617	722,398	722,398	—	531,319
Inter-American Investment Corporation	300,000	—	—	300,000	—	—	—	—
Total 2000	$89,418,677	$25,780,434	$890,564	$20,876,064	$41,871,615	$41,695,765	$175,850	
Total 1999	$87,862,671	$24,489,490	$890,678	$23,930,652		$38,387,061	$164,790	$38,551,851

(1) As of December 31, 2000, this table excludes participated Private Sector loans of $2,506,245 (1999—$2,034,024). Also, this table excludes guarantees without government counter-guarantees approved in the amount of $531,250 (1999—$356,250).
(2) Includes principal repayments received on revolving lines of credit under export financing operations of $493,792 (1999—$477,262).

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-4

SUMMARY STATEMENT OF LOANS OUTSTANDING BY CURRENCY AND PRODUCT – NOTE E

December 31, 2000
Expressed in thousands of United States dollars

	Multicurrency loans		Single currency loans			Total loans	
Currency/Rate type	Amount	Weighted average rate (%)	Amount	Weighted average rate (%)	Average maturity (years)	Amount	Weighted average rate (%)
Euro							
Fixed	$ 672,084	7.59	$ —	—	—	$ 672,084	7.59
Adjustable	2,506,016	6.36	—	—	—	2,506,016	6.36
Japanese yen							
Fixed	1,277,406	7.56	—	—	—	1,277,406	7.56
Adjustable	4,907,228	6.36	—	—	—	4,907,228	6.36
Swiss francs							
Fixed	639,977	7.59	—	—	—	639,977	7.59
Adjustable	2,376,240	6.36	—	—	—	2,376,240	6.36
United States dollars							
Fixed	2,548,560	7.55	—	—	—	2,548,560	7.55
Adjustable	9,815,885	6.36	9,328,424	7.03	9.45	19,144,309	6.69
LIBOR-based fixed	—	—	443,868	8.77	3.99	443,868	8.77
LIBOR-based floating	—	—	7,176,747	10.22	2.98	7,176,747	10.22
Others							
Fixed	179,180	4.10	—	—	—	179,180	4.10
Loans outstanding							
Fixed	5,317,207	7.45	—	—	—	5,317,207	7.45
Adjustable	19,605,369	6.36	9,328,424	7.03	9.45	28,933,793	6.58
LIBOR-based fixed	—	—	443,868	8.77	3.99	443,868	8.77
LIBOR-based floating	—	—	7,176,747	10.22	2.98	7,176,747	10.22
Total	$24,922,576	6.59	$16,949,039	8.43	6.57	$41,871,615	7.34

MATURITY STRUCTURE OF LOANS OUTSTANDING

December 31, 2000
Expressed in thousands of United States dollars

	Multicurrency loans		Single currency loans		All loans		
Year of Maturity	Fixed	Adjustable	Fixed[1]	Adjustable[1]	Fixed	Adjustable	Total
2001	$ 854,007	$ 1,024,169	$ 49,968	$ 148,171	$ 903,975	$ 1,172,340	$ 2,076,315
2002	796,200	1,363,300	52,900	2,484,500	849,100	3,847,800	4,696,900
2003	746,700	1,496,700	55,700	3,476,700	802,400	4,973,400	5,775,800
2004	696,500	1,532,600	62,200	1,950,100	758,700	3,482,700	4,241,400
2005	583,500	1,533,300	60,400	717,900	643,900	2,251,200	2,895,100
2006 through 2010	1,337,300	7,491,300	127,400	3,536,700	1,464,700	11,028,000	12,492,700
2011 through 2015	290,000	4,065,300	21,300	2,764,400	311,300	6,829,700	7,141,000
2016 through 2020	12,300	1,026,100	11,700	1,253,900	24,000	2,280,000	2,304,000
2021 through 2025	700	72,600	2,100	159,600	2,800	232,200	235,000
2026 through 2030	—	—	200	13,200	200	13,200	13,400
Total	$5,317,207	$19,605,369	$443,868	$16,505,171	$5,761,075	$36,110,540	$41,871,615
Average Maturity (years)	3.94	7.29	3.99	6.64	3.94	6.99	6.57

[1] Includes LIBOR-based loans.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-4

SUMMARY STATEMENT OF LOANS OUTSTANDING BY CURRENCY AND PRODUCT – NOTE E

December 31, 1999
Expressed in thousands of United States dollars

	Multicurrency loans		Single currency loans			Total loans	
Currency/Rate type	Amount	Weighted average rate (%)	Amount	Weighted average rate (%)	Average maturity (years)	Amount	Weighted average rate (%)
Euro							
Fixed	$ 692,150	7.77	$ —	—	—	$ 692,150	7.77
Adjustable	1,895,590	6.44	—	—	—	1,895,590	6.44
Japanese yen							
Fixed	1,922,864	7.65	—	—	—	1,922,864	7.65
Adjustable	5,898,141	6.44	—	—	—	5,898,141	6.44
Swiss francs							
Fixed	847,983	7.73	—	—	—	847,983	7.73
Adjustable	2,391,725	6.44	—	—	—	2,391,725	6.44
United States dollars							
Fixed	3,042,651	7.62	—	—	—	3,042,651	7.62
Adjustable	9,478,035	6.44	6,673,275	6.84	9.88	16,151,310	6.61
LIBOR-based fixed	—	—	410,101	8.43	4.50	410,101	8.43
LIBOR-based floating	—	—	5,128,428	9.68	3.86	5,128,428	9.68
Others							
Fixed	170,908	4.20	—	—	—	170,908	4.20
Loans outstanding							
Fixed	6,676,556	7.57	—	—	—	6,676,556	7.57
Adjustable	19,663,491	6.44	6,673,275	6.84	9.88	26,336,766	6.54
LIBOR-based fixed	—	—	410,101	8.43	4.50	410,101	8.43
LIBOR-based floating	—	—	5,128,428	9.68	3.86	5,128,428	9.68
Total	$26,340,047	6.73	$12,211,804	8.09	7.17	$38,551,851	7.16

MATURITY STRUCTURE OF LOANS OUTSTANDING

December 31, 1999
Expressed in thousands of United States dollars

	Multicurrency loans		Single currency loans		All loans		
Year of Maturity	Fixed	Adjustable	Fixed[1]	Adjustable[1]	Fixed	Adjustable	Total
2000	$1,065,356	$ 901,091	$ 28,101	$ 103,903	$1,093,457	$ 1,004,994	$ 2,098,451
2001	937,400	1,335,900	48,300	188,600	985,700	1,524,500	2,510,200
2002	859,300	1,437,200	48,300	1,950,500	907,600	3,387,700	4,295,300
2003	797,800	1,450,000	48,300	2,515,600	846,100	3,965,600	4,811,700
2004	732,500	1,451,400	54,900	1,295,000	787,400	2,746,400	3,533,800
2005 through 2009	1,869,700	7,175,800	139,500	2,526,600	2,009,200	9,702,400	11,711,600
2010 through 2014	387,100	4,581,900	29,100	2,047,800	416,200	6,629,700	7,045,900
2015 through 2019	25,500	1,205,500	13,600	1,007,800	39,100	2,213,300	2,252,400
2020 through 2024	1,900	122,200	—	152,100	1,900	274,300	276,200
2025 through 2029	—	2,500	—	13,800	—	16,300	16,300
Total	$6,676,556	$19,663,491	$410,101	$11,801,703	$7,086,657	$31,465,194	$38,551,851
Average Maturity (years)	4.14	7.64	4.50	7.26	4.16	7.50	6.89

[1] Includes LIBOR-based loans.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-5

STATEMENT OF MEDIUM AND LONG-TERM BORROWINGS AND SWAPS – NOTE G

December 31, 2000
Expressed in thousands of United States dollars

	Direct borrowings			Currency swap agreements			Interest rate swap agreements			Net currency obligations		
Currency/Rate type	Amount	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Notional amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years) [1]
Euro												
Fixed	$ 3,567,760	6.38	4.30	$ —	—	—	$ —	—	—	$ 3,567,760	6.38	4.30
	—	—	—	(769,039)	5.64	1.51	(237,877)	6.22	5.79	(1,006,916)	5.78	2.52
Adjustable	1,038,587	5.93	12.71	—	—	—	237,877	4.98	5.79	1,276,464	5.75	11.42
	—	—	—	(1,038,587)	5.93	12.71	—	—	—	(1,038,587)	5.93	12.71
Japanese yen												
Fixed	5,702,802	4.46	6.01	785,519	0.93	7.82	43,516	1.71	7.37	6,531,837	4.02	6.24
	—	—	—	(567,903)	3.59	7.03	(1,112,271)	1.94	8.63	(1,680,174)	2.50	8.09
Adjustable	95,735	1.46	11.97	723,254	(0.03)	4.97	1,138,381	0.10	8.84	1,957,370	0.12	7.56
	—	—	—	(26,110)	3.30	13.76	(69,626)	0.77	11.29	(95,736)	1.46	11.96
Swiss francs												
Fixed	2,398,411	5.27	2.49	492,469	4.96	3.04	—	—	—	2,890,880	5.22	2.58
	—	—	—	(305,530)	2.17	3.39	(122,212)	3.33	3.83	(427,742)	2.50	3.52
Adjustable	—	—	—	—	—	—	122,212	3.32	3.83	122,212	3.32	3.83
United States dollars												
Fixed	21,923,644	6.66	6.07	1,306,628	6.25	3.94	455,428	7.17	4.24	23,685,700	6.65	5.92
	—	—	—	(263,644)	4.56	0.74	(9,648,715)	6.17	3.56	(9,912,359)	6.13	3.48
Adjustable	—	—	—	8,080,124	6.38	5.62	11,058,515	6.62	3.51	19,138,639	6.52	4.40
	—	—	—	(1,057,905)	6.61	8.01	(1,865,228)	6.65	3.39	(2,923,133)	6.64	5.06
Others												
Fixed	6,606,999	6.97	4.81	—	—	—	—	—	—	6,606,999	6.97	4.81
	—	—	—	(6,238,824)	6.70	4.46	—	—	—	(6,238,824)	6.70	4.46
Adjustable	60,332	4.36	2.39	—	—	—	—	—	—	60,332	4.36	2.39
	—	—	—	(60,332)	4.36	2.39	—	—	—	(60,332)	4.36	2.39
Total												
Fixed	40,199,616	6.29	5.48	2,584,616			498,944			43,283,176	6.18	5.44
	—	—	—	(8,144,940)			(11,121,075)			(19,266,015)	5.90	4.15
Adjustable	1,194,654	5.49	12.13	8,803,378			12,556,985			22,555,017	5.90	5.06
	—	—	—	(2,182,934)			(1,934,854)			(4,117,788)	6.31	7.11
Principal at face value	41,394,270	6.27	5.67	1,060,120			—			42,454,390	6.15	5.66
Net unamortized discount	(24,090)									(24,090)		
Total	$41,370,180	6.27	5.67	$ 1,060,120			$ —			$ 42,430,300	6.15	5.66

[1] As of December 31, 2000, the average repricing period of the net currency obligations for adjustable rate borrowings was four months.

MATURITY STRUCTURE OF MEDIUM AND LONG-TERM BORROWINGS OUTSTANDING

December 31, 2000
Expressed in thousands of United States dollars

Year of Maturity	
2001	$ 5,114,271
2002	4,976,288
2003	7,010,704
2004	3,890,292
2005	1,815,941
2006 through 2010	14,951,591
2011 through 2015	1,200,500
2016 through 2020	660,869
2021 through 2025	973,814
2026 through 2027	800,000
Total	$41,394,270

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-5

STATEMENT OF MEDIUM AND LONG-TERM BORROWINGS AND SWAPS – NOTE G

December 31, 1999
Expressed in thousands of United States dollars

	Direct borrowings			Currency swap agreements			Interest rate swap agreements			Net currency obligations		
Currency/Rate type	Amount	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Notional amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years)	Amount payable (receivable)	Wgtd. avg. cost (%)	Average maturity (years) [1]
Euro												
Fixed	$ 3,507,894	6.79	3.04	$ —	—	—	$ —	—	—	$ 3,507,894	6.79	3.04
	—	—	—	(1,086,002)	5.86	2.10	(256,827)	6.22	6.79	(1,342,829)	5.93	3.00
Adjustable	1,121,328	5.93	11.84	—	—	—	256,827	2.60	6.79	1,378,155	5.31	10.90
	—	—	—	(1,121,328)	5.93	11.84	—	—	—	(1,121,328)	5.93	11.84
Japanese yen												
Fixed	7,194,247	4.72	6.32	1,117,966	1.75	7.12	48,924	1.71	8.37	8,361,137	4.31	6.44
	—	—	—	(638,530)	3.59	8.03	(1,035,225)	1.93	9.66	(1,673,755)	2.56	9.04
Adjustable	107,632	1.46	12.97	813,129	(0.19)	5.97	1,064,579	(0.11)	9.91	1,985,340	(0.06)	8.46
	—	—	—	(29,354)	3.30	14.76	(78,278)	0.77	12.29	(107,632)	1.46	12.96
Swiss francs												
Fixed	2,719,429	5.44	3.17	503,829	4.96	4.04	—	—	—	3,223,258	5.36	3.31
	—	—	—	(312,578)	2.17	4.39	(125,031)	3.33	4.83	(437,609)	2.50	4.52
Adjustable	—	—	—	—	—	—	125,031	1.87	4.83	125,031	1.87	4.83
United States dollars												
Fixed	18,166,331	6.53	6.33	1,665,862	6.22	3.74	636,871	6.77	5.81	20,469,064	6.51	6.10
	—	—	—	(311,331)	4.79	1.53	(8,170,715)	5.88	3.72	(8,482,046)	5.84	3.64
Adjustable	—	—	—	6,880,964	5.73	5.35	8,187,818	6.18	3.72	15,068,782	5.97	4.46
	—	—	—	(1,057,905)	5.88	9.01	(653,974)	5.82	5.77	(1,711,879)	5.86	7.77
Others												
Fixed	5,904,014	7.27	4.49	—	—	—	—	—	—	5,904,014	7.27	4.49
	—	—	—	(5,505,194)	6.96	3.97	—	—	—	(5,505,194)	6.96	3.97
Adjustable	63,613	4.36	3.39	—	—	—	—	—	—	63,613	4.36	3.39
	—	—	—	(63,613)	4.36	3.39	—	—	—	(63,613)	4.36	3.39
Total												
Fixed	37,491,915	6.24	5.50	3,287,657			685,795			41,465,367	6.11	5.46
	—	—	—	(7,853,635)			(9,587,798)			(17,441,433)	5.80	4.24
Adjustable	1,292,573	5.48	11.52	7,694,093			9,634,255			18,620,921	5.25	5.36
	—	—	—	(2,272,200)			(732,252)			(3,004,452)	5.70	9.38
Principal at face value	38,784,488	6.21	5.70	855,915			—			39,640,403	5.87	5.65
Net unamortized discount	(14,818)									(14,818)		
Total	$38,769,670	6.21	5.70	$ 855,915			$ —			$ 39,625,585	5.87	5.65

[1] As of December 31, 1999, the average repricing period of the net currency obligations for adjustable rate borrowings was four months.

MATURITY STRUCTURE OF MEDIUM AND LONG-TERM BORROWINGS OUTSTANDING

December 31, 1999
Expressed in thousands of United States dollars

Year of Maturity	
2000	$ 4,091,615
2001	5,304,329
2002	4,652,794
2003	3,650,010
2004	4,037,038
2005 through 2009	13,014,077
2010 through 2014	1,361,876
2015 through 2019	1,122,749
2020 through 2024	300,000
2025 through 2027	1,250,000
Total	$38,784,488

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-6

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK – NOTE I

December 31, 2000 and 1999
Expressed in thousands of United States dollars[1]

		Paid-in portion of subscribed capital				
Members	Shares	Freely convertible currencies	Other currencies	Callable portion of subscribed capital	Total 2000	Total 1999
Argentina	900,154	$ 361,059	$104,059	$10,393,829	$ 10,858,947	$ 10,858,947
Austria	13,312	6,900	—	153,688	160,588	160,588
Bahamas	17,398	7,479	4,054	198,347	209,880	209,880
Barbados	10,767	3,879	1,755	124,253	129,887	129,887
Belgium	27,438	14,235	—	316,762	330,997	330,997
Belize	9,178	3,601	3,601	103,516	110,718	110,718
Bolivia	72,258	28,964	8,360	834,355	871,680	871,680
Brazil	900,154	361,059	104,059	10,393,829	10,858,947	10,858,947
Canada	334,887	173,677	—	3,866,209	4,039,887	4,039,887
Chile	247,163	99,149	28,566	2,853,919	2,981,634	2,981,634
Colombia	247,163	99,161	28,554	2,853,919	2,981,634	2,981,634
Costa Rica	36,121	14,500	4,162	417,081	435,743	435,743
Croatia	4,018	2,087	—	46,384	48,471	48,471
Denmark	14,157	7,347	—	163,435	170,782	150,902
Dominican Republic	48,220	19,338	5,573	556,788	581,699	581,699
Ecuador	48,220	19,338	5,573	556,788	581,699	581,699
El Salvador	36,121	14,500	4,162	417,081	435,743	435,743
Finland	13,312	6,900	—	153,688	160,588	160,588
France	158,638	82,273	—	1,831,446	1,913,719	1,913,719
Germany	158,638	82,273	—	1,831,446	1,913,719	1,913,719
Guatemala	48,220	19,338	5,573	556,788	581,699	581,699
Guyana	13,393	5,223	2,570	153,773	161,566	161,566
Haiti	36,121	14,500	4,162	417,081	435,743	435,743
Honduras	36,121	14,500	4,162	417,081	435,743	435,743
Israel	13,126	6,804	—	151,541	158,345	158,345
Italy	158,638	82,273	—	1,831,446	1,913,719	1,913,719
Jamaica	48,220	19,338	5,573	556,788	581,699	581,699
Japan	418,642	217,106	—	4,833,154	5,050,260	5,050,260
Mexico	578,632	232,076	66,904	6,681,308	6,980,288	6,980,288
Netherlands	28,207	14,633	—	325,640	340,273	340,273
Nicaragua	36,121	14,500	4,162	417,081	435,743	435,743
Norway	14,157	7,347	—	163,435	170,782	150,902
Panama	36,121	14,500	4,162	417,081	435,743	435,743
Paraguay	36,121	14,500	4,162	417,081	435,743	435,743
Peru	120,445	48,278	13,957	1,390,745	1,452,980	1,452,980
Portugal	4,474	2,316	—	51,656	53,972	53,972
Slovenia	2,434	1,267	—	28,096	29,362	29,362
Spain	158,638	82,273	—	1,831,446	1,913,719	1,913,719
Suriname	7,342	3,486	2,232	82,852	88,570	88,570
Sweden	27,268	14,139	—	314,807	328,946	290,789
Switzerland	39,347	20,411	—	454,249	474,660	474,660
Trinidad and Tobago	36,121	14,500	4,162	417,081	435,743	435,743
United Kingdom	80,551	41,776	—	929,946	971,722	971,722
United States	2,512,529	1,303,020	—	29,006,704	30,309,724	30,309,724
Uruguay	96,507	38,699	11,171	1,114,335	1,164,206	1,164,206
Venezuela	482,267	216,008	33,331	5,568,456	5,817,795	5,817,795
Total before unallocated amount	8,367,080	3,870,529	468,760	96,596,415	100,935,704	100,857,786
Unallocated (see Note I)	1,963	1,363	—	22,317	23,680	23,680
Total 2000	8,369,043	$3,871,892	$468,760	$96,618,732	$100,959,384	
Total 1999	8,362,584	$3,869,009	$468,760	$96,543,697		$100,881,466

[1] Data are rounded; detail may not add up to subtotals and totals because of rounding.

ORDINARY CAPITAL
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX I-7

STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER

December 31, 2000

Member countries	Subscribed shares	Number of votes	% of total number of votes [(1)]
Regional developing members			
Argentina	900,154	900,289	10.752
Bahamas	17,398	17,533	0.209
Barbados	10,767	10,902	0.130
Belize	9,178	9,313	0.111
Bolivia	72,258	72,393	0.865
Brazil	900,154	900,289	10.752
Chile	247,163	247,298	2.953
Colombia	247,163	247,298	2.953
Costa Rica	36,121	36,256	0.433
Dominican Republic	48,220	48,355	0.577
Ecuador	48,220	48,355	0.577
El Salvador	36,121	36,256	0.433
Guatemala	48,220	48,355	0.577
Guyana	13,393	13,528	0.162
Haiti	36,121	36,256	0.433
Honduras	36,121	36,256	0.433
Jamaica	48,220	48,355	0.577
Mexico	578,632	578,767	6.912
Nicaragua	36,121	36,256	0.433
Panama	36,121	36,256	0.433
Paraguay	36,121	36,256	0.433
Peru	120,445	120,580	1.440
Suriname	7,342	7,477	0.089
Trinidad and Tobago	36,121	36,256	0.433
Uruguay	96,507	96,642	1.154
Venezuela	482,267	482,402	5.761
Total regional developing members	4,184,669	4,188,179	50.018
Canada	334,887	335,022	4.001
United States	2,512,529	2,512,664	30.008
Nonregional members			
Austria	13,312	13,447	0.161
Belgium	27,438	27,573	0.329
Croatia	4,018	4,153	0.050
Denmark	14,157	14,292	0.171
Finland	13,312	13,447	0.161
France	158,638	158,773	1.896
Germany	158,638	158,773	1.896
Israel	13,126	13,261	0.158
Italy	158,638	158,773	1.896
Japan	418,642	418,777	5.001
Netherlands	28,207	28,342	0.338
Norway	14,157	14,292	0.171
Portugal	4,474	4,609	0.055
Slovenia	2,434	2,569	0.031
Spain	158,638	158,773	1.896
Sweden	27,268	27,403	0.327
Switzerland	39,347	39,482	0.472
United Kingdom	80,551	80,686	0.964
Total nonregional members	1,334,995	1,337,425	15.973
Total before unallocated amount	8,367,080	8,373,290	100.000
Unallocated (see Note I)	1,963	2,233	
GRAND TOTAL	8,369,043	8,375,523	

[(1)] Data are rounded; detail may not add to subtotals and grand total because of rounding.

FUND FOR SPECIAL OPERATIONS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have audited the accompanying special purpose statements of assets, liabilities and fund balance of the Inter-American Development Bank—Fund for Special Operations as of December 31, 2000 and 1999, and the related special purpose statements of changes in general reserve, comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Bank'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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special purpose financial statements have been prepared for the purpose of complying with Article IV, Section 8(d) of the Agreement Establishing the Inter-American Development Bank, as discussed in Note B, and are not intended to be, and in our opinion are not, a presentation in conformity with accounting principles generally accepted in the United States.

In our opinion, the accompanying special purpose financial statements of the Fund for Special Operations as of December 31, 2000 and 1999 and for the years then ended, are fairly presented, in all material respects, on the basis of accounting described in Note B.

This report was prepared solely for the information and use of the Board of Governors, Board of Executive Directors, and management of the Fund for Special Operations. However, under the Agreement Establishing the Inter-American Development Bank, this report is included in the Annual Report of the Bank and is therefore a matter of public record and its distribution is not limited.

Arthur Andersen LLP

Washington, D.C.
February 21, 2001

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

SPECIAL PURPOSE STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

Expressed in thousands of United States dollars

	December 31,			
	2000		1999	
ASSETS				
Cash and investments				
Cash	**$ 693,675**		$ 953,641	
Investments	**819,069**	**$ 1,512,744**	459,780	$ 1,413,421
Loans outstanding		**7,024,742**		6,955,343
Accrued interest and other charges				
On investments	**4,912**		2,635	
On loans	**43,755**	**48,667**	37,898	40,533
Receivable from members				
Contribution quotas	**113,657**		236,669	
Non-negotiable, non-interest bearing demand obligations	**1,236,916**		1,426,606	
Amounts required to maintain value of currency holdings	**260,539**	**1,611,112**	175,645	1,838,920
Property, net		**654**		710
Other assets		**11,448**		26,018
Total assets		**$10,209,367**		$10,274,945
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	**$ 4,987**		$ 1,720	
Undisbursed technical cooperation projects and other financings	**155,782**		181,133	
Advance payments of contribution quotas	**1,801**	**$ 162,570**	1,769	$ 184,622
Fund balance				
Contribution quotas authorized and subscribed	**9,559,010**		9,645,641	
General reserve	**498,345**		460,999	
Accumulated translation adjustments	**(10,558)**	**10,046,797**	(16,317)	10,090,323
Total liabilities and fund balance		**$10,209,367**		$10,274,945

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

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

SPECIAL PURPOSE STATEMENT OF CHANGES IN GENERAL RESERVE

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Income		
Loans		
Interest	**$125,471**	$122,872
Credit commissions	**6,603**	5,483
Service charges	**608**	704
Supervision and inspection fees	**4,061**	4,144
	136,743	133,203
Investments	**42,998**	22,532
Other	**9,235**	6,511
Total income	**188,976**	162,246
Expenses		
Administrative expenses	**54,211**	59,055
Total expenses	**54,211**	59,055
Excess of income over expenses before technical cooperation expense	**134,765**	103,191
Technical cooperation expense	**30,919**	41,509
Excess of income over expenses	**103,846**	61,682
General reserve, beginning of year	**460,999**	433,817
Allocations to Intermediate Financing Facility Account	**(66,500)**	(34,500)
General reserve, end of year	**$498,345**	$460,999

SPECIAL PURPOSE STATEMENT OF COMPREHENSIVE INCOME

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Excess of income over expenses	**$103,846**	$ 61,682
Translation adjustments on assets and liabilities	**(81,072)**	(5,816)
Comprehensive income	**$ 22,774**	$ 55,866

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

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

SPECIAL PURPOSE STATEMENT OF CASH FLOWS

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Cash flows from lending and investing activities		
Lending:		
Loan disbursements (net of participations)	**$ (383,024)**	$ (426,575)
Loan collections (net of participations)	**285,567**	279,982
Net cash used in lending activities	**(97,457)**	(146,593)
Miscellaneous assets and liabilities	**7,836**	(802)
Net cash used in lending and investing activities	**(89,621)**	(147,395)
Cash flows from financing activities		
Capital:		
Collections of receivables from members	**270,881**	48,393
Net cash provided by financing activities	**270,881**	48,393
Cash flows from operating activities		
Loan income collections	**130,798**	133,209
Income from investments	**40,799**	23,084
Other income	**9,252**	5,879
Administrative expenses	**(42,456)**	(67,132)
Technical cooperation and other financings	**(56,239)**	(82,474)
Net cash provided by operating activities	**82,154**	12,566
Adjustments to receivable from members	**(92,161)**	(116,047)
Change in market value of investments	**(91)**	28
Allocations to the Intermediate Financing Facility Account	**(66,500)**	(34,500)
Effect of exchange rate fluctuations on cash and investments	**(5,339)**	(6,658)
Net increase (decrease) in cash and investments	**99,323**	(243,613)
Cash and investments, beginning of year	**1,413,421**	1,657,034
Cash and investments, end of year	**$1,512,744**	$1,413,421

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

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Note A – Origin

The Inter-American Development Bank (Bank) is an international organization which was established in December 1959. The principal purpose of the Bank is to promote the economic and social development of Latin America and the Caribbean, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform. The Fund for Special Operations (FSO) was established under the Agreement Establishing the Bank (Agreement) for the purpose of making loans in the less developed member countries in Latin America and the Caribbean by providing financing on terms which are highly concessional. The FSO also provides technical assistance both related to projects and not connected to specific loans. The FSO complements the activities of the Ordinary Capital and the Intermediate Financing Facility Account (IFF). The IFF's purpose is to subsidize part of the interest payments for which certain borrowers are liable on loans from the Ordinary Capital. The FSO makes annual general reserve allocations to the IFF, as indicated in Note H.

Note B – Summary of Significant Accounting Policies

Due to the nature and organization of the FSO, the accompanying financial statements have been prepared on a special accounting basis. As described below, this special accounting basis is not consistent with United States generally accepted accounting principles (GAAP) with respect to certain items. These special purpose financial statements have been prepared to comply with Article IV, Section 8(d) of the Agreement.

Basis of accounting

The FSO's special purpose financial statements are prepared on the accrual basis of accounting for loan income, investment income and administrative expenses. That is, the effect of transactions and other events is recognized when they occur (not as cash is received or paid) and they are recorded in the accounting records and reported in the annual financial statements of the period to which they relate. The FSO follows a special accounting basis for loans and contribution quotas as described below.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

Translation of currencies

The FSO's financial statements are expressed in United States dollars; however, the Bank conducts the operations of the FSO in the currencies of all of its members. Assets and liabilities denominated in currencies other than the United States dollar are generally translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated at approximate market rates of exchange prevailing during each month. Exchange rate fluctuations generally do not have any effect on the United States dollar equivalents of such currencies because of the maintenance of value provisions described below. The adjustments resulting from the translation into United States dollars of assets and liabilities are presented as a component of comprehensive income in the Special Purpose Statement of Comprehensive Income. The adjustments resulting from the translation of contribution quotas authorized and subscribed that do not have maintenance of value protection, which are derived from the 1983, 1990 and 1995 increases in contribution quotas, are charged or credited directly to accumulated translation adjustments. Under United States GAAP, the contribution quotas authorized and subscribed should be reported at historical rates of exchange prevailing at the date of the relevant replenishment's approval.

Investments

All of the FSO's investment securities are held in a trading portfolio carried at market value, with realized and unrealized gains and losses included in income from investments. The investments are included in the Special Purpose Statement of Cash Flows as cash equivalents due to their nature and the Bank's policy governing the level and use of such investments.

Loans

The FSO makes highly concessional loans in convertible currencies to the Bank's least-developed borrowing members, agencies or political subdivisions of such members, or to private enterprises located in their territories. The FSO also makes concessional loans in local currencies, where available, to borrowing members. In the case of loans to borrowers other than national governments, central banks or other governmental or inter-governmental entities, the FSO has followed the general policy, since 1967, of requiring a guarantee engaging the full faith and credit of the government. Under the loan contracts with the borrowers, the FSO sells participations in certain loans to the Social Progress Trust Fund (SPTF), reserving to itself the administration of those loans.

Loans generally have up to 40 years final maturity and up to a 10 year grace period for principal payments and generally carry an interest rate of 1% during the grace period and 2% thereafter. The principal amount of loans and accrued interest are repayable in the currencies lent.

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

It is the policy of the FSO to place on nonaccrual status all loans to a member government if service under any loan to or guaranteed by the member government, made from any fund owned or administered by the Bank, is overdue more than 180 days. On the date that a member's loan is placed on nonaccrual status, all loans to that member country are also placed on nonaccrual status. When a loan is placed on nonaccrual status, charges that had been accrued and remain unpaid are deducted from the income of the current period. Charges on nonaccruing loans are included in income only to the extent that payments have actually been received by the FSO. On the date a member pays in full all overdue amounts, the member's loans emerge from nonaccrual status, its eligibility for new loans is restored, and all overdue charges (including those from prior years) are recognized as income from loans in the current period. Except for the debt relief loan write-offs resulting from the implementation of the Heavily Indebted Poor Countries (HIPC) Initiative discussed in Note M, the FSO has never had a write-off on any of its loans and has a policy of not rescheduling loan repayments.

Under United States GAAP, loans are recorded at their net realizable value, including an allowance for amounts estimated to be uncollectible. Management has elected to present loans under a special accounting basis to provide for recording loans at the full face amount of the borrowers' outstanding obligations. Any loan losses that might occur would be charged to income of the current period.

Incremental direct costs associated with originating loans are expensed as incurred as such amounts are immaterial to the financial results of the FSO.

Contribution quotas

Recognition: Under United States GAAP, contribution quotas authorized and subscribed should not be recorded until the Bank receives a promissory demand note, which is guaranteed by the member country, as payment of the amount due. To present the full amount of the member country's commitment, management has elected to report contribution quotas under a special accounting basis that provides for the recording of member's contribution quotas, for each FSO replenishment, in full as contribution quotas receivable upon approval of the relevant replenishment by the Board of Governors.

Contribution quotas come due as a receivable throughout the replenishment period in accordance with an agreed subscription and encashment schedule. The actual subscription and payment of receivables when they become due from certain members is conditional upon the respective member's budgetary appropriation processes. Contribution quotas are settled through payment of cash or non-negotiable, non-interest bearing demand notes. If the receivable is settled in cash, the cash is recorded in cash and investments. The notes are encashed by the FSO as provided in the relevant replenishment resolution.

Valuation: The Agreement provides that the FSO be expressed in terms of the United States dollar of the weight and fineness in effect on January 1, 1959. The Second Amendment to the Articles of Agreement of the International Monetary Fund eliminated par values of currencies in terms of gold effective April 1, 1978, and consequently the General Counsel of the Bank has rendered an opinion that the Special Drawing Right (SDR) has become the successor to the 1959 United States dollar as the standard of value of the FSO's member contributions and for the purpose of maintaining the value of the FSO's currency holdings. The SDR has a value equal to the sum of the values of specific amounts of stated currencies, including the United States dollar. Pending a decision by the Bank's governing board and as suggested in the General Counsel's opinion, the Bank is continuing its practice of using the 1959 United States dollar, which, pursuant to the devaluations of the United States dollar in 1972 and 1973, is equal to approximately 1.2063 current United States dollars, as the basis of valuation. If the 1959 United States dollar were to have been substituted with the SDR on December 31, 2000, the financial position and the results of operations of the FSO would not have been materially affected.

Maintenance of value

In accordance with the Agreement, each member is required to maintain the value of its currency held in the FSO to the extent established by the terms for the respective increases in contribution quotas. Likewise, and subject to the same terms of the contribution quota increases, the Bank is required to return to a member an amount of its currency equal to any significant increase in value of such member's currency which is held in the FSO. The standard of value for these purposes is the United States dollar of the weight and fineness in effect on January 1, 1959, as provided in the Agreement. Currency holdings derived from the 1983, 1990 and 1995 increases in contribution quotas do not have maintenance of value protection.

Property

Property is recorded at cost. Major improvements are capitalized while routine replacements, maintenance and repairs are charged to expense. Depreciation is computed on the straight-line method over estimated useful lives.

Administrative expenses

Substantially all administrative expenses of the Bank, including depreciation, are allocated between the Ordinary Capital and the FSO pursuant to an allocation method approved by the

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

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Board of Executive Directors. During 2000, such expenses were charged 15.9% to the FSO and 84.1% to the Ordinary Capital (1999—17.6% and 82.4%, respectively).

Technical cooperation
Non-reimbursable technical cooperation projects, as well as certain financings whose recovery is explicitly contingent on events that may not occur, are recorded as technical cooperation expense at the time of approval.

Cancellations of undisbursed balances and recuperations of contingently recoverable financings are recognized as an offset to technical cooperation expense in the period in which they occur.

Fair values of financial instruments
The following methods and assumptions were used by the FSO in estimating the fair value disclosures for its financial instruments:

Cash: The carrying amount reported in the Special Purpose Statement of Assets, Liabilities and Fund Balance for cash approximates fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans: The FSO is one of very few lenders of development and structural adjustment loans to Latin American and Caribbean countries. There is no secondary market for development loans. Interest on all loans within the FSO is accrued at fixed rates. For all loans and related commitments, the FSO is of the opinion that, due to its unique position in lending operations and the absence of a secondary market, it is not practicable to estimate a fair market value for the FSO's lending portfolio.

Note C – Restricted Currencies
As of December 31, 2000, cash includes $677,924,000 (1999—$846,176,000) in non-convertible currencies of regional borrowing members, of which $64,645,000 (1999—$77,869,000) has been restricted by one of the members in accordance with provisions of the Agreement, to be used for making payments for goods and services produced in its territory.

Note D – Investments
As part of its overall portfolio management strategy, the Bank invests FSO resources in government, agency and bank obligations, and time deposits. The Bank limits FSO activities of investing in securities to a list of authorized dealers and counterparties. Strict credit limits have been established for each counterparty.

Government and agency obligations: These obligations include marketable bonds, notes and other obligations issued or unconditionally guaranteed by a government of a country, an agency or instrumentality of a government of a country, a multilateral organization, or any other official entity. The Bank invests only in (i) obligations of or guaranteed by the government of the member country whose currency is being invested, (ii) obligations issued or unconditionally guaranteed by an agency or instrumentality of a government of a member country or any other official entity with credit quality equivalent to a AA– or better rating in the currency of that same country, (iii) obligations of multilateral organizations, in any currency, with credit quality equivalent to a AAA rating, and (iv) non-local currency obligations of or guaranteed by member governments with credit quality equivalent to a AA– or better rating.

Bank obligations and time deposits: These obligations include certificates of deposit, bankers' acceptances, and other obligations issued or unconditionally guaranteed by banks or other financial institutions. The Bank invests in these types of obligations if the entity issuing or guaranteeing them has a senior debt securities rating of at least A+.

Trading portfolio: A summary of the FSO's position in trading portfolio securities at December 31, 2000 and 1999 is shown in the Summary Statement of Investments in Appendix II-1.

Net unrealized gains on trading securities, held at December 31, 2000, of $20,000 (1999—$112,000) were included in income from investments. The average return on investments, including realized and unrealized gains and losses, during 2000 and 1999 was 5.95% and 5.09%, respectively.

Note E – Loans Outstanding
Approved loans are disbursed to borrowers in accordance with the requirements of the project being financed; however, disbursements do not begin until the borrower and guarantor, if any, take certain actions and furnish certain documents to the Bank. Of the undisbursed balances, the Bank has entered into irrevocable commitments to disburse approximately $2,229,000 at December 31, 2000. The loans outstanding of the FSO are shown in the Summary Statement of Loans in Appendix II-2.

The Board of Executive Directors has authorized participations by the SPTF in the United States dollar or local currency portions of loans made from the FSO provided that, with respect to such loans, the provisions of the SPTF Agreement

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

have in substance been complied with as fully as if the loans had been made initially from the SPTF.

At December 31, 2000, loans made to or guaranteed by Suriname with an outstanding balance of $1,671,000 were on nonaccrual status, pursuant to the policy described in Note B. If these loans had not been on nonaccrual status, income from loans for 2000 would have been higher by $18,000.

The average maturity for loans outstanding at December 31, 2000 and 1999 was 13.01 years and 13.11 years, respectively, and the average interest rate was 1.74% in both years.

Note F – Contribution Quotas Authorized and Subscribed

Non-negotiable, non-interest bearing demand obligations have been or will be accepted in lieu of the immediate payment of all or any part of a member's contribution quotas. The payment of contribution quotas is conditional on the members' budgetary and, in some cases, legislative processes. The Canadian contribution quota is being increased by collections of principal, interest and service charges on loans extended from the Canadian Trust Fund administered by the Bank. For a Statement of Contribution Quotas at December 31, 2000 and 1999 see Appendix II-3.

Voting power

The number of votes and percent of voting power of the Ordinary Capital for each member country form the basis of decision making concerning the operations of the FSO.

Changes for the period

The following table summarizes the changes in contribution quotas authorized and subscribed for the years ended December 31, 2000 and 1999 (in thousands):

	Contribution quotas authorized and subscribed
Balance at January 1, 1999	$9,642,577
Contribution by Canada – Trust Fund collections	972
Contribution by Switzerland – Additional contribution from terminated trust fund	1,696
Translation adjustment of contributions approved in 1983, 1990 and 1995 due to exchange rate fluctuations	384
Other	12
Balance at December 31, 1999	9,645,641
Contribution by Canada – Trust Fund collections	957
Contribution by Switzerland – Additional contribution from terminated trust fund	444
Translation adjustment of contributions approved in 1983, 1990 and 1995 due to exchange rate fluctuations	(86,831)
Other	(1,201)
Balance at December 31, 2000	$9,559,010

As of December 31, 2000, the cumulative decrease in the United States dollar equivalents of contribution quotas because of exchange rate fluctuations was $221,004,000 (1999—$134,173,000).

The composition of the receivable from members as of December 31, 2000 and 1999 is as follows (in thousands):

Receivable from members	2000	1999
Regional developing members	$1,047,239	$1,007,373
United States	16,574	32,942
Canada	5,729	9,583
Non-regional members	432,770	653,022
Unallocated	108,800	136,000
Total	$1,611,112	$1,838,920

As a result of an agreement with one of its regional developing members, in 1999 the FSO recognized an increase in receivable from members—amounts required to maintain the value of currency holdings of $116,047,000, decreasing cash by the same amount. In addition, in 2000 the FSO reclassified $92,161,000 from cash to receivable from members—amounts required to maintain the value of currency holdings relating to another of its regional developing members.

On July 31, 1995, the Board of Governors of the Bank approved the Eighth General Increase in the Resources of the Bank which provided for an increase in the authorized contribution quotas for the FSO of approximately $1,000,000,000. Encashments of contributions under this increase are due annually through 2005. Under the increase, up to $136,000,000 of unallocated special contributions to the FSO are to be paid by contributions from members. Any unpaid portion is to be paid to the FSO by periodic transfers from the net income of the Ordinary Capital, consistent with prudent financial management, between January 1, 2000 and December 31, 2004. As of December 31, 2000, no such contributions had been paid by members. Accordingly, the Bank transferred $27,200,000, representing one fifth of the unallocated special contributions, from the net income of the Ordinary Capital to the FSO in 2000. In accordance with the Agreement, this amount has been credited to the total contribution quotas of each member in the FSO in proportion to the number of Ordinary Capital shares held by each member.

Membership

On April 21, 1993, the Bank's Board of Executive Directors decided that the Socialist Federal Republic of Yugoslavia (SFRY) had ceased to be a member of the Bank and that the Republic of Bosnia and Herzegovina, the Republic of Croatia, the former Yugoslav Republic of Macedonia, the Republic of Slovenia and

FUND FOR SPECIAL OPERATIONS
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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

the Federal Republic of Yugoslavia (Serbia and Montenegro) are authorized to succeed to the SFRY's membership. Accordingly, the contribution quotas representing SFRY's membership in the FSO of the Bank were classified as unallocated until each successor republic succeeded to the membership of the SFRY. The Republics of Croatia and Slovenia have since become members of the Bank and have subscribed to their allocated share of the contribution quotas in the amount of $4,101,000 and $2,359,000, respectively. On June 21, 1993, the Government of the former Yugoslav Republic of Macedonia declined the offer to succeed to the membership of the SFRY in the Bank.

Note G – Maintenance of Value Receivable

Amounts required to maintain value of currency holdings, included on the Special Purpose Statement of Assets, Liabilities and Fund Balance as a component of receivable from members, includes $47,415,000 of amounts due from member countries for maintenance of value adjustments resulting from the changes in the values of currencies in 1972 and 1973 due to the devaluation of the United States dollar in those years and $208,208,000 relating to adjustments to receivable from members as described in Note F.

Note H – General Reserve

In accordance with resolutions of the Board of Governors, the excess of income over expenses of the FSO is to be added to the general reserve.

In 2000, the Board of Governors allocated the equivalent of $66,500,000 (1999—$34,500,000) in convertible currencies from the general reserve of the FSO to the IFF for the purpose of subsidizing part of the interest for which certain borrowers are liable on loans from the Ordinary Capital. Projected allocations from the general reserve of the FSO to the IFF in accordance with various agreements of the Board of Governors are shown in the following table (in thousands):

Year	Capital increases[1]	HIPC initiative [2]	Concessional resources agreement [3]	Total
2001	$ 23,500	$ 11,000	$ 20,000	$ 54,500
2002	23,500	11,000	20,000	54,500
2003	30,000	11,000	20,000	61,000
2004	30,000	11,000	20,000	61,000
2005	30,000	11,000	20,000	61,000
2006	30,000	11,000	20,000	61,000
2007	30,000	11,000	20,000	61,000
2008	30,000	11,000	20,000	61,000
2009	30,000	11,000	20,000	61,000
2010	30,000	6,000	20,000	56,000
2011	30,000	—	20,000	50,000
2012	—	—	85,000	85,000
2013	—	—	80,000	80,000
2014 to 2019	—	—	390,000	390,000
Total	$317,000	$105,000	$775,000	$1,197,000

(1) Under the terms of the Sixth and Seventh General Capital Increases in the Resources of the Bank.
(2) See Note M for a description of the HIPC Initiative.
(3) Mandated allocations under the Concessional resources agreement approved by the Board of Governors in 1999 amount to $20 million annually from 2001 to 2012 and $15 million in 2013. Additional transfers of approximately $65 million annually from 2012 to 2019 will be necessary to fund the 2000–2008 IFF lending mandated under the Concessional resources agreement of 1999. The level of these additional transfers may change as assumptions are revised in future years.

These allocations are subject to annual approvals by the Board of Governors and to adjustment for appropriate reasons related to the availability of funding for the IFF.

Note I – Accumulated Translation Adjustments

The following is a summary of changes in the accumulated translation adjustments for the years ended December 31, 2000 and 1999 (in thousands):

	Assets and liabilities	Contribution quotas authorized and subscribed	Total
Balance at			
January 1, 1999	$ (144,674)	$134,557	$ (10,117)
Translation adjustments	(5,816)	(384)	(6,200)
Balance at			
December 31, 1999	(150,490)	134,173	(16,317)
Translation adjustments	(81,072)	86,831	5,759
Balance at			
December 31, 2000	$ (231,562)	$221,004	$ (10,558)

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NOTES TO SPECIAL PURPOSE FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

Note J – Administrative Expenses

Pursuant to the policy described in Note B, the FSO shares in all of the expenses incurred by the Bank in the Ordinary Capital including those related to the pension and postretirement benefit plans. During 2000, the Bank's Staff Retirement Plan and Postretirement Benefit Plan had benefit income of $42,888,000. The FSO's share of such income, which is included in other income, amounted to $8,449,000.

Note K – Undisbursed Technical Cooperation Projects and Other Financings

The following is a summary of changes in undisbursed technical cooperation projects and other financings for the years ended December 31, 2000 and 1999 (in thousands):

	2000	1999
Balance at January 1,	$181,133	$222,182
Approvals	36,432	47,072
Cancellations	(4,279)	(4,034)
Disbursements	(57,504)	(84,087)
Balance at December 31,	$155,782	$181,133

Note L – Reconciliation of Excess of Income Over Expenses to Net Cash Provided by Operating Activities

A reconciliation of excess of income over expenses to net cash provided by operating activities, as shown in the Special Purpose Statement of Cash Flows, is as follows (in thousands):

	Years ended December 31,	
	2000	1999
Excess of income over expenses	$103,846	$ 61,682
Difference between amounts accrued and amounts paid or collected for:		
Loan income	(5,945)	6
Income from investments	(2,290)	580
Other income	17	(632)
Net unrealized loss (gain) on investments	91	(28)
Administrative expenses	11,755	(8,077)
Technical cooperation and other financings	(25,320)	(40,965)
Net cash provided by operating activities	$ 82,154	$ 12,566
Supplemental disclosure of noncash activities		
(Decrease) increase resulting from exchange rate fluctuations:		
Loans outstanding	$ (26,766)	$ (18,095)
Receivable from members	(48,933)	20,158
Contribution quotas authorized and subscribed	(86,831)	384

Note M – Heavily Indebted Poor Countries (HIPC) Initiative

The Bank has agreed to participate in the HIPC Initiative endorsed by the World Bank and the International Monetary Fund for addressing the debt problems of a group of countries identified as heavily indebted poor countries to ensure that reform efforts of these countries will not be put at risk by continued high external debt burdens. Under the HIPC Initiative, all bilateral and multilateral creditors are to provide debt relief for countries that demonstrate good policy performance over an extended period in order to bring their debt service burdens to sustainable levels.

As part of the initial HIPC Initiative, in 1998 the FSO charged off loans to Bolivia and Guyana in the amount of $177.4 million. In addition, the FSO will transfer the equivalent of $138 million in convertible currencies during the period 1998 to 2010 from its general reserve to the IFF to provide for IFF increased subsidy payments during the period 1998 to 2015 on Ordinary Capital loans.

During 2000, a committee of the Board of Governors agreed that the Bank should participate in the enhanced HIPC Initiative that would provide greater debt relief to the four eligible member countries (Honduras, Nicaragua, Bolivia and Guyana). The agreement, which requires formal approval by the Board of Governors, envisions contributions of $200 million from nonregional member countries, $200 million from the United States, $150 million from the borrowing countries (to be funded by conversion of local currency resources of the FSO) and $25 million from Canada. The Bank will provide relief for approximately 50% of FSO debt service falling due from 2001 to 2008. Post 2008, the Bank will forgive certain principal payments on FSO loans approved prior to January 1, 2000.

When approved by the Board of Governors, the Bank's participation in the enhanced HIPC Initiative would require the write-off of FSO loan principal and interest balances in the amount of approximately $727 million (in present value terms) during the period 2001 to 2019. Actual FSO loan write-offs would be approved by the Board of Executive Directors on an annual basis and would be recorded as an expense as they occur.

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APPENDIX II-1

SUMMARY STATEMENT OF INVESTMENTS – NOTE D

December 31, 2000 and 1999
Expressed in thousands of United States dollars

	2000			1999		
Investments	Market value	Gross unrealized gains	Gross unrealized losses	Market value	Gross unrealized gains	Gross unrealized losses
Obligations of the United States Government and its corporations and agencies	$ —	$ —	$ —	$ 38,368	$ 99	$ —
Obligations of other governments	3,568	2	—	—	—	—
Time deposits	815,501	18	—	421,412	39	26
	$819,069	$ 20	$ —	$459,780	$138	$ 26

The above instruments have a final maturity of less than one year at both December 31, 2000 and 1999.

The freely convertible currencies of the above investments are as follows:

Currencies	2000	1999
British pounds sterling	$ 76,082	$ 98,173
Canadian dollars	8,613	2,311
Danish kroner	—	1,013
Euro	—	6,444
Japanese yen	4,534	4,842
Norwegian kroner	—	3,410
Swedish kronor	—	3,098
Swiss francs	3,856	2,102
United States dollars	725,984	338,387
	$819,069	$459,780

SUMMARY STATEMENT OF LOANS – NOTE E

December 31, 2000 and 1999
Expressed in thousands of United States dollars

Member in whose territory loans have been made	Loans approved, less cancellations	Principal collected	Loans sold and other adjustments	Undisbursed	Outstanding 2000	Currency in which outstanding portion of approved loans is collectible: Freely convertible currencies	Other currencies	Outstanding 1999
Argentina	$ 645,006	$ 414,410	$ 25,653	$ 25,335	$ 179,608	$ —	$ 179,608	$ 196,752
Barbados	40,681	20,457	—	—	20,224	20,024	200	21,690
Bolivia	1,680,892	285,485	102,156 (1)	438,152	855,099	796,752	58,347	803,203
Brazil	1,558,317	1,029,633	31,489	50,108	447,087	—	447,087	468,766
Chile	202,915	184,963	7,297	—	10,655	4,514	6,141	12,779
Colombia	758,473	478,297	7,012	33,301	239,863	85,444	154,419	256,501
Costa Rica	345,882	207,180	2,987	—	135,715	124,335	11,380	147,943
Dominican Republic	700,045	239,221	18,452	5,545	436,827	412,376	24,451	446,094
Ecuador	929,529	273,285	13,037	36,493	606,714	568,840	37,874	619,805
El Salvador	737,117	170,285	9,134	1,910	555,788	528,616	27,172	571,405
Guatemala	615,095	194,775	9,988	22,013	388,319	333,836	54,483	386,747
Guyana	584,900	36,777	79,209 (1)	198,779	270,135	268,341	1,794	221,745
Haiti	748,302	91,820	2,826	221,975	431,681	415,991	15,690	409,391
Honduras	1,510,540	227,993	18,442	397,657	866,448	817,560	48,888	821,966
Jamaica	161,422	88,356	—	—	73,066	61,329	11,737	78,562
Mexico	558,986	517,994	1,947	—	39,045	374	38,671	47,683
Nicaragua	1,334,282	143,194	17,781	396,383	776,924	743,322	33,602	719,629
Panama	280,290	174,533	13,457	—	92,300	78,357	13,943	102,127
Paraguay	575,900	208,345	898	976	365,681	331,602	34,079	370,401
Peru	418,378	289,850	11,308	—	117,220	58,425	58,795	128,981
Suriname	2,271	366	—	233	1,672	1	1,671	1,709
Trinidad and Tobago	31,222	18,289	—	615	12,318	258	12,060	12,426
Uruguay	103,912	65,146	2,084	—	36,682	18,949	17,733	39,712
Venezuela	101,393	79,956	21,437	—	—	—	—	—
Regional	199,944	130,068	—	4,205	65,671	59,429	6,242	69,326
Total 2000	$14,825,694	$5,570,678	$396,594 (1)	$1,833,680	$7,024,742	$5,728,675	$1,296,067	
Total 1999	$14,568,108	$5,285,187	$396,713 (1)	$1,930,865		$5,596,945	$1,358,398	$6,955,343

(1) Includes loans to Bolivia ($98,342) and Guyana ($78,809) written off as part of the HIPC Initiative.

The freely convertible currencies in which the outstanding portion of approved loans is collectible are as follows:

Currencies	2000	1999
British pounds sterling	$ 90,694	$ 91,811
Canadian dollars	366,977	362,990
Danish kroner	27,237	25,366
Euro	698,714	681,141
Japanese yen	210,771	170,687
Norwegian kroner	22,722	18,615
Swedish kronor	41,259	37,987
Swiss francs	41,243	40,911
United States dollars	4,199,473	4,135,692
Venezuelan bolivars	29,585	31,745
	$5,728,675	$5,596,945

FUND FOR SPECIAL OPERATIONS
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX II-3

STATEMENT OF CONTRIBUTION QUOTAS – NOTES F AND G

December 31, 2000 and 1999
Expressed in thousands of United States dollars

	Contribution quotas authorized and subscribed					2000
	Subject to maintenance of value					
Members	Before adjustments	Adjustments	Not subject to maintenance of value	Total 2000	Total 1999	Contribution quotas receivable from members
Argentina	$ 402,819	$ 29,491	$ 52,999	$ 485,309	$ 484,652	$ —
Austria	10,955	—	6,664	17,619	18,103	—
Bahamas	8,800	—	1,527	10,327	10,270	—
Barbados	1,403	42	236	1,681	1,646	1
Belgium	27,098	—	13,688	40,786	41,780	—
Belize	—	—	7,442	7,442	7,412	—
Bolivia	32,535	9,671	5,517	47,723	47,319	—
Brazil	402,819	62,220	67,669	532,708	529,316	—
Canada	219,095	12,577	59,673	291,345	291,202	—
Chile	111,440	24,019	18,996	154,455	152,198	—
Colombia	111,385	20,077	18,996	150,458	149,364	—
Costa Rica	16,215	3,954	2,726	22,895	22,641	—
Croatia	3,121	—	2,028	5,149	5,284	—
Denmark	11,692	—	7,055	18,747	19,276	—
Dominican Republic	21,721	7,854	3,699	33,274	32,604	—
Ecuador	21,721	4,246	3,698	29,665	29,413	37
El Salvador	16,215	1,979	2,725	20,919	20,697	—
Finland	10,955	—	6,594	17,549	17,869	—
France	133,396	—	75,198	208,594	214,028	—
Germany	136,692	—	91,161	227,853	229,616	—
Guatemala	21,721	6,790	3,698	32,209	31,574	—
Guyana	6,980	—	1,177	8,157	8,114	6
Haiti	16,215	2,359	2,726	21,300	21,139	14
Honduras	16,215	7,116	2,725	26,056	25,392	—
Israel	10,794	—	7,092	17,886	18,037	—
Italy	133,396	—	66,317	199,713	204,440	—
Jamaica	21,721	2,737	3,699	28,157	27,997	—
Japan	148,825	—	437,383	586,208	639,030	—
Mexico	259,249	15,041	47,202	321,492	319,611	4,368
Netherlands	20,261	—	14,041	34,302	35,322	—
Nicaragua	16,215	4,758	2,717	23,690	23,409	—
Norway	11,692	—	6,818	18,510	18,932	—
Panama	16,215	5,946	2,726	24,887	24,694	—
Paraguay	16,215	8,504	2,725	27,444	27,327	—
Peru	54,492	14,340	9,352	78,184	77,255	—
Portugal	4,994	—	2,109	7,103	7,204	—
Slovenia	1,795	—	1,423	3,218	3,240	—
Spain	133,396	—	65,158	198,554	203,188	—
Suriname	5,280	—	891	6,171	6,147	150
Sweden	23,729	—	12,282	36,011	37,367	—
Switzerland	36,404	—	21,562	57,966	57,888	—
Trinidad and Tobago	16,215	1,532	2,725	20,472	20,269	—
United Kingdom	133,396	—	37,517	170,913	173,752	—
United States	4,100,000	243,666	462,776	4,806,442	4,798,182	—
Uruguay	43,502	3,714	7,403	54,619	54,305	—
Venezuela	250,060	12,109	46,889	309,058	307,490	—
Total before unallocated amount	7,219,054	504,742	1,719,424	9,443,220	9,495,995	4,576
Unallocated (see Note F)	5,447	3	110,340	115,790	149,646	109,081
Total 2000	$7,224,501	$504,745	$1,829,764	$9,559,010		$113,657
Total 1999	$7,223,100	$504,623	$1,917,918		$9,645,641	$236,669

INTERMEDIATE FINANCING FACILITY ACCOUNT

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have audited the accompanying balance sheets of the Inter-American Development Bank—Intermediate Financing Facility Account as of December 31, 2000 and 1999, and the related statement of changes in fund balance for the years then ended. These financial statements are the responsibility of the Bank'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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 the Inter-American Development Bank—Intermediate Financing Facility Account as of December 31, 2000 and 1999, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Washington, D.C.
February 21, 2001

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in thousands of United States dollars

	December 31,			
	2000		1999	
ASSETS				
Cash and investments				
Cash	**$ 6,747**		$ 10,665	
Investments	**252,324**	**$259,071**	248,338	$259,003
Accrued interest on investments		**215**		794
Total assets		**$259,286**		$259,797
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses		**$ 367**		$ —
Fund balance				
Accumulated translation adjustments	**$ 34,887**		$ 44,135	
Other changes in fund balance	**224,032**	**258,919**	215,662	259,797
Total liabilities and fund balance		**$259,286**		$259,797

STATEMENT OF CHANGES IN FUND BALANCE

Expressed in thousands of United States dollars

	Years ended December 31,	
	2000	1999
Additions		
Allocations from Fund for Special Operations	**$ 66,500**	$ 34,500
Income from investments	**12,690**	9,275
Total additions	**79,190**	43,775
Deductions		
Interest paid on behalf of Ordinary Capital borrowers	**70,820**	70,957
Increase (decrease) for the year	**8,370**	(27,182)
Translation adjustments	**(9,248)**	1,346
Decrease for the year, after translation adjustments	**(878)**	(25,836)
Fund balance, beginning of year	**259,797**	285,633
Fund balance, end of year	**$258,919**	$259,797

The accompanying notes are an integral part of these financial statements

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Note A – Origin

The Inter-American Development Bank (Bank) is an international organization which was established in December 1959. The principal purpose of the Bank is to promote economic and social development in Latin America and the Caribbean, primarily by providing loans and related technical assistance for specific projects and for programs of economic reform. The Agreement Establishing the Bank (Agreement) provides for operations of the Bank to be conducted through the Fund for Special Operations (FSO) and the Ordinary Capital. In 1983, the Board of Governors of the Bank established the Intermediate Financing Facility Account (IFF) for the purpose of subsidizing part of the interest payments for which certain borrowers are liable on loans from the Ordinary Capital. The IFF receives annual allocations from the FSO, as indicated in Note D.

In making decisions concerning operations of the IFF, the number of votes and percent of voting power for each member country are the same as determined for the Ordinary Capital.

Note B – Summary of Significant Accounting Policies

The IFF's financial statements are prepared in conformity with United States generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

Translation of currencies

The IFF's financial statements are expressed in United States dollars; however, the IFF conducts its operations in various convertible currencies, including the United States dollar. Assets and liabilities denominated in currencies other than the United States dollar are translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated at the approximate market rates of exchange prevailing during each month. The adjustments resulting from the translation of assets and liabilities are shown in the Statement of Changes in Fund Balance as translation adjustments.

Investments

All of the IFF's investment securities are in the trading portfolio carried at market value, with realized and unrealized gains and losses included in income from investments in the Statement of Changes in Fund Balance.

Administrative expenses

Administrative expenses of the IFF are paid by the Ordinary Capital and are allocated between the Ordinary Capital and the FSO pursuant to an allocation method approved by the Board of Executive Directors.

Fair values of financial instruments

The following methods and assumptions were used by the IFF in estimating its fair value disclosures for financial instruments:

Cash: The carrying amount reported in the Balance Sheet for cash approximates fair value.

Investments: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Note C – Investments

As part of its overall portfolio management strategy, the Bank invests IFF resources in government, agency and bank obligations and time deposits. The Bank limits IFF activities of investing in securities to a list of authorized dealers and counterparties. Strict credit limits have been established for each counterparty.

Government and agency obligations: These obligations include marketable bonds, notes and other obligations issued or unconditionally guaranteed by a government of a country, an agency or instrumentality of a government of a country, a multilateral organization, or any other official entity. The Bank invests only in (i) obligations of or guaranteed by the government of the member country whose currency is being invested, (ii) obligations issued or unconditionally guaranteed by an agency or instrumentality of a government of a member country or any other official entity with credit quality equivalent to a AA– or better rating in the currency of that same country, (iii) obligations of multilateral organizations, in any currency, with credit quality equivalent to a AAA rating, and (iv) non-local currency obligations of or guaranteed by member governments with credit quality equivalent to a AA– or better rating.

Time deposits: These obligations include certificates of deposit issued or unconditionally guaranteed by banks or other financial institutions. The Bank invests in these types of obligations if the entity issuing or guaranteeing them has a senior debt securities rating of at least A+.

Trading portfolio: Investment securities held in the trading portfolio are carried at market value as shown in the Summary Statement of Investments in Appendix III-1. Net unrealized gains

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

on trading securities, held at December 31, 2000, of $22,000 (1999—$20,000) were included in income from investments. The average return on investments during 2000 and 1999, including realized and unrealized gains and losses, was 4.75% and 3.39%, respectively.

Note D – Fund Contributions

The IFF is funded primarily through transfers from the FSO. The IFF is also authorized to receive additional contributions from any member country.

For initial funding purposes, the equivalent of $61,000,000 in convertible currencies of the general reserve of the FSO was transferred to the IFF on December 15, 1983. Actual and projected allocations from the general reserve of the FSO to the IFF in accordance with various agreements of the Board of Governors are shown in the following table (in thousands):

Year	Capital increases(1)	HIPC initiative (2)	Concessional resources agreement (3)	Total
Through 1998	$301,500	$ 11,000	$ —	$ 312,500
1999	23,500	11,000	—	34,500
2000	23,500	11,000	32,000	66,500
2001	23,500	11,000	20,000	54,500
2002	23,500	11,000	20,000	54,500
2003	30,000	11,000	20,000	61,000
2004	30,000	11,000	20,000	61,000
2005	30,000	11,000	20,000	61,000
2006	30,000	11,000	20,000	61,000
2007	30,000	11,000	20,000	61,000
2008	30,000	11,000	20,000	61,000
2009	30,000	11,000	20,000	61,000
2010	30,000	6,000	20,000	56,000
2011	30,000	—	20,000	50,000
2012	—	—	85,000	85,000
2013	—	—	80,000	80,000
2014 to 2019	—	—	390,000	390,000
Total	$665,500	$138,000	$807,000	$1,610,500

(1) Under the terms of the Sixth and Seventh General Capital Increases in the Resources of the Bank.

(2) As part of the initial Heavily Indebted Poor Countries (HIPC) Initiative, the IFF is increasing subsidy payments on Ordinary Capital loans to Bolivia and Guyana. In order to fund these additional interest subsidy payments, the FSO is making additional annual transfers in convertible currencies from its general reserve to the IFF.

(3) Mandated allocations under the Concessional resources agreement approved by the Board of Governors in 1999 amount to $20 million annually from 2001 to 2012 and $15 million in 2013. Additional transfers of approximately $65 million annually from 2012 to 2019 will be necessary to fund the 2000–2008 IFF lending mandated under the Concessional resources agreement of 1999. The level of these additional transfers may change as assumptions are revised in future years.

Future allocations are subject to annual approvals by the Board of Governors and to adjustment for appropriate reasons related to the availability of funding for the IFF.

Note E – Accumulated Translation Adjustments

The following is a summary of changes in the accumulated translation adjustments for the years ended December 31, 2000 and 1999 (in thousands):

	2000	1999
Balance at January 1,	$44,135	$42,789
Translation adjustments	(9,248)	1,346
Balance at December 31,	$34,887	$44,135

Note F – Commitments

The payment by the IFF of part of the interest due from borrowers is contingent on the availability of resources. At December 31, 2000, the amounts disbursed and outstanding and undisbursed, classified by country, under loans on which the IFF would pay part of the interest are as follows (in thousands):

Country	Disbursed and outstanding	Undisbursed
Bahamas	$ 23,091	$ —
Barbados	51,185	14,984
Bolivia.	342,360	—
Costa Rica	121,537	33,219
Dominican Republic	103,705	219,057
Ecuador	124,236	164,252
El Salvador	148,081	76,852
Guatemala	212,757	149,352
Guyana	30,838	—
Honduras	5,969	—
Jamaica	201,786	160,168
Nicaragua	128,695	1,014
Panama	107,395	21,029
Paraguay	94,079	69,706
Suriname	26,236	22,167
Trinidad and Tobago	128,242	13,841
Uruguay	107,945	380
Regional	52,895	—
	$2,011,032	$946,021

The rate of IFF subsidy of interest due from certain borrowers on Ordinary Capital loans is set twice annually by the Board of Executive Directors. The amount of subsidy of the lending rate of IFF subsidized loans can be no more than 5% of eligible loans outstanding, subject to the effective rate paid by the borrowers being at least 1.5% above the convertible currency FSO average interest rate. For certain loans with increased subsidy under the HIPC Initiative implementation plan, the effective rate paid by the borrowers can be as low as the convertible currency FSO average interest rate. Over time, the IFF intends to distribute all of its fund balance to subsidize part of the interest payments for which certain Ordinary Capital borrowers are liable.

INTERMEDIATE FINANCING FACILITY ACCOUNT
INTER-AMERICAN DEVELOPMENT BANK

APPENDIX III-1

SUMMARY STATEMENT OF INVESTMENTS – NOTE C

December 31, 2000 and 1999
Expressed in thousands of United States dollars

	2000			1999		
Investments	Market value	Gross unrealized gains	Gross unrealized losses	Market value	Gross unrealized gains	Gross unrealized losses
Obligations of the United States Government and its corporations and agencies	$ —	$—	$ —	$ 909	$ 3	$ —
Obligations of other governments	26,107	22	—	44,031	3	—
Time deposits	226,217	—	—	203,398	23	9
	$253,324	$22	$ —	$248,338	$29	$ 9

The above securities have contractual maturities of one year or less at both December 31, 2000 and 1999.

The freely convertible currencies of the above investments are as follows:

Currencies	2000	1999
Canadian dollars	$ —	$ 618
Euro	41,487	13,324
Japanese yen	39,163	64,775
Swiss francs	10,215	18,698
United States dollars	161,459	150,923
	$252,324	$248,338

SOCIAL PROGRESS
TRUST FUND

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Governors
Inter-American Development Bank

We have audited the accompanying balance sheets of the Social Progress Trust Fund, which is administered by the Inter-American Development Bank, as of December 31, 2000 and 1999, and the related statements of income and expenses and cash flows for the years then ended. These financial statements are the responsibility of the Bank'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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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 the Social Progress Trust Fund as of December 31, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Arthur Andersen LLP

Washington, D.C.
February 21, 2001

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

BALANCE SHEET

Expressed in thousands of United States dollars

	December 31,			
	2000		1999	
ASSETS				
Cash and investments				
Cash	**$ 1,431**		$ 873	
Investments	**7,257**	**$ 8,688**	6,720	$ 7,593
Participations in loans made from the Fund for Special Operations	**56,476**		57,334	
Loans outstanding	**22,788**		24,435	
Allowance for losses on loans and participations	**(1,585)**	**77,679**	(1,635)	80,134
Accrued interest and other charges				
On participations	**208**		215	
On loans	**49**		55	
On investments	**15**	**272**	—	270
Total assets		**$86,639**		$87,997
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts payable and accrued expenses	**$ 10**		$ 46	
Undisbursed technical cooperation projects and other financings	**669**	**$ 679**	1,519	$ 1,565
Fund balance				
Fund established by the United States Government	**525,000**		525,000	
Accumulated excess of expenses over income	**(206,239)**		(208,448)	
Amounts returned to the United States Government	**(232,801)**	**85,960**	(230,120)	86,432
Total liabilities and fund balance		**$86,639**		$87,997

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

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF INCOME AND EXPENSES

Expressed in thousands of United States dollars

	Years ended December 31, 2000	1999
Income		
Participations	**$ 716**	$ 758
Loans	**323**	348
Investments	**446**	325
Other income	**3**	33
Total income	**1,488**	1,464
Expenses		
Administrative expenses		
Direct expenses	**20**	7
Indirect and overhead expenses charged by Administrator	**—**	—
Total administrative expenses	**20**	7
Translation adjustments	**45**	6
Total expenses	**65**	13
Credit for loan losses	**50**	143
Income before technical cooperation income	**1,473**	1,594
Technical cooperation income	**736**	735
Net income	**2,209**	2,329
Accumulated excess of expenses over income, beginning of year	**(208,448)**	(210,777)
Accumulated excess of expenses over income, end of year	**$(206,239)**	$(208,448)

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

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

STATEMENT OF CASH FLOWS

Expressed in thousands of United States dollars

	Years ended December 31,	
	2000	**1999**
Cash flows from lending and investing activities		
Lending:		
Loan collections	**$ 1,648**	$ 1,586
Purchases of participations in loans	**(2,662)**	(3,087)
Collections of participations	**3,520**	8,631
Net cash provided by lending and investing activities	**2,506**	7,130
Cash flows from operating activities		
Loan income collections	**329**	329
Income on participations	**722**	774
Income from investments	**450**	309
Administrative expenses	**(56)**	96
Technical cooperation and other financings	**(114)**	173
Other operating activities	**3**	5
Net cash provided by operating activities	**1,334**	1,686
Refunded to the United States Government	**(2,681)**	(8,020)
Effect of exchange rate fluctuations on cash	**(45)**	(6)
Change in market value of investments	**(19)**	18
Net increase in cash and investments	**1,095**	808
Cash and investments, beginning of year	**7,593**	6,785
Cash and investments, end of year	**$ 8,688**	$ 7,593

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

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS

December 31, 2000 and 1999

Note A – Nature of the Fund

In 1961, the United States and the Inter-American Development Bank (Bank) entered into an Agreement whereby the Bank became Administrator of the Social Progress Trust Fund (SPTF). The SPTF was established by the Government of the United States to provide capital resources and technical assistance on flexible terms and conditions to support the efforts of the Latin American countries to achieve greater social progress and more balanced economic growth in the fields of land settlement and improved land use, housing for low income groups, community water supply and sanitation facilities, and financing facilities for social development education.

Pursuant to the original Agreement, the Bank charges the SPTF for salary costs of certain of its professional staff, other direct expenses and the SPTF's share of allowable overhead expenses. During 2000 and 1999 there were no salary costs and overhead expenses charged by the Bank.

Note B – Summary of Significant Accounting Policies

The SPTF's financial statements are prepared in conformity with United States generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the 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 these estimates.

Translation of currencies

The SPTF's financial statements are expressed in United States dollars; however, the Bank conducts the operations of the SPTF in various currencies. The United States dollar is the functional currency of the SPTF. Assets and liabilities in currencies other than United States dollars are generally translated at approximate market rates of exchange prevailing at the dates of the financial statements. Income and expenses in such currencies are translated at the approximate market rates of exchange prevailing during each month. The adjustments resulting from the translation of assets and liabilities into United States dollars are shown in the Statement of Income and Expenses as translation adjustments.

Investments

All of the SPTF's investment securities are in the trading portfolio carried at market value, with realized and unrealized gains and losses included in income from investments in the Statement of Income and Expenses. The investments are included in the Statement of Cash Flows as cash equivalents due to their nature and the Bank's policy governing the level and use of such investments.

Loans and participations

The SPTF has made loans to developing members of the Bank, agencies or political subdivisions of such members, or to private enterprises located in their territories. For all instances of loans to borrowers other than national governments, central banks, or other governmental or inter-governmental entities, the Bank, as Administrator, has received guarantees from the national governments.

The Bank, as Administrator, has a policy of not rescheduling loan repayments. The SPTF has never had a write-off on any of its loans. The Bank, as Administrator, follows the policy of reviewing the collectibility of loans on a continuous basis and records provisions or credits for loan and participation losses in accordance with its determination of the collectibility risk of the total loan portfolio.

The Bank, as Administrator, ceases to accrue income on all loans in a country when service under any loan to or guaranteed by the government of such country, made from any fund owned or administered by the Bank, is overdue for more than 180 days. On the date that a loan is placed on nonaccrual status, all loans to that country are also placed on nonaccrual status. When a loan is placed on nonaccrual status, charges that had been accrued and remain unpaid are deducted from the income of the current period. Charges on nonaccruing loans are included in income only to the extent that payments have actually been received. On the date a country pays in full all overdue amounts, the country's loans emerge from nonaccrual status, its eligibility for new loans is restored, and all overdue charges (including those from prior years) are recognized as income from loans in the current period.

The Board of Executive Directors has authorized participations by the SPTF in the United States dollar or local currency portions of loans made from the Fund for Special Operations (FSO) provided that the provisions of the Agreement have, in substance, been complied with as fully as if the loans had been made initially from the SPTF.

Technical cooperation

All non-reimbursable technical cooperation projects, as well as certain financings whose recovery is explicitly contingent on events that may not occur, are recorded as technical cooperation expense at the time of approval. Cancellations of undisbursed balances and recuperations of contingently recoverable financings are recognized as an offset to technical cooperation expense in the period in which they occur. There was no new technical cooperation charged to the SPTF during

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

2000 and 1999. During 2000, cancellations amounted to $453,000 (1999—$140,000), recuperations amounted to $283,000 (1999—$595,000) and disbursements totaled $397,000 (1999—$422,000).

Fair values of financial instruments
The following methods and assumptions were used by the Bank, as Administrator, in estimating the fair value disclosures for financial instruments:

Cash: The carrying amount reported in the Balance Sheet for cash approximates fair value.

Investments: Fair values for investments are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Loans and participations: The SPTF is one of very few lenders of development loans to Latin American and Caribbean countries. For all loans and participations, the Bank, as Administrator, is of the opinion that, due to its unique position and the absence of a secondary market, it is not practicable to estimate a fair value for the SPTF's holdings of loans and participations.

Note C – Investments
As part of its overall portfolio management strategy, the Bank invests SPTF resources only in United States Government and agency obligations and time deposits. The Bank limits SPTF activities of investing in securities to a list of authorized dealers and counterparties. Strict credit limits have been established for each counterparty.

Investment securities of the SPTF consist of time deposits (1999—United States agency obligations) held in the trading portfolio and are carried at market value in the amount of $7,257,000 at December 31, 2000 (1999—$6,720,000). These securities are in United States dollars and have contractual maturities of less than one year at December 31, 2000 and 1999. The average return on investments, including realized and unrealized gains and losses, during 2000 and 1999 was 6.34% and 5.24%, respectively.

Note D – Participations in Loans Made from the Fund for Special Operations
The Board of Executive Directors has authorized the use of SPTF resources to purchase participations in loans made from the FSO provided that, with respect to such loans, the provisions of the Agreement have, in substance, been complied with as fully as if the loans had been made initially from the SPTF. Through the purchase of participations in the local currency components of loans made from the FSO, the value of which must be maintained by the respective member borrower in accordance with the Agreement Establishing the Bank, the value of the SPTF resources invested in FSO participations has been substantially maintained. The composition of the amounts outstanding by country, resulting from participations in loans of the FSO as of December 31, 2000 and 1999, is as follows (in thousands):

	Outstanding Participations	
Country	2000	1999
Argentina	$ 732	$ 716
Bolivia	3,067	3,070
Brazil	2,090	2,591
Colombia	12	9
Costa Rica	105	135
Dominican Republic	12,634	12,562
Ecuador	5,132	5,282
El Salvador	3,296	3,254
Guatemala	6,446	5,943
Guyana	400	400
Haiti	849	849
Honduras	9,737	9,714
Nicaragua	5,354	6,014
Panama	5,015	4,930
Paraguay	536	500
Peru	1,049	1,343
Uruguay	22	22
Total	$56,476	$57,334

Note E – Loans Outstanding
Loan disbursements have been made principally in United States dollars although, in the case of certain loans, disbursements have been made in the national currencies of the borrowers or in the currencies of other members. In accordance with the provisions of practically all loan agreements, loans disbursed in United States dollars may be repaid in the national currency of the borrower at the market rate of exchange existing at the date of repayment or in United States dollars at the election of the borrower.

The loans outstanding of the SPTF are shown in the Summary Statement of Loans in Appendix IV-1. The average maturity and average interest rate on loans outstanding at December 31, 2000 and 1999 was 8.80 years and 9.17 years, respectively and 1.35% and 1.36%, respectively. During 2000 and 1999, there were no countries on nonaccrual status in the SPTF.

SOCIAL PROGRESS TRUST FUND
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2000 and 1999

Note F – Amounts Returned to the United States Government

The Bank, as Administrator, has returned to the Government of the United States the equivalent of $232,801,000 of the assets of the SPTF during the years 1980 through 2000 (2000—$2,681,000; 1999—$8,020,000) for use in financing social development projects of the Inter-American Foundation.

Note G – Reconciliation of Net Income to Net Cash Provided by Operating Activities

A reconciliation of net income to net cash provided by operating activities, as shown in the Statement of Cash Flows, is as follows (in thousands):

	Years ended December 31,	
	2000	1999
Net income	$2,209	$2,329
Difference between amounts accrued and amounts paid or collected for:		
Loan income	6	(19)
Participation income	6	16
Investment income	(15)	2
Net unrealized loss (gain) on investments	19	(18)
Administrative expenses	(36)	103
Technical cooperation and other financings	(850)	(562)
Other operating activities	—	(28)
Credit for loan losses	(50)	(143)
Translation adjustments	45	6
Net cash provided by operating activities	$1,334	$1,686

SOCIAL PROGRESS TRUST FUND APPENDIX IV-1
ADMINISTERED BY THE INTER-AMERICAN DEVELOPMENT BANK

SUMMARY STATEMENT OF LOANS – NOTE E

December 31, 2000 and 1999
Expressed in thousands of United States dollars

Countries in which loans have been made	Loans approved, less cancellations	Principal collected	Outstanding 2000	Outstanding 1999
Argentina	$ 45,900	$ 44,400	$ 1,500	$ 1,620
Bolivia	20,648	15,791	4,857	5,060
Brazil	61,510	61,510	-	-
Chile	34,352	34,352	-	-
Colombia	49,008	49,008	-	-
Costa Rica	11,700	11,700	-	-
Dominican Republic	8,407	8,407	-	-
Ecuador	27,448	27,448	-	-
El Salvador	37,689	28,988	8,701	9,226
Guatemala	28,313	21,083	7,230	7,696
Honduras	7,602	7,602	-	-
Mexico	34,927	34,927	-	-
Nicaragua	13,035	13,035	-	-
Panama	12,862	12,862	-	-
Paraguay	7,799	7,799	-	-
Peru	45,108	45,108	-	-
Uruguay	10,350	10,350	-	-
Venezuela	72,861	72,861	-	-
Regional	8,367	7,867	500	833
Total 2000	$537,886	$515,098	$22,788	
Total 1999	$537,886	$513,451		$24,435

GOVERNORS AND ALTERNATE GOVERNORS

Country	Governor	Alternate Governor
ARGENTINA	José Luis Machinea	Pedro Pou
AUSTRIA	Karl-Heinz Grasser	Thomas Wieser
BAHAMAS	William C. Allen	Ruth Millar
BARBADOS	Owen S. Arthur	Grantley Smith
BELGIUM	Didier Reynders	Frans Godts
BELIZE	Ralph Fonseca	Keith Arnold
BOLIVIA	José Luis Lupo	Bernardo Requena Blanco
BRAZIL	Martus Antônio Rodrigues Tavares	Armínio Fraga Neto
CANADA	John Manley	Bruce Montador
CHILE	Nicolás Eyzaguirre	María Eugenia Wagner
COLOMBIA	Juan Manuel Santos	Juan Carlos Echeverri
COSTA RICA	Leonel Baruch	Eduardo Lizano Fait
CROATIA	Mato Crkvenac	Josip Kulisic
DENMARK	Ellen Margrethe Loej	Torben Brylle
DOMINICAN REPUBLIC	Francisco M. Guerrero Prats-R	Luis Manuel Piantini Munnigh
ECUADOR		Jorge Morán Centeno
EL SALVADOR	Juan José Daboub	José Luis Trigueros
FINLAND	Pertti Majanen	Matti Kääriäinen
FRANCE	Laurent Fabius	Jean-Pierre Jouyet
GERMANY	Uschi Eid	Michael Röskau
GUATEMALA	Manuel H. Maza Castellanos	Lizardo Sosa
GUYANA	Bharrat Jagdeo	
HAITI	Anthony Dessources	Fred Joseph
HONDURAS	Gabriela Núñez de Reyes	Victoria Asfura de Díaz
ISRAEL	David Klein	Shay Talmon
ITALY	Vincenzo Visco	Vincenzo Desario
JAMAICA	Omar Davies, MP	Shirley Tyndall
JAPAN	Kiichi Miyazawa	Masaru Hayami
MEXICO	Francisco Gil Díaz	Agustín Carstens Carstens
NETHERLANDS	Gerrit Zalm	Eveline Herfkens
NICARAGUA	Francisco Aguirre Sacasa	Esteban Duque Estrada
NORWAY	Sigrun Mogedal	Age Grutle
PANAMA	Norberto Delgado Durán	Eduardo A. Quiróz
PARAGUAY	Francisco Oviedo	James Spalding
PERU	Javier Silva Ruete	Germán Suárez Chávez
PORTUGAL	Joaquim Augusto Pina Moura	Manuel Pedro da Cruz Baganha
SLOVENIA	Anton Rop	Andrej Kavcic
SPAIN	Rodrigo de Rato y Figaredo	Juan Costa Climent
SURINAME	Humphrey Stanley Hildenberg	Stanley Ramsaran
SWEDEN	Gun Britt Andersson	Lennart Baage
SWITZERLAND	Oscar Knapp	Adrian Schläpfer
TRINIDAD AND TOBAGO		Victoria Méndez-Charles
UNITED KINGDOM	Clare Short, MP	George Foulkes
UNITED STATES	Lawrence H. Summers	Alan P. Larson
URUGUAY	Alberto Bension	Ariel Davrieux
VENEZUELA	José Alejandro Rojas Ramírez	Jorge Giordani

As of December 31, 2000

EXECUTIVE DIRECTORS AND ALTERNATE EXECUTIVE DIRECTORS

			Number of votes	Percentage of voting power
Jorge F. Baca Campodónico, **PERU** Fernando Tenjo-Galarza (Alternate) **COLOMBIA**	**Elected by:** Colombia Peru		367,878	4.393
Adina Bastidas Castillo, **VENEZUELA** Eduardo Linares (Alternate), **PANAMA**	**Elected by:** Panama Venezuela		518,658	6.194
Ricardo R. Carciofi, **ARGENTINA** Martín Bes (Alternate) **ARGENTINA**	**Elected by:** Argentina Haiti		936,545	11.185
Agustín García-López, **MEXICO** Héctor J. Santos (Alternate) **DOMINICAN REPUBLIC**	**Elected by:** Dominican Republic Mexico		627,122	7.489
Edgard Antonio Guerra, **NICARAGUA** José Carlos Quirce (Alternate) **COSTA RICA**	**Elected by:** Belize Costa Rica El Salvador	Guatemala Honduras Nicaragua	202,692	2.420
Lawrence Harrington, **UNITED STATES**	**Appointed by:** United States		2,512,664	30.008
Toru Kodaki, **JAPAN** Michael A. Power (Alternate) **UNITED KINGDOM**	**Elected by:** Croatia Japan Portugal	Slovenia United Kingdom	510,794	6.101
Bruno Mangiatordi, **ITALY** Theodorus B. Timmermans (Alternate) **NETHERLANDS**	**Elected by:** Belgium Germany Israel	Italy Netherlands Switzerland	426,204	5.089
Marcel Massé, **CANADA** Alan F. Gill (Alternate), **CANADA**	**Elected by:** Canada		335,022	4.001
Juan E. Notaro Fraga, **URUGUAY** Orlando Ferreira Caballero (Alternate) **PARAGUAY**	**Elected by:** Bolivia Paraguay Uruguay		205,291	2.452
Daniel Oliveira, **BRAZIL** Frederico Álvares (Alternate), **BRAZIL**	**Elected by:** Brazil Suriname		907,766	10.841
Germán Quintana, **CHILE** César Coronel (Alternate), **ECUADOR**	**Elected by:** Chile Ecuador		295,653	3.530
Roderick G. Rainford, **JAMAICA** Luis Alberto Rodriguez (Alternate) **TRINIDAD AND TOBAGO**	**Elected by:** Bahamas Barbados Guyana	Jamaica Trinidad and Tobago	126,574	1.511
Álvaro Rengifo, **SPAIN** Mirja K. Peterson (Alternate), **SWEDEN**	**Elected by:** Austria Denmark Finland France	Norway Spain Sweden	400,427	4.783
TOTAL:			**8,373,290**	**100.00 ***

Office of Evaluation and Oversight
Stephen A. Quick, Director

As of December 31, 2000
* The figures listed represent the sum of the individual countries' voting percentages, rounded to the nearest one-hundredth of one percent. Consequently, the total of 100% shown may not be identical to the sum of the individual percentages listed.

CHANNELS OF COMMUNICATION AND DEPOSITORIES

Member Country	Channels of Communication	Depository
ARGENTINA	Ministerio de Economía	Banco Central de la República Argentina
AUSTRIA	Federal Ministry of Finance	Österreichische Nationalbank
BAHAMAS	Ministry of Finance and Planning	Central Bank of the Bahamas
BARBADOS	Ministry of Finance and Economic Affairs	Central Bank of Barbados
BELGIUM	Administration de la trésorerie, Service des relations internationales	Banque Nationale de Belgique
BELIZE	Financial Secretary, Ministry of Finance	Central Bank of Belize
BOLIVIA	Banco Central de Bolivia	Banco Central de Bolivia
BRAZIL	Banco Central do Brasil	Banco Central do Brasil
CANADA	International Financial Institution, Multilateral Programs Branch, Canadian International Development Agency	Bank of Canada
CHILE	Dirección de Presupuestos, Ministerio de Hacienda	Banco Central de Chile
COLOMBIA	Ministerio de Hacienda y Crédito Público	Banco de la República
COSTA RICA	Ministerio de Hacienda	Banco Central de Costa Rica
CROATIA	Ministry of Finance	National Bank of Croatia
DENMARK	Danish International Development Agency (DANIDA)	Danmarks Nationalbank
DOMINICAN REPUBLIC	Banco Central de la República Dominicana	Banco Central de la República Dominicana
ECUADOR	Ministerio de Finanzas y Crédito Público	Banco Central del Ecuador
EL SALVADOR	Casa Presidencial	Banco Central de Reserva de El Salvador
FINLAND	Ministry for Foreign Affairs	Bank of Finland
FRANCE	Ministère de l'Économie, des Finances et de l'Industrie	Banque de France
GERMANY	Federal Ministry for Economic Cooperation and Development	Deutsche Bundesbank
GUATEMALA	Banco de Guatemala	Banco de Guatemala
GUYANA	Ministry of Finance	Bank of Guyana
HAITI	Banque de la République d'Haïti	Banque de la République d'Haïti
HONDURAS	Banco Central de Honduras	Banco Central de Honduras
ISRAEL	Bank of Israel	Bank of Israel
ITALY	Ministry of the Treasury, Budget and Economic Planning	Banca d'Italia
JAMAICA	Ministry of Finance and Planning	Bank of Jamaica
JAPAN	Ministry of Finance	Bank of Japan
MEXICO	Secretaría de Hacienda y Crédito Público	Banco de México, S.A.
NETHERLANDS	Ministry of Finance	De Nederlandsche Bank N.V.
NICARAGUA	Ministerio de Fomento, Industria y Comercio	Banco Central de Nicaragua
NORWAY	Royal Norwegian Ministry of Foreign Affairs	Bank of Norway
PANAMA	Ministerio de Economía y Finanzas	Banco Nacional de Panamá
PARAGUAY	Banco Central del Paraguay	Banco Central de Paraguay
PERU	Banco Central de Reserva del Perú	Banco Central de Reserva del Perú
PORTUGAL	Ministério das Finanças	Banco de Portugal
SLOVENIA	Ministry of Finance	Bank of Slovenia
SPAIN	Subdirección General de Instituciones Financieras Multilaterales, Ministerio de Economía	Banco de España
SURINAME	Ministry of Finance	Central Bank van Suriname
SWEDEN	Ministry for Foreign Affairs, Department for International Development Co-operation	Sveriges Riksbank
SWITZERLAND	Office fédéral des affaires économiques extérieures	Banque Nationale Suisse
TRINIDAD AND TOBAGO	Central Bank of Trinidad and Tobago	Central Bank of Trinidad and Tobago
UNITED KINGDOM	Department for International Development	Bank of England
UNITED STATES	Treasury Department	Federal Reserve Bank of New York
URUGUAY	Ministerio de Economía y Finanzas	Banco Central del Uruguay
VENEZUELA	Ministerio de Planificación y Desarrollo	Banco Central de Venezuela

As of December 31, 2000

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Vice-President for Planning and Administration	Paulo Paiva
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Secretary	Carlos Ferdinand
Deputy Secretary	Armando Chuecos
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Manager	Miguel E. Martínez
Deputy Manager	Jairo Sánchez
Regional Operations Department 3	
Manager	Ciro de Falco
Deputy Manager	Miguel A. Rivera
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Manager	Charles O. Sethness
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As of December 31, 2000

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