C*orporación Andina de Fomento (CAF)* is a multilateral financial institution which supports the sustainable development of its shareholder countries and integration efforts within the region. CAF's steadily growing membership now includes, in addition to its principal shareholders, –Bolivia, Colombia, Ecuador, Peru and Venezuela–, Argentina, Brazil, Chile, Jamaica, Mexico, Panama, Paraguay, Trinidad & Tobago, Uruguay and 22 private banks in the region. CAF serves the public and private sectors, providing multiple financial services to a broad customer base comprised of shareholder countries, corporations and financial institutions. Social and environmental variables are incorporated into its management policies and it includes in its operations ecoefficiency and sustainability criteria. As a financial intermediary, it attracts resources from industrialized countries to Latin America, serving as a bridge between international capital markets and the region and promoting investments and business opportunities.

The Corporation currently,

- Provides loans and lines of credit to companies, financial entities and commercial banks to finance foreign trade and working capital.
- Offers global credits and lines of credit to the financial sector in order to channel resources to various productive sectors, particularly to small and medium-size enterprises, providing them with indirect access to CAF.
- Offers development banking services to governments and their agencies for the financing of priority projects, mainly in the physical infrastructure and integration sectors.
- Offers investment banking services, such as equity investment, underwriting, limited recourse lending, cofinancing, loan syndication, financial guarantees and others.
- Administers funds of other institutions for projects to benefit low income socio-economic sectors, such as indigenous peoples or small rural producers.
- Provides technical cooperation in order to facilitate the transfer of knowhow and technology, to complement existing technical capacities in shareholders countries and increase the external competitiveness of productive sectors.
- Finances projects that promote sustainable human development in the low income socio-economic sectors of the population and supports the growth and consolidation of microenterprises by strengthening the financial sectors which provide resources to new small industries.
- Supports the institutional strenghtening of small and medium-size enterprises (SMEs) in order to enhance the management, competitiveness, marketing and technology knowhow and capacity as well as channelling financial resources through loans and equity investments.

Content

Corporación Andina de Fomento
Annual Report 2001

Financial Hightlights 2001

- **Total assets increased to US$6,805 billion in 2001** (US$5,840 billion in 2000).
- **Liquid assets increased to US$1,219 million in 2001** (US$1,179 million in 2000).
- **The loan and investment portfolio amounted to US$ 5,455 billion in 2001** (US$4,478 billion in 2000).
- **Shareholders' equity increased to US$ 1.826 billion in 2001** (US$ 1,625 billion in 2000).
- **Paid-in capital grew to US$ 1,073 million in 2001** (US$ 990 million in 2000).
- **Net profits increased to US$103 million in 2001** (US$102 million in 2000).

In 2001, CAF distinguished itself by:

- reconfirming its position as the leading source of financing for the Andean countries, achieving an all-time record of approvals of more than US$3 billion, and reasserting its catalytic and anticyclical role by attracting resources into the region at times when they were in short supply and volatile because of the difficult economic environment both in the region and worldwide;
- actively promoting regional integration and competitiveness through a variety of high-impact strategic programs, such as the IIRSA initiative, designed to reinvigorate the South American economic integration process through a comprehensive focus on infrastructure; the Preandino Program for Risk Reduction and Disaster Prevention; the Puebla-Panama Plan, which aims to strengthen the Meso-American region; the Latin American Carbon Program, which this year saw the successful conclusion of environmental negotiations on the carbon market; and the Andean Competitiveness Project, which developed networks for implementing a regional agenda in this area;
- broadening its shareholder base with the admission of Argentina and Uruguay, and making substantial progress in the negotiation process with Costa Rica and Spain for future membership;
- reasserting its status as the best-rated Latin American issuer, with a straight A after Moody's had upgraded its rating this year, and maintaining its lead position in access to world capital markets, becoming the first Latin American institution to issue US$500 million worth of commercial paper in the United States market on the strength of its own creditworthiness, in addition to issuing its first ten-year Global bond in an amount of US$300 million; and
- consolidating its emphasis on sustainable social and human development with the creation of the Itinerant Andean Conservatory; underwriting the continued existence of the Andean Youth Symphony Orchestra; making it easier for disadvantaged children to access information and communications technologies; and broadening its commitment to the citizenry and society by setting up a Direction on governance to support regional efforts in the search for a comprehensive development process with regional identity.

Issues in the International Markets

Date	Market		US$ Million
April 93	Eurodollars	US$100	100
October 93	Eurodollars	US$100	100
December 93	Yens	JPY 10000	100
June 94	Eurodollars	US$125	125
November 94	Yens	JPY 12000	125
February 95	Yens	JPY 12000	120
July 95	Dollars	US$250	250
January 96	Dollars	US$200	200
February 97	Dollars	US$200	200
January 98	DM	DM 200	110
March 98	Dollars	US$150	150
May-98	Eurodollars	US$200	200
June 98	Liras	LIR 200000	115
October 98	Eurodollars	US$100	100
February 99	Dollars	US$200	200
April 99	Euros	EUR 300	320
July 99	Yens	JPY 20000	165
May/00	Dollars	US$225	225
November/00	Euros	EUR 200	173
Others	EMTN	Others	245
	Total 1993-2000		**3.323**
Year 2001			
January	Dollars	US$ 300	300
July Yenes	JPY	25000	200
August	Commercial Paper		
Program	US$	500	400
November	Short-term		
Note Program (Spain)	EUR	500	450
	Total 2001		**1.445**
	Grand Total		**4.768**

Letter from the Executive President's

It is my pleasure to submit the Annual Report and audited Financial Statements for fiscal year 2001.

Despite facing an adverse international environment with negative repercussions for Latin America, CAF consolidated its position as the Andean countries' principal source of multilateral finance, the issuer with the region's best risk rating, and the prime promoter of regional integration through its financing of significant development projects in every one of the shareholder countries.

This year the Corporation achieved outstanding operational and financial results, with the highest historical levels of approvals, disbursements, and co-financing, positive net flows to the member countries, and profits. Supported by decidedly satisfactory financial ratios and further improved risk ratings, the above factors helped CAF to obtain funds at the most competitive rates for the region in world capital markets, notwithstanding the fact that these markets were hard to access by emerging countries.

Through a variety of instruments, CAF deepened its support of the countries' agenda for development in the framework of the two fundamental pillars of its institutional mission: sustainable development and regional integration, while emphasizing competitiveness, governance, environmental management and human development.

The successfully completed negotiations to add four new member countries to the roster of CAF shareholders are a key element in the Corporation's quest for greater synergy in its effort to advance the integration process in the region. This expanded membership will contribute more effectively to the development of the tremendous potential contained in the South American countries' geographic location, by increasing the scope and depth of their relations with Central America and the Caribbean, and strengthening their bonds with Europe.

I wish to thank the entire staff of the Corporation for their dedication and professionalism, without which it would not have been possible to achieve these milestones. I would also like to thank in a very special way the Governments, the shareholders and the Board for their support, and most particularly for the trust that they have deposited in me personally by ratifying my mandate as the Corporation's Executive President for the forthcoming five years. It is a challenge that I shall accept with the commitment to continue to project CAF as the architect of a sustainable development agenda, designed to promote the competitive and equitable insertion of Latin America into the World's economy.

L. Enrique García
Presidente Ejecutivo

Economic context and regional integration

The beginning of the new millennium has not been very auspicious for the region. Following the beginnings of a process of economic recovery in year 2000, most of the countries in the region were adversely affected in 2001 by a series of external events with adverse effects on the efforts to attain higher levels of growth and development.

Such events as the collapse of the stock markets around the world, the financial volatility generated by the crisis in Argentina, the terrorist attacks of September 11th, and the deepening process of economic slowdown in the United Sates, Europe and Japan, all these have created an international picture that is prejudicial to the good functioning of the Latin American countries' economies. The principal effects of the foregoing events can be seen in lower rates of growth, rising unemployment, and heightened social tensions in the region. On the one hand, recession in the principal industrialized countries has significantly lowered their demand for goods manufactured in our region, resulting in reduced regional exports and weaker commodity prices. Additionally, a higher degree of international uncertainty leads to the deferral of investment decisions, principally for large projects, thereby affecting possibilities for subsequent growth.

These events have had a negative effect upon financial markets, narrowing and making more expensive the access by the countries in the region to international capital markets, thereby reducing financing options for both public and private sector investments, for the management of public sector finances, and for the region's external indebtedness.

The above mentioned series of tensions faced by the region at this juncture, pile-up on top of the traditional structural problems of low competitiveness, specialization of production based upon natural resources, and social inequality and institutional weaknesses, all of which have led to low growth rates, and thus to slowing down the speed with which solutions can be found to social problems such as poverty and unemployment. In turn, this has led to steadily increasing expressions of popular demands.

Growth

The regions' growth picture deteriorated rapidly and significantly in the course of the year. Early forecasts for growth in 2001 in Latin America were of a rate of 4%, comparable to that experienced in year 2000. Such growth forecasts were based on good performance expectations for the economies in Brazil, Chile and Mexico, and hopes for a gradual recovery of Argentina's economy. In the Andean countries, a growth rate was of approximately 3% was forecasted.

The impact of the external events previously mentioned has affected most drastically the larger countries in the region, decreasing notably the initial growth forecasts. This is especially the case of Mexico, which has been negatively affected by the recession in the United States. It is also true of Brazil, where international events have added to the effects of a domestic crisis in the energy sector. It is also true of Argentina, whose financial crisis has rendered the country unable to resume a positive rate of growth. Preliminary data for 2001 show a growth of 0.4% for Latin America as a whole.

In the Andean region, the reduction in growth has been less drastic, with current forecasts showing a rate of 1.9% for 2001. Venezuela, Colombia and Ecuador, as oil exporting countries, benefited from high prices for crude in 2000 and the first half 2001. In the particular case of Ecuador, initial economic recovery expectations were significantly exceeded as a result of having successfully consolidated its dollarization and economic stabilization programs. Bolivia and Peru achieved much lower results than initially expected, both having been affected most severely by external shocks and political instability.

The lower growth picture is connected to the unfavorable outlook that exists for the world's economy. It is thus estimated that the economy of the United States will grow only between 1% and 1.5% in 2001 and 2002. Additionally, the economies of Europe and Japan are also expected to enter a recessionary phase, and to experience growth rates lower, or at best, similar to those recorded in year 2001. The U.S. response has been a combination of monetary and fiscal policies that are expansive and which should begin to bear impact starting in the second half of 2002.

The unfavorable international picture for 2001 has implied a contraction of world trade, a deterioration of the prices for the principal export products of the region, and less availability of external financing. This explains the lower regional growth rates and the resulting adverse impact on employment and poverty levels.

As we saw in the preceding decade, the effect of low growth upon employment generation has persisted over the years, which indicates the existence of structural problems in the markets. Also, lower economic growth and price reductions of primary goods have placed monetary restrictions upon governments, which in turn endangers social investment plans and safety nets for the poorest of the poor. This is the sector that is normally the most seriously affected in periods of economic slowdown and increased unemployment.

The difficult situation, in terms of growth, unemployment, and poverty, comes up at a political moment with important segments of society sharing some skepticism over the direction of the current economic model, tired of expectations for improvements from key structural reforms. Thus the implementation of economic reforms will depend upon the ability to reach tangible results, not only in macroeconomic terms, but also rather also at the microeconomic level through the generation of employment, and the reduction of the region's social problems.

In 2002, it is estimated that there will be a slight recovery of growth in Latin America, perhaps reaching 0.6%, under the effects of the sequels to the Argentinean crisis, volatility of external capital flows, and worldwide recession. By the same token, for the Andean countries it is expected that the rate of growth will be 1.8%, which is higher than the Latin American average, but still insufficient to afford solutions to its principal social and economic problems.

It is expected that in 2001, Bolivia will reach a 1% growth rate (according to preliminary data). A crisis of expectations, which prevailed in the economy during most of this year, has been reduced thanks to the recent political changes, and it is expected that in 2002 there will be a recovery of the rates of growth to levels of approximately 1.5-2.5%.

Colombia, for its part, has experienced a slight decrease in its recovery process that followed the 1999 crisis. After growing at a rate of 2.8% in 2000, it slowed down to 1.6% in 2001, but it is forecast to grow at between 2% and 2.7% in 2002. Recently the government and the IMF have reduced their earlier higher estimates to the levels just mentioned. Though slowly, the Colombian economy has been recovering and diminishing its remaining vulnerability factors.

Ecuador's dynamic economy, sustained by macroeconomic and financial stability, supported by dollarization and high fuel prices, has been strengthened with the impetus from new petroleum sector projects and the foreign investment therein. 2001 saw a rate of growth of 5.4%, but the subsequent drop in world prices make it unlikely that such a pace can be maintained. As a result, a growth rate around 3.5% would be expected for 2002.

Preliminary results concerning the Peruvian economy show stagnation in 2001, owing to the uncertainties generated by the political problems. Estimates are for a recovery in year 2002, across all economic sectors, led by mining, with the beginning of the production phase in Antamina, and an important rebound of the construction sector. A rate of growth above a3% is forecast for 2002.

Venezuela also has benefited from the high prices for petroleum in the first part of 2001, resulting in a rate of growth of 2.7%, aided by a significant increase in public sector expenditures, and also influenced by the dynamic performance of such sectors as telecommunications. Nevertheless, the recent drop in the price of crude oil and other factors foresee the slowdown of the Venezuelan economy.

Oil market and commodities

Oil prices, after achieving and holding their highest levels since the Gulf War in 2000 and the first half of 2001, recorded a rapid drop which reflects a contraction of the international economy and the increased supply of world crude following the attacks of September 11th and the war against terrorism. Analyzing the futures' prices in the latter part of the year, we can see the predominant tendency to lower prices, leading to an estimate of a 20% reduction in average prices of crude for 2002, that is to say, a level of 20 years' dollars for WTI.

In the medium term, the implications of the current international situations are expected to result in growing pressures in the U.S. to become self-sufficient in energy. That will lead to increased petroleum exploration, though somewhat restricted for environmental reasons as in Alaska, and significantly in the direction of research for alternative sources of energy. All this may have a negative impact upon oil-exporting countries.

With respect to other commodity prices, the prospects are not favorable. Export products such as coffee and soybeans have experienced severe reductions. At the end of November the price index for agricultural export products was the lowest in a decade. Regarding metals, with the exception of gold and silver, which due to their ability to serve as reserves, recorded a price increase after the September 11th attack, the tendency has been negative in the past year and the expected reduction in world demand is likely to not allow a recovery in the short term.

Capital flows

The uncertainty in the international financial markets meant that by the end of 2001, the flow of resources to the region became severely restricted, given an increase in the perception of risk and the tendency to seek refuge in more liquid assets and more favorable risk ratings. Additionally, country risk perception as measured by the margin on the region's bonds over that of the U.S. Treasury bonds, increased significantly especially after the expansion of the crisis in Argentina.

Prospects for meeting the financing needs of Latin America in 2002 are difficult and could become even more complicated depending upon the solution that is finally implemented to resolve the crisis in Argentina. That will force an important adjustment in the current account and consequently, a reduction in the chances for recovering growth.

The climate of global uncertainty will remain at least through the first half of 2002. The decision by the principal central banks worldwide to reduce interest rates in order to avoid a greater deceleration of the global economy is helping to lower the fiscal cost of servicing the external debt. Nevertheless, access to new credit and to refinancing of existing credit is being adversely affected by the currently high margins.

In this environment, it is expected that there will be an important reduction in capital flows; nevertheless, it is not expected that access will be unavailable, especially for those countries which have managed to maintain investment grade rating or to stay within reasonable distance thereof.

Latin America continues to be a region that depends upon external finance, with much higher requirements than the other emerging markets. For 2001, US$127 billion dollars were required. For 2002 it is estimated the region will need a similar amount,US$129 billion, and that is double the requirements of all the emerging countries in Asia and Eastern Europe put together. Of that amount, Brazil ($50 billion), Mexico ($37 billion), and Argentina ($27 billion) head the list of countries that need external finance.

In contrast to previous years, the countries in the Andean region appear to have fewer financial weaknesses and lower requirements of external finance. In the case of Ecuador and Bolivia, they are within the margin of capital markets and for that reason current volatility has not affected them in a significant way. Peru has not had to resort to the capital markets, while Venezuela has mostly accessed their internal market. In the case of Colombia, a country that has still not been able to solve its financing problems, during the first half of 2001, it maintained a strategy of external and internal prefinancing, together with important fiscal reforms, which allowed it to confront without undue difficulties the reduction in external flows to the region.

Though 2001 was not a particularly critical year in terms of financing restrictions for the Andean countries, new resources for the region will be scarce, costly and selective. Current spread levels are close to those of bankruptcy, thereby making it very unlikely that the region can resume growth based upon external savings.

As a consequence, the countries in the region will depend upon their own resources to finance their investment needs, and for that they will need to strengthen policies to bring their fiscal accounts into equilibrium, promote domestic savings and increase the efficiency of their financial intermediation and their capital markets. In this context, the Andean countries in 2001 grew at a higher rate than the Latin American economy, a rate of 2%, which is expected to remain during 2002. The economies of Bolivia and Peru, which have grown the least, will show a modest degree of recovery. Ecuador will continue to grow at a rate higher than the average for the Andean region, while Colombia and Venezuela are expected to increase their product by less than 3%.

Andean Community: main indicators

	1999	2000	2001(p)
Real Sector			
GDP (current MM. US$)	263.095	277.482	280.118
Real GDP Growth	-3,9	3,0	1,9
Saving/GDP (%)	18,6	21,8	18,1
Investment/GDP (%)	17,1	17,3	17,7
Unemployment (%)	14,5	13,1	13,4
External Sector			
Exports FOB (MM US$)	44.536	60.958	53.337
Imports FOB (MM. US$)	34.693	39.770	43.672
Current Account/GDP (%)	1,5	4,5	0,4
Net International Reserves (MM. US$)	33.183	35.448	32.212
Foreing Direct Investment/GDP (%)	3,0	2,9	2,7
Total External Debt/GDP (%)	47,5	43,2	42,3
Fiscal Sector and Prices			
Fiscal Balance NFPS* (% GDP)	-2,2	-0,6	-2,7
Primary Fiscal Balance (% GDP)	0,4	2,1	0,7
Inflation (end of period)	17,6	20,4	8,3
Banking Sector and Capital Markets			
Banking Sector Total Assets	84.787	88.038	87.827
Non-performing Loans (% of Total Loans)	12,1	12,0	11,3
Sovereign Bonds Spread	1.937	1.040	1.020

Source: Dirección de Estudios Económicos, CAF

Andean Community: macroeconomics indicators 2001

	Bolivia	Colombia	Ecuador	Perú	Venezuela
Real Sector					
GDP (current MM. US$)	8.118	82.783	17.981	53.586	117.650
Real GDP Growth	1,0	1,6	5,4	0,2	2,7
Saving/GDP (%)	12,7	13,0	19,8	16,4	23,2
Investment/GDP (%)	17,0	15,0	24,1	18,8	17,7
Unemployment (%)	8,7	18,2	10,6	8,2	13,5
External Sector					
Exports FOB (MM US$)	1.251	13.456	4.474	7.100	27.056
Imports FOB (MM. US$)	1.552	12.717	4.921	7.200	17.282
Current Account/GDP (%)	-4,4	-2,0	-4,3	-2,5	4,4
Net International Reserves (MM. US$)	1.065	9.384	1.074	8.400	12.289
Foreing Direct Investment/GDP (%)	8,7	2,2	7,5	1,7	2,2
Total External Debt/GDP (%)	57,0	44,4	79,9	53,0	32,6
Fiscal Sector and Prices					
Fiscal Balance NFPS* (% GDP)	-6,8	-3,4	0,3	-2,5	-3,4
Primary Fiscal Balance (% GDP)	-3,7	1,6	7,1	-0,2	-0,2
Inflation (end of period)	0,9	7,6	22,4	-0,1	12,3
Banking Sector and Capital Markets					
Banking Sector Total Assets	5.030	26.590	6.010	20.785	29.413
Non-performing Loans (% of Total Loans)	15,0	10,3	40,2	9,8	5,4
Sovereign Bonds Spread	n/d	516	1.186	600	1.268

Source: Dirección de Estudios Económicos, CAF

* Non financial Public Sector

Regional integration

During 2001, the regional integration process underwent the effects of the world economic recession, particularly those related to trade and growth of the product. In tandem with this, however, important progress was made and creative efforts oriented to deepen the political, economic, social and cultural dimensions of integration.

One of the more salient aspects was the launching of the Regional Infrastructure Integration of South America Initiative (IIRSA), which arose from the Summit of Heads of State and Government of South America held in Brasilia in 2000. The goal of this initiative, over a ten-year time frame, is to develop and modernize South America's infrastructure, enhance the region's international competitiveness, and organize its land area while contributing to the economic and social development of its constituent countries.

In this connection, the Executive Steering Committee of IIRSA, made up of the region's ministers of transportation, energy and telecommunications, met twice in 2001 and set up the first four Executive Technical Groups (ETGs) for the Andean, Mercosur-Chile and Interoceanic Hubs (Brazil/Bolivia-Paraguay-Chile/Peru) and for the Normative Frameworks of Regional Energy Markets Sectoral Process. In addition, an up-to-date inventory of infrastructure projects was compiled; a technical monitoring and implementation mechanism for the countries involved was established; while the Technical Coordination Committee –made up of the CAF, IDB and FONPLATA– installed a permanent Secretariat in Buenos Aires, established an IIRSA website, and launched an intensive regional and extra-regional promotional and publicity campaign.

For its part, the Andean Community of Nations (CAN) held its XIII Meeting of the Andean Presidential Council (Valencia, Venezuela, 23-24 Jun.), at which the top political leaders reaffirmed their commitment to press forward to achieve improved forms of integration, their goal being to put the Andean Common Market into effect no later than 31 December 2005. Subsequently, the Andean Presidential Council held a special session (Lima, Peru, 23/Nov.) to take stock of progress made in the integration process and to analyze in depth the difficulties facing it. On the strength of this stocktaking, they agreed to launch a series of negotiations aimed at enhancing the Andean economic bloc and culminating in the next Presidential summit to be held in May 2002.

In the area of macroeconomic convergence, it was agreed at the V Meeting of the CAN's Advisory Council of Ministers of Finance, Central Banks and economic planning officials, that, among other things, 31/Dec./02 would be set as the target date for all member countries to achieve single-digit annual inflation and that starting in 2002 the deficit of the non-financial public sector should not exceed 3% of GDP. The free movement of individuals received a significant boost in June 2001 with the recognition of national identification documents as the only requirement for tourist travel among the five member nations of the CAN.

A highlight in the Andean Community's external relations was approval by the Council of the European Union (EU) of new regulations broadening the scheme of generalized tariff preferences for the period 1/Jan./01 to 31/Dec./04. To mark EU support for the Andean nations' fight against drug trafficking, these regulations extend the preferences to other products not included in the Andean GSP in effect since 1990. The Andean GSP allowed a volume of preferential exports worth US$1.275 billion in 2001 and created some 160,000 jobs. The Andean Trade Preference Act (ATPA), of key importance between the Andean countries and their main trading partner, expired in December 2001 but was renewed by the United States House of Representatives and sent to the Senate for ratification, expected to be completed early in 2002.

In addition, the Ministers of Foreign Affairs of the Andean Community and the EU met in Santiago de Chile (28/Mar.) to exchange ideas on the political and economic situation in both regions and to assess their relations, while the IV Andean Entrepreneurial Forum, attended by close to a thousand businessmen, took place in Maracaibo, Venezuela (23-24/May).

As far as the Council of the Southern Common Market is concerned, the XX Meeting of Mercosur, held in Asunción, Paraguay (21-22/Jun.), examined the consistency and structure of the common external tariff of this integration scheme and felt that the tariff structure should be designed to favor innovations in the regional production process. At this meeting, the Bolivarian Republic of Venezuela formally applied for associate membership in Mercosur. The meeting agreed to speed up the bilateral negotiating processes in which Mercosur participates, particularly with the EU and CAN, as well as to examine the possibility of initiating talks with the United States using the 4+1 format. The Bi-regional Mercosur-EU Negotiating Committee held its V round of talks in Montevideo, Uruguay (2-6/Jul.) to pursue its goal of concluding an inter-regional association agreement. The XXI meeting of the Common Market Council, scheduled for December in Montevideo, was postponed in view of the crisis in Argentina.

In pursuit of their goal of implementing a free trade area between the two integration schemes, the representatives of CAN and Mercosur held four rounds of talks in the course of 2001. Moreover, the I Joint Meeting of CAN and Mercosur's Entrepreneurial and Labor Consultative Councils was held (Lima, Peru, 2/Oct.).

Another highlight of fiscal 2001 was the institutionalization of the CAN-Mercosur-plus-Chile Political Dialogue and Consensus-building mechanism at a meeting attended by the Ministers of Foreign Relations (La Paz, Bolivia, 17/Jul.) to facilitate a convergence process to strengthen integration in its various dimensions and promote dynamic relations among Member and Associate States in the two blocs.

The Rio Group played a key role in the area of regional cooperation and consensus-building. At its annual meeting (Santiago, Chile, 17-18/Aug.), which for the first time brought together the 19 Heads of State and Government of South America, Mexico, Central America and the Dominican Republic, the central topic addressed was an analysis of the information society and the impact it is having on equity, competitiveness and employment in the region. The Group was very active on such issues as democratization and adoption of the Democratic Charter throughout the hemisphere.

The Group of Three (G-3) held its third Presidential Summit (Caracas, Venezuela, 7-8/Apr.) to relaunch the group, reassert its status as a forum for dialogue, political consultation and consensus-building and as an active mechanism for furthering regional integration in Latin America and the Caribbean. It was agreed at the meeting to make full use of the potential of the G-3 free trade treaty and to push ahead with the high-level thematic groups. It is worth highlighting the vigorous trade flows totaling some US$2.331 billion recorded among the G-3 countries, primarily due to exports from Mexico to Colombia and Venezuela.

The Association of Caribbean States (ACS) held its third Summit of Heads of State and Government (Isla Margarita, Venezuela, 11-12/Dec.) around an agenda aimed at strengthening the economic, social and cultural integration of its 25 member states. For its part, the Caribbean Community (CARICOM) organized its XXII Conference of Heads of State and Government (Nassau, Bahamas, 3-7/Jul.), at which the process of reviewing the Treaty of Chaguaramas was discussed, and its XII extraordinary session (Barbados, 14-16/Feb.).

Trade ministers in the hemisphere held their VI Ministerial Meeting (Buenos Aires, Argentina, 7/Apr.), reaffirming such fundamental principles of the process as consensus in decision-making within LAFTA and the goal of achieving a balanced, comprehensive agreement consistent with WTO rules. Key achievements were completion of a first draft LAFTA agreement and the start of discussions on its broad structure.

The heads of state and government of the American countries met (Quebec, Canada, 22/Apr.) to renew their commitment to hemispheric integration and adopted a plan of action to strengthen representative democracy, promote efficient governance, and protect human rights and basic freedoms.

In Doha, Qatar (14/Nov.), ministers from 142 member countries of the World Trade Organization (WTO) approved an ambitious work program for the next few years, known as the Development Round. This new round of negotiations, which includes topics and rules that need to be changed, promises to be still more challenging than earlier rounds as it involves a larger number of countries and will include China. The meeting decided to press ahead with world trade liberalization at a time of crisis and to reverse the failure of Seattle. The agenda includes a strengthened negotiating mandate on agriculture and anti-dumping rules, which are priority areas for the Andean countries.

Mention should also be made of the Summit of Leaders of APEC (Shanghai, China, 20-21/Oct.), which was attended by Mexico, Chile and Peru.

A final highlight of the year was the XI Ibero-American Summit of Heads of State and Government (Lima, Peru, 23-24/Nov.), at which they focused their analysis on and agreed on the urgent need for a prompt and effective response by the international community to address the difficult situation of the world economy and its negative impact on the Ibero-American community.

CAF, a steadily growing multilateral source of financing for its shareholder countries, provides its clients with resources to promote integration, sustainable development, trade and investment.

In an international arena marked by the globalization of economies and by competi-tive-ness, the Corporation's main business is currently geared to strengthening the processes of structural reform being undertaken by its shareholder countries, the most striking feature of which is the interaction between the public and the private sector in productive activity, against a backdrop of diversification, efficiency and profitability.

High priority is therefore attached to operations designed to promote socioeconomic development and greater ecoefficiency in corporate activities; to render the different sectors of the economy more competitive; to develop productive infrastructure and communications; to facilitate physical and cross-border integration; to promote foreign trade; to broaden private sector participation in economic activity; to support the development of small and micro-enterprises; to help consolidate national and regional financial markets; to development human capital and social infrastructure; and to promote modernization of the State.

Priority fields of action

The fields of action in which CAF operates are closely linked to the two pillars of its mission: to reinforce and expand its role as an instrument of Latin American integration, and to strengthen the focus on sustainability throughout its operations.

The Corporation today occupies a pre-eminent position in the regional integration process now that its shareholder and operational base has been expanded to include other countries. CAF's increased financial and institutional strength, the experience it has gained in both public and private sectors, its current fund-raising strategy, and its status as an institution made up exclusively of Latin American and Caribbean countries position it well –particularly in the area of financing– to spearhead greater interconnection between the region's principal integration schemes.

It likewise promotes sustainable development, convinced that better protection and management of natural resources, greater social equity, and a sound financial balance consistent with this challenge, all serve to enhance the efficiency, profitability and quality of the projects it supports. Environmental and social factors are in fact being built into all CAF projects, in addition to which it finances projects aimed exclusively at the environmentally efficient use of natural resources and the delivery of environmental services.

In this context, the Corporation:

Supports the governments of its shareholder countries:

- in maintaining a stable macroeconomic framework; in identifying, designing and implementing reforms aimed at modernizing the State; and
- in developing and increasing productivity and competitiveness in their economies.

Promotes, structures and finances projects designed to support Andean and Latin American integration:

- through the provision of physical infrastructure, particularly roads, energy, transportation and communications;
- by strengthening the logistics of integration;
- by creating networks of regional competitiveness;
- by promoting projects that are conducive to cross-border development.

Supports the modernization of the productive capacity and the integration of shareholder companies into the international production processes and the regional and world markets. In this respect, it:

- favors the modernization, retooling and expansion of the production and export capacity of private companies of its shareholder countries, especially small and medium-sized companies;
- promotes the forging of strategic alliances between companies so as to afford them access to improved technologies and broader markets;
- makes selective use of equity participation to enhance the feasibility of modernizing and expanding private sector companies;
- supports domestic processes intended to transfer certain economic activities from the public to the private sector.

Promotes and finances national and local projects to develop and improve production support infrastructure. In this area, CAF's activities are geared to:

- supporting the development of infrastructure linked to improvements in the competitive and export capacity of private companies;
- assisting national and local governments in executing projects that promote national integration and the decentralization of economic activity;
- expanding its presence and catalytic function in carrying out infrastructure projects with the private sector.

Supports the strengthening of democratic institutions and governance in its shareholder countries. To this end, it:

- collaborates with national and local governments in activities associated with the strengthening and reform of their institutions and encourages mechanisms that support market economies, democratic processes and participation, and good governance of political systems and civil society;
- backs the administrative and political decentralization undertaken by shareholder countries and supports related initiatives by national and regional governments through technical cooperation, financing and financial services;
- supports national governments in implementing second-generation reforms.

Promotes the strengthening and integration of capital markets and the mobilization of domestic savings. In this area, it:

- encourages the processes being used to consolidate financial systems and their regulatory frameworks;
- promotes the development of institutional investors that strengthen and deepen national capital markets;
- supports the introduction of new financial instruments that facilitate the mobilization of domestic savings and help to channel them into investments;
- backs initiatives aimed at integrating and broadening the capital markets of shareholder countries.

Supports environmentally and socially sustainable development, through:

- the promotion of principles of sustainability both at the internal institutional level and among partners and stakeholders;

- the prevention or mitigation –and/or appropriate trade-offs– of the environmental and social impacts involved in the projects it finances;
- the rational use of biodiversity and promotion of the emerging environmental markets;
- the promotion of a preventive approach to risks from natural disasters and through damage mitigation;
- support for community self-management by extending preferential loans with a concessional funding component.

Leverages its own resources by strengthening the catalytic role it plays in mobilizing resources. In this respect, it:

- intensifies the mobilization of additional resources through the mechanism of A/B loans;
- puts its own resources to use more effectively by expanding marketing and distribution its own loan portfolio;
- broadens its cofinancing programs with other national and international financial institutions.

Expands and diversifies its investment banking services in response to market needs and its own ability to compete by:

- emphasizing the structuring of operations that take advantage of the products and services it offers, so as to optimize the benefits to its clients;
- developing new products and services built around those already being offered, so as to create more attractive niches in which it can operate competitively;
- expanding those services in which it has gained experience: financial structuring, under-writing of securities issues, and advising on a variety of financial aspects, including, among other things, risk rating, access to domestic and international capital markets, and privatization;
- strengthening its capacity to respond to market conditions, using a flexible approach to clients' needs.

Promotes the cultural heritage of the region as a fundamental component of sustainable human development and regional integration. To this end, it:

- is increasingly consolidating CAF's art Gallery and Auditorium located in its headquarters for cultural activities, through a permanent and top-quality programming;
- promotes the cultural heritage of the region through a large variety of artistic and intellectual expressions.

Periodically evaluates and strengthens its internal performance in order to respond competitively to the challenges posed by globalization. In this respect, it:

- adapts its human resources profile to current and future requirements by aligning and strengthening its personnel administration policies;
- is continuously upgrading its technology and systems information platform and leveraging its use, in order to provide value-added products and services to its clients, increase personnel productivity, and lower operating costs;
- strengthens its practices and procedures by incorporating innovative technologies and best practices in the industry.

CAF's customers

Eligibility for CAF operations extends to governments, public, private or mixed companies, and financial institutions operating in the Corporation's shareholder countries, including those that have subscribed to shares of its Series "C" capital.

CAF supports public and private sector clients, combining both efforts to achieve sustainable development. The bulk of CAF's lending to public financial entities does in fact benefit the entrepreneurial sector.

At the same time, it lends directly to private companies operating state concessions or recently privatized, to facilitate the transfer of productive activities from the public to the private sector.

Products and services

CAF operates in line with the principle of multi-purpose banking, offering services similar to those of commercial, development and investment banks. This affords its clients a wide range of financial products and services. In addition, it is constantly designing and developing new financial products in response to market needs and opportunities.

The Corporation:

- provides short-, medium- and long-term loans; technical cooperation; guarantees; and equity investment;
- structures and finances non-recourse or limited-recourse lending;
- carries out cofinancing operations with a number of multilateral and international agencies, including A/B loans;
- extends lines of credit to companies and banking institutions to finance foreign trade operations and working capital;
- operates as a second-tier bank to channel funds to different productive sectors;
- lends directly to private companies operating state concessions in order to facilitate the transfer of productive activities from the public to the private sector;
- provides financing for the purchase of companies and/or assets being privatized, as well as to companies recently privatized;
- provides advisory help to both public and private sector enterprises that are interested in participating in the carbon market within the framework of the Convention on Climate Change
- gives support to firms and to banks in their efforts to gain access to local and international capital markets;
- can extend partial credit guarantees in order to improve the ratings of borrowings and of bond issues;
- supports institutions that engage in leasing operations;
- accepts deposits and issues medium-term bonds at competitive rates in the international financial markets;
- provides financial consulting services to its clients, including advice on risk rating;
- is qualified to act as a financing agent.

Loans

CAF's primary business consists of short-term (up to 1 year), medium-term (1 to 5 years) and long-term lending (over 5 years), either as lines of credit or for specific operations; loans can be used for preinvestment, project execution, to finance trade and working capital, or to meet corporate needs.

Preinvestment loans are used to finance project identification, prefeasibility, feasibility, basic and detailed engineering, and technology selection studies.

Project execution loans can be used to finance virtually all categories of project-related investment required.

In the case of loans to finance trade or working capital, CAF prefers to act as a second-tier bank. Loans of this kind can also be made directly to qualified borrowers.

In addition, CAF may extend guarantees to companies and financial institutions to back loans made to them from other sources.

Cofinancing

CAF engages in cofinancing to attract additional foreign resources and thereby substantially increase the flow of financing for public and private investments to assist member countries.

In the case of multilateral agencies, it is currently a borrower or partner in co-financing operations with the World Bank, the International Finance Corporation, the Inter-American Development Bank, the Inter-American Investment Corporation, the Nordic Investment Bank, and the International Fund for Agricultural Development.

On the bilateral front, it carries out cofinancing activities with such international institutions as the CDC in Canada, KfW and DEG in Germany, FMO in the Netherlands, CCC in the United States, and the Export-Import Banks of the United States and Japan.

It is also involved in cofinancing through A/B loans, which allow the Corporation to attract foreign resources without exposure to risk and to serve as a catalyst in mobilizing additional funding for the private sector.

Investment banking

CAF supports its clients through investment banking operations that make it possible to add value to traditional products and to offer comprehensive financial services. These operations include structurings designed to cover the specific needs of each client, in both the public and the private sector.

To help develop the region's capital markets, CAF underwrites the subscription of issues of fixed-income paper by issuing entities in domestic and international markets. The institution is thus not only becoming an important player in the various markets in the region but also acting as a bridge between local and global markets. CAF also invests directly in companies or investment funds, which positions it to maintain an active presence as the companies develop, grow, and eventually participate in the securities market. In addition, the Corporation is engaged in an ongoing process of developing products designed to broaden its financial services.

It is also actively involved in the design of customized enhancement structures for its clients, such as, the Rolling Partial Credit Guarantee which allows sovereign customers to obtain financing on more favorable terms and conditions –as a result of the improved blended risk– due to CAF's participation.

Second-tier banking

CAF acts as a second-tier bank in granting global credits or multisectoral lines of credit to public and private financial institutions which channel those funds to end-borrowers in a variety of productive sectors.

The general conditions, eligibility criteria, sectors, and terms and conditions of subloans are spelled out in credit rules agreed between CAF and the financial intermediary.

In the case of loans to finance trade or working capital, CAF generally acts as a second-tier bank, providing lines of credit to financial institutions and public or private commercial banks previously selected as intermediaries.

Limited recourse lending

CAF participates in the financing of projects under non-recourse or limited recourse arrangements, particularly those involving the BOT (build, operate and transfer) and BOO (build, operate and own) options, which incorporate the concession contracts that governments are offering to the private sector to enable it to participate in the construction, maintenance and management of infrastructure works, as well as in new projects developed by private or mixed companies specially established for this purpose.

Technical cooperation

CAF funds specialized operations that complement the technical capacity available in shareholder countries, in order to encourage innovative programs that contribute to sustainable development and regional integration in areas where countries' needs and CAF's priorities and strategy coincide.

These funds may be reimbursable, non-reimbursable or contingent upon recovery, depending on the nature and objectives of the operations involved.

In keeping with its lending strategy, the main thrust of these operations is to support the reforms being pursued by the governments, notably privatization and administrative decentralization processes, as well as institutional strengthening of state-run enterprises to adapt their procedures to a competitive world.

They also include promotion of exports and investment, development and integration of the region's capital markets, use of new or adaptive technologies, environmental protection, development of the social sectors, and promotion of cultural values.

Financing for the small businessman

CAF supports the strengthening, consolidation and sustainability of the financial institutions that serve microenterprises, so as to assure an uninterrupted flow of funds to this sector.

To this end, it offers financial support services, typically in the form of equity participations and lines of credit; it also provides institutional strengthening facilities designed to improve the organizational capacity of regulated financial intermediaries responsible for the channeling of funds to small businesses.

Comprehensive Support Program (CSP) to SME

To bring about the institutional and entrepreneurial development of small and medium-sized enterprises (SMEs), strategic alliances are being forged in each country of the region with non-financial institutions for the training, strengthening and formation of viable enterprises, so as to identify those capable of making a "leap of quality" and becoming lending prospects after remedying their weaknesses following institutional strengthening.

Community projects for low-income rural sectors

To cater to the neediest rural sectors and promote sustainable human development in the Andean region, CAF, through the Human Development Fund (FONDESHU), provides financial support for carrying out innovative productive projects with strong demonstration effects.

Support for these community projects takes usually the form of credit lines, possibly accompanied by non-reimbursable technical cooperation to finance training and/or institutional strengthening elements to assure project success.

Management of poverty alleviation funds

CAF manages and supervises –as a cooperating agency– a number of funds designed to alleviate rural hunger and poverty in the Andean countries and to improve the living conditions of the indigenous peoples.

At the dawning of the 21st Century Latin America must face challenges, take advantage of opportunities and provide innovative responses to promote sustainable development, based upon dynamic competitive advantages, social equitableness, political democracy, regard for the ecology, enhanced governance and civic development.

The Corporation has promoted or actively participated in a set of strategic programs with regional impact, that are complementary to CAF's financial and business activities. These programs involve a variety of financial instruments and operational mechanisms designed to deal with topics ranging from the provision of modern physical infrastructure to the design of measures to increase efficiency in the productive sectors; to the incorporation of new technology; and to the transformation of more equitable and humane societies and institutions.

The *strategic programs* can be organized into four major groups:

Programs that support the regional integration process and the development of sustainable infrastructure:

- Initiative to Integrate Regional Infrastructure in South America - IIRSA
- Andean Region Program for the Risk Reduction and Prevention - PREANDINO
- Plan Puebla-Panamá

Programs that increase the region's competitiveness:

- Andean Competitiveness Program - PAC
- Integrated Development Program for Small and Medium Enterprises – PAI
- The Kemmerer Technical Cooperation Program for the Financial Regulatory Institutions.
- Program "The New Economy"
- Program to Support Research in Development Topics

Programs to strengthen CAF's work in the environmental and social fields:

- Latin American Carbon Program - PLAC
- Industry, Financial Institutions and Sustainable Development Program
- Biodiversity Program
- Sustainable Social Program
- Cultural Development Program

Programs to enhance governance:

- Program for Ethics and Transparency in Development
- Institutionalization Program
- Program for Decentralization and Citizen Participation
- Program for Leadership Transformation: Training Young People to have a Country Vision and Democratic Values.

Institutional support and regional promotion

- Four countries, three from Latin America (Argentina, Costa Rica and Uruguay) and one from Europe (Spain) were added this year to CAF's membership. The entry by the three Latin American countries will expand CAF's integrationist scope and help the process of collaboration of the Andean community with Mercosur. The addition of Spain reflects that country's interest in strengthening its historical, economic, and cultural ties with the region, as well as to serve as an integrationist bridge between Europe and Latin

America. Expanded membership will also have positive financial effects with the international rating agencies, as it leads to increased capital resources and greater portfolio diversification.

- Direct assistance was provided to governments in the region through projects such as the technical assistance provided to Ecuador on sovereign risk rating, and on how to improve relations with rating agencies. This was modeled after earlier experiences with Bolivia and Peru, and is to be followed soon by a like operation with Venezuela. Another such action was the joint financing with the World Bank, the IADB and the United Nations of Peru's "Navigation Chart" with an agenda of 40 topics, supported by the civil society, to guide the country's development process in the medium and long term.
- CAF participated actively in the process of bilateral integration taking place between Peru and Ecuador, and the new trilateral process involving Peru, Brazil and Bolivia. The Corporation sponsored a first meeting of the latter in Arequipa, participated in by the highest political, economic and business representatives of the bordering regions in the three countries. Thanks to this effort, several physical infrastructure projects with a high integrationist content have been identified and several business opportunities are currently under evaluation.

  Also, in consideration of the importance of the energy sector for Latin America's integration and the efforts to improve its competitiveness, CAF is engaged in deepening its understanding of the sector in order to better contribute to support projects for the integration of energy markets among the member countries.
- CAF continued to align its Agenda with the priorities of its member countries by means of programming missions and country strategy documents. These processes help to join and to coordinate the Corporation's business and activities with the countries', thereby strengthening their ties and providing better attention to needs that are felt most strongly. In addition, CAF continues to hold Forums for Thought on a variety of topics of interest both to the Corporation and its shareholder countries, with a view to contribute to the fine-tuning of their respective Agendas.
- Consistent with the financing needs in the countries and with CAF's catalytic role in attracting private foreign investment, a series of transactions were completed this year in a variety of economic sectors. These transactions were undertaken by means of the Latin American Investment Guarantee Corporation (LAIGC), in which CAF holds 50% of the share capital, and whose function it is to provide political risk insurance and investment guarantees to financial institutions and private businesses in Latin America and the Caribbean.
- Supporting the development and integration of member countries' financial systems, especially their capital markets, has led to CAF's intense activity under a newly adopted strategy, designed to create a regional stock market, with greater efficiency, higher liquidity, greater incentives for stock issues, transparent information, new investment alternatives and financial and technological innovations.

  At the same time, CAF continued to undertake a variety of activities related to the capital markets, especially in the framework of the Kemmerer Program for Technical Cooperation. As part of this, in 2001, more than 120,000 educational pamphlets were published and distributed, dealing with a variety of features of stock markets; an international seminar dealing with securitizaron, investment funds and impact of Pension Fund Administrators (PFA). In addition, a meeting of regulators of stock markets in the Andean region was held, with training provided for the news media in attendance.

Also in 2001, efforts were continued to standardize prudential regulation, by means of a project which seeks to harmonize the principal standards of financial regulation in the region over banks, stock markets, pension funds, and insurance. The banking component is in its final phase, and that dealing with the stock market has just begun.

Finally, in yet another effort to aid the development of regional capital markets, CAF initiated contacts with potential specialized international partners, seeking to establish the first classifying agency for fiduciary risk in Latin America, that would be in charge of evaluating investment funds operating in Latin America such as the pension fund administrators (PFA).

- The Corporation continued its active participation, organization and sponsorship of a variety of seminars and other events in support of its own business activities, as well as to promote the region to international investors and to give support to regional integration. Among these, one should highlight the following:

  - *Fifth Annual Conference on Trade and Investment in the Americas* , organized jointly with the Inter American Dialogue and the Organization of American States. This forum, held annually in Washington, D.C., has become a significant platform for discussion and analysis by U.S. policymakers concerning economic and political developments of interest to the hemisphere.

  - *Competitiveness and Development:* A Vision and Priorities for Action, an encounter to encourage thinking and discussion of a local, national and regional agenda for competitiveness, seeking to achieve higher rates of growth compatible with a sustainable use of natural resources that translates into a significant improvement in living conditions in the region.

  - *First Encounter of Former Presidents of Hispanic Countries in Latin America* , organized jointly with Cepal and the Ortega y Gasset Foundation, in which 14 former presidents participated, to initiate the process of thought and deliberation of the political, economic and social challenges faced by the region, with a view to setting a global agenda for Latin America.

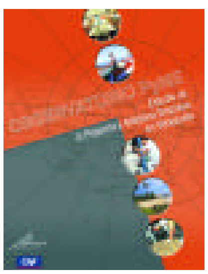
  - *Fourth Andean Business Forum*, held in Maracaibo, Venezuela, to promote commercial exchanges between businessmen in the region. This forum is part of a five-year commitment in support of the General Secretariat of the Andean Community.

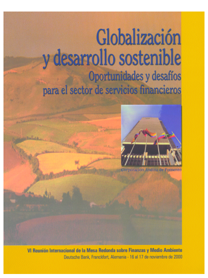
- CAF's publications in 2001 covered such topics as sustainable infrastructure and logistics, support to small and medium enterprises, integration of environmental management within the financial services sector, development of micro finance institutions, and vulnerability to natural disasters.

  In addition, this year saw the first issue of the quarterly journal, "Latin American Synergy," which describes CAF's various activities in the member countries with commentary from the beneficiaries of these activities, as well as thoughts, opinions and ideas of renowned persons in the hemisphere on significant topics.

Among the publications of year 2001 are the following:

- *Transportation without borders:* international transportation of cargo by highway in the Andean Community of Nations. Current status and perspectives. The book includes extensive fieldwork detailing what happens in the countries' heartlands as well as along their borders, and providing the viewpoints of both public and private agents participating in and having influence upon the transportation of cargo by highway.





- *Visions for a Sustainable Future.* As a contribution to the adoption of long term basic orientations to face a new international panorama, CAF sponsored a series of five workshops on visions for the future, with the participation of renowned personalities from within and out of the region, whose discussions and recommendations concerning the economic, social, political and environmental aspects of development are included in the book. The topics included are the new roles of the State and of the private agents, the prospects for hemispheric and regional integration, democratic and ethical culture, the principal challenges at the global and regional levels, the quandaries of sustainable development, among others that help to access renovated frames of reference and approaches that are consistent and can help to visualize future scenarios towards which to orient action.

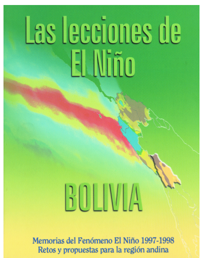
- *Small and Medium Enterprise Observatory:* a study of small and medium enterprise in Venezuela. CAF published this study, which is based upon research carried out by the Programa Bolívar, with support from other institutions. It represents an important step toward census-taking and quantifying the small and medium enterprises' current situation, besides specifying their potential and defining the needs that must be met at the national and regional levels.

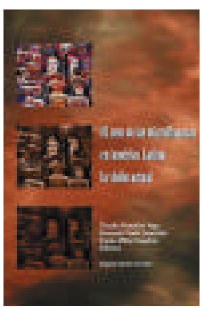
- *Globalization and Sustainable Development:* opportunities and challenges for the financial services sector. With this publication, CAF presents the Spanish edition of the proceedings of the Roundtable on International Financial Institutions of PNUMA, held in Germany at the end of year 2000. It highlights the fundamental role played by the financial sector in the structuring of environmentally sustainable and socially equitable development in a world in which day by day there is increased interaction and interdependence between societies demanding concrete actions in that sense.

- *The Lessons of El Niño:* reports on the El Niño phenomenon 1997-1998, challenges and proposals for the Andean region. Volumes corresponding to Bolivia and Venezuela. Part of a series of six volumes, one for each country in the Andean Community, plus an additional volume covering the entire region, these books show in detail what happened when this meteorological phenomenon occurred with extraordinary characteristics, given the magnitude of the changes, and including an evaluation of the socioeconomic impact and estimates of the direct and macroeconomic damage. It concludes with the lessons learned to reduce vulnerabilities with a proposal for projects aimed at prevention, institutional strengthening and reconstruction of the most affected sectors in each country.

- *The Challenge of Micro Finance in Latin America:* a vision of the current situation. This book provides a conceptual framework for micro finance, highlighting the challenge of transactions that take place in informal financial markets and outlining the policies and practices that have proven successful for interventions in the sector. Also presented is an empiric section that describes CAF's operational strategy for the sector and its work to support 25 micro financial institutions in the region. Additionally, it analyses institutional aspects related to the low level of deposits with the financial institutions in the informal sector. The book suggests changes to be made in government policies and in those of international financial sources in order to stave off the deterioration of the nascent micro financial institutions in the region.

• CAF's cultural activity has become a milestone in the region as a result of its importance in the process of human sustainable development. Culture extols and strengthens values, virtues and attitudes that shape behaviour –both individual and collective– as well as civic





conscience for the building of better societies and contributes to the identity and self-value of deprived sectors, thus reducing conditions of exclusion and non-participation, particularly of peoples of low level of education or excluded from the formal labour market. Among the most outstanding activities this year are the creation of the Itinerant Andean Conservatory; the convening of an international seminar on "Culture and Development"; and the presentations and exhibits held in CAF's Cultural Centre at Headquarters. These were used as platforms to promote the artistic values in the region, together with support for similar expressions in member countries.(see page 14)

- *The Itinerant Andean Conservatory* (CAI), unique in the world, is living testimony to CAF's integrationist's vocation. CAI seeks to educate and train young musicians of underprivileged social classes, as well as local professors in order to consolidate and continue the Young Peoples' Symphonic Orchestra of the Andean countries, which was created in the year 2000 on the occasion of CAF's thirtieth anniversary. CAI consists of three or four workshops annually, one competition seminar and a closing concert.
- *Cultural Investment:* New Scenarios, a seminar held in March, was aimed at stressing that cultural investment generates social capital and is also an effective mechanism for regional integration. In addition, cultural investment fosters new investment schemes that benefit socioeconomic growth as it leads to the creation of a regulatory and fiscal framework that make it attractive for corporations to provide financing for cultural programs with high social impact, thus complementing the contribution of the State. The participation of panelists from Spain, Brazil, Argentina, Ecuador, Colombia and the United States, experienced in the fields of cultural management and patronage, served to provide elements for discussion on the topics of legal frameworks and the role of institutions.

Achievements in 2001 in the area of infrastructure

One of the main challenges currently facing the region is the need to improve its competitiveness. This is an aspect which is to a large extent dependent upon sustainable infrastructure and logistics. CAF is working assiduously in this context to continue to create an appropriate environment for private sector participation and in order to attract direct investments. Thus, in 2001 the Corporation succeeded in mobilizing resources for approximately US$4 billion to this sector. Additionally, in fulfillment of the mandate received from the Council of Andean Presidents, and also within the framework of its support for regional integration, CAF is carrying out proactive tasks within its initiative for the Integration of Regional South American Infrastructure (IIRSA), as well as in its capacity as a member of the high level working group for border integration and development; it is advancing with the implementation of the Regional Andean Program for the Prevention and Mitigation of Risks (PREANDINO), developing the logistic component of the Andean Competitiveness Program, supporting the consolidation of the Puebla Panamá plan, helping to create the Bank for Integration and Border Development projects, and channeling technical cooperation resources for the preparation and dissemination of specialized studies aimed at identifying problems and vulnerabilities that hamper regional physical integration, and for the celebration of international gatherings and seminars on transportation, power and road integration, as well as meetings of transport sector ministers in South America.

With regard to the projects approved in 2001, 27 operations were funded in the areas of transportation, telecommunications, social infrastructure, power, water and sanitation. These projects received financing from CAF for a total of US$1.983 million. Among them are worth highlighting two multisectoral improvement programs for Peru totaling US$500 million, and another one for Venezuela for US$100 million, which will help to finance a set of public sector projects that seek to reactivate the two countries' economies.

Still within infrastructure, Bolivia received two road loans, and another one for a river port, the three totaling US$118 million. In addition, it received financing of US$25 million for an Emergency Employment Program that will give incentive to the use of manual labor for the execution of public works.

Colombia received a loan for US$200 million to finance the Second Transport Program, Roads for Peace; another for US$100 million in support of the road and education program sponsored by the mayoralty of Bogotá, and one for US$10 million to Triple A, a private firm engaged in providing potable water to the city of Barranquilla.

Ecuador received seven loans, three for road projects, three for water and sanitation, and one for telecommunications, for an aggregate total of US$265 million. Peru, in addition to the two multisectoral programs already mentioned, received an emergency loan of US$20 million to help in the efforts to rebuild infrastructure devastated by the earthquake that hit the southern part of the country.

As to Venezuela, it received seven loans for a total of US$460 million, among which are of special note one to Electricidad Caracas for US$150 million, another to the Metro de Caracas for the Los Teques project in the amount of US$100 million, and the already mentioned multisectoral program for public investment for US$100 million.

Lastly, Brazil was granted a loan for US$35 million to finance a road integration program for the State of Rondonia.

In the area of competitiveness and logistics, the year saw a study which, among other subjects, outlines a diagnostic of the situation and perspectives of logistics in the area, seeking to define strategies for this field, as well as a qualitative and quantitative comparison of service levels for a logistic chain for the various countries of the Andean Community. The study also proposes the overhaul of public sector services such as customs and inspection, the amendment of the legislative frameworks to meet the needs of the current globalization context, the incorporation of new information systems to be used by clients, operators and public sector administrations, and the improvement of the management of ports, airports and national and bi-national border posts.

As an additional contribution to the area of logistics, the year saw the publication of the book, "Transportation without Borders," which analyses the current situation and perspectives of road transportation of cargo between the countries of the Andean Community.

The year also saw important advances in the consolidation of the Regional Andean Program for the Prevention and Mitigation of Risk (PREANDINO). The basic objective of this program is to generate institutional capacity in the Andean countries to prevent disasters through horizontal cooperation between the institutions that work in this area in the various countries. In July, was held the second regional gathering of PREANDINO, in Quito, with the participation of 120 professionals and technicians in the areas of agriculture, science and technology, urban development and transport. Later on in November, the third meeting was held in Bogotá with the attendance of 130 specialists and planners in the fields of water and sanitation, education, energy and health.

Competitiveness and Productivity

In light of the challenge to the region that is involved in the need to dynamically improve its competitive situation worldwide, and advance qualitatively towards productive processes that are based on technology and knowledge, in 2001CAF continued to deepen its activities in that area through the Andean Competitiveness Program (PAC). This program aims to define and promote a local agenda at the national and regional level that has competitiveness as its main topic. Moreover, this year saw the beginning of the program New Economy which promotes the adoption and dissemination of information and communications technologies, and the program Support to Research in Development Topics which intends to establish a working relationship with renowned researchers in the pursuit of better answers to the great challenges and new constraints to regional development.

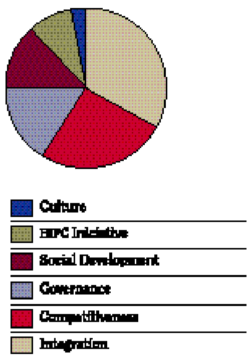
Additionally, in June, a process began to implement the CAF Prize for Technological Research, in its second edition. This prize recognizes the work, creativity, productivity and impact of researchers and technicians, as well as their effort to generate and apply knowledge that is useful for countries in the region. National institutions of science and technology in every country are undertaking the required tasks of planning and organization following a schedule agreed upon with CAF, and the selection of the winner will be made by a regional panel appointed especially for the occasion in April, 2002.

Activities carried out this year in the framework of Andean Competitiveness Program (PAC), implemented jointly with Harvard University and various regional research institutions, include the following:

Microeconomic bases of competitiveness. In this area studies were carried out to identify and strengthen industrial clusters in software in Venezuela, in agro technology in Bolivia (quinoa and soy beans), Peru (cotton and camelids), and Ecuador (general study for the application of technologies to agro-industrial development). On the other hand, in Colombia a project was begun to evaluate and assess public and private institutions' experiences that are perceived by the users to be helpful to the development of their competitiveness. These cases involve a search for lessons learned that ultimately could be applied to the entire Andean region.

Economic policies. Progress in each of the five Andean member countries was evaluated in the areas in access and use of information technology. In this regard, working groups were assembled with the participation of the industrial and public sectors to identify priorities and concrete actions to advance in this area. Also, based upon the experience with the global competitiveness report, workshops were organized in each country dealing with competitiveness indicators in the region with the purpose of contributing to the identification and elimination of specific barriers and promote economic growth. Based upon the conclusions of these workshops, concrete actions have been undertaken in several of these countries in the bureaucratization and procedures for the start up of new enterprises. In addition, an analysis was carried out to identify important actions to attract foreign investors to the region, including surveys, workshops and seminars, and, at least in one case, served to help in the design of government policies. Finally a study was carried out to identify policies that lower the vulnerability of countries to external shocks which are due to the price volatility of the countries' principal export products.

Environment and competitiveness. A study was carried out on the efficient use of natural resources in Bolivia and Venezuela, as well as an assessment in Colombia, Ecuador and Peru of the effective cost of environmental policies in the commercial sector, with policy recommendations for each country. In this area, support was given to actions by ministries



and municipalities regarding the use of economic tools for the design of specific environmental policies.

Finally, in the course of the year, PAC organized several workshops, seminars and conferences in each of the five countries of the Andean Community. Especially relevant was the conference "Competitiveness and Development: a vision and priorities for action," held in Caracas, June 20-21, which gathered a select group of political and academic leaders in the region, with researchers from Harvard and CAF executives.

Governance and technical cooperation

In the search for integral development with regional identity, CAF has incorporated into its fields of action the strengthening of governance and democratic institutions. The decision to do so originated with a gathering of notable politicians and intellectuals, invited by the Corporation to evaluate the process of reform of the State, and the political changes that have taken place in the region in the last two decades. Among the principal conclusions drawn from the various events that were held, the following deserve to be highlighted: Democratic culture and ethical values are not disseminated among the various social sectors, and for this reason it is necessary to carry out innovative activities that promote such values and principles, aimed at the principal organizations of civil society, political parties and the communications media. The preceding must be back up with the issuance of norms and the support of the institutions charged with introducing transparency into public sector management, as well as the principle of accountability for the use of government resources. The process of the modernization of the State in the region has more complex characteristics than the economic reform carried out thus far, and it must be recognized that the consolidation of competitive market economies cannot advance unless appropriate State institutions are established.

In light of these considerations, and with the purpose of taking advantage of CAF's own experience in these areas, in 2001 a new organizational unit was created, the Office of Governance and Technical Cooperation, whose mission it is to implement governance programs and to strengthen the role of technical cooperation. In this connection, four integrated, complementary and reciprocally strengthening work areas were defined, as follows: 1) Ethics and transparency for development; 2) Institutionalism; 3) Decentralization and civic participation; and 4) Leadership for transformation: providing young people with a country vision and democratic values.

The technical cooperation area was also strengthened. Its purpose is to support the implementation of CAF's agenda in strategic areas, and to help shareholder countries in the execution of programs that strengthen integration and sustainable development in a context of globalization, competitiveness and governance. To this end in 2001, non-reimbursable operations amounted to US$13.1 million, distributed in 199 operations concerned with the following sectors: integration, 33%; competitiveness, 26%; governance, 16%; social development, 13%; HIPC initiative, 9%; and culture, 3%.

The social agenda

Social topics, especially those related to poverty, income inequality, and unemployment, which are endemic ills in Latin America, occupy the forefront of attention on the agendas of the governments of the region and everyday, there are new proposals for productive transformation that take into account justice and social integration.

CAF contributes to the dissemination of an integrated vision that takes into account interrelations between the economic, political, social and environmental aspects of development in a long term perspective. Thus it supports micro enterprises, as well as small and medium size enterprises, because they represent an energizing element for the economy of every country, by being an important source of employment, stability and more evenly distributed economic growth. The Corporation also provides support to community development projects aimed at those less advantaged sectors which exhibit a great sense of responsibility, as well as to the management of resources for the alleviation of poverty in rural areas and in indigenous communities.

In addition, this year saw the beginning of a sustainable social development program that seeks to improve equitableness in the member countries, defined as the access of lower income groups to socioeconomic opportunities that society affords, such as organization, production, education and other social services.

In the course of the year CAF undertook several activities intended to promote the building up of social and human capital. Among these, it hired a select group of experts from countries in the region to design guidelines for CAF's positioning on the subject of strengthening equitableness and the quality of education. Other such activities included the organization of a joint workshop with IADB on social capital guidelines, as well as the sponsorship of regional representatives to participate in the IADB-sponsored seminar on Social Capital in University Networks.

The achievements in the area of social agenda for 2001 were:

Micro finance institutions

CAF continued in 2001 its activities in support of formal micro financial institutions that are sustainable and profitable, seeking to consolidate the ones that are effectively regulated and supervised by the banking superintendents in the respective countries. At the same time, the Corporation continued to work with responsible government authorities in an effort to improve applicable legislation to better the performance of micro finance in each country.

Through the approval of lines of credit and funding for institutional strengthening, new micro finance institutions were added to CAF's portfolio, which now includes 25 as partners or clients of the Corporation, and a number of others are currently in process of being evaluated.

CAF also took part in a number of events in support of micro finance institutions, some of which it helped sponsor. Important seminars were held in six countries of the hemisphere, and special research studies were undertaken in Venezuela and Colombia.

Support to small and medium enterprises

In 2001, CAF continued its support of the modernization and improvement of small and medium enterprises in the member countries through its Integral Support Program (PAI). As a first stage of the program, strategic alliances with non-financial institutions were established in Bolivia, with Fundacion Bolinvest, Fundacion Para el Desarrollo Sostenible (FUNDES) and Fundacion INASET; in Colombia, with the Instituto Colsciencias, FUNDES and the University of Los Andes; in Ecuador, with Fundacion Swisscontact and the INSOTEC Institute; in Peru, with CONFIEP and Comexperu; and in Venezuela, with Conindustria, Universidad Metropolitana and FUNDES.

These institutions have a high degree of specialization and many successful experiences in the sector, and on that basis they are contributing to the identification of small and medium enterprises which are capable of significant improvement, which would give them access to credit.

Through other programs, CAF has been providing resources to the small and medium enterprise sector by channeling loans and lines of credit through financial intermediary institutions in the member countries. Some of these programs have specific priorities, while others have a greater degree of flexibility, allowing the intermediary institutions to select beneficiaries in accordance with their own experience and criteria. In addition to the above, the Corporation contributes to the strengthening of small and medium enterprises by providing technical cooperation resources, and through the Corporation's participation as a shareholder in the Fund for the Support of Small Enterprises (FAPE) in Peru and the BCA in Bolivia.

Consideration is also given to supporting the capitalization effort of small and medium enterprises by means of venture capital mechanisms. A step in this direction was taken this year with the creation of the Enterprise Development Fund (FIDE) to be managed by CAF. Currently efforts are being made to find sources of financing for the Fund and criteria are being designed for the selection of potential beneficiaries among the small and medium enterprises in the shareholder countries.

Community projects

By means of lines of credit and technical cooperation from the Fund for Human Development (FONDESHU), CAF continued to support the most needy rural sectors, providing resources for innovative projects with high demonstration effect.

Significant backing was given to projects that support new information and communication technology (ICT), as a way to contribute to the full incorporation of the population into the digital society as well as to improve the quality of education. Under these efforts, non-reimbursable resources were channeled to help create a teaching and community telecenter in the municipality of Chacao in Caracas, Venezuela, and also for a project to modernize and strengthen the use of ICT in education within the community of Calamarca, Bolivia. Also pertaining to the education sector, CAF made financing available to the soccer school Fundación Hurtado in Ecuador's Esmeraldas region, as well as to the Fundación Presente in Bogotá, Colombia to provide training in conflict resolution to government officials and to teachers of schools located in marginal urban areas.

A loan was granted for a project of the firm Noram of Mexico to develop, in collaboration with local communities known as "Ejidos", a market for charcoal with production based on natural forests. This activity has the certification of the Forestry Stewardship Council (FSC). Other community-oriented activities consisted of the funding of feasibility studies leading to the development of sound business plans, such as that of the Producers of Fruits and Vegetables of the Cauca Valleys (PROFUVER) in Colombia, a firm based upon community participation, producing dehydrated fruits and vegetables. Two other projects are based in Ecuador, one belonging to the Farmers Foundation María Luisa Gómez de la Torre, for the production of cactus and cochineal, its parasite, an insect from which red dye is extracted that is highly valued in international markets; the other project belongs to the indigenous and Afro-Ecuadorian communities of the area of Chocó, which have organized themselves around the development of a project for the production of black pepper and other crops.

As a way to promote the preparation of high quality business plans for community participation and sustainable use of natural resources, CAF sponsored the Second Investors' Forum, organized by the World Resource Institute (WRI). This forum yielded three winning business plans: One in Peru for GEA Forestal, that manufactures wood products based on raw materials from the communal forests, all under certification by FSC. And two projects in Mexico: an ecotourism enterprise co-managed and partially owned by the local communities, and Vehizeiro, which produces a hybrid cargo vehicle.

The year saw continued activity in regards to micro finance projects that are supported with FONDESHU resources, providing funding to the principal micro finance institutions in the Andean Community as well as Paraguay. Two new ground floor micro finance institutions, having met the qualitative criteria that the program requires, were added to the group of like entities supported by CAF. These new institutions are Nueva Visión in Arequipa, Perú, and the National Women's Corporation in Bogotá, belonging to the World Bank's network. The existing line of credit to CREAR in Arequipa was expanded to enable the institution to increase its operations to the level of supporting upwards of 10,000 new micro enterprises in the short and medium term. Also new funding was provided to FFP FIE in Bolivia for their training and technological assistance program.

FONDESHU operations in 2001

Item	Community Projects	Approved US$
Communitary Projects		
Fundación Ecopueblo	Bolivia	105,000.00
Fundación Presente	Colombia	43,000.00
Profuver. S.A.	Colombia	25,000.00
Ministerio del Ambiente-Plan Chocó Geográfico	Ecuador	9,136.00
Fundación de Campesinos María Luisa Gómez de la Torre	Ecuador	6,000.00
Fundación Ivan Hurtado	Ecuador	69,800.00
Alcaldía de Chacao	Venezuela	63,394.00
Noram de México S.A. de C.V.	México	400,000.00
WRI	Regional	25,000.00
Subtotal		**746,330.00**
Microfinanzas		
FFP FIE S.A.	Bolivia	70,000.00
Edpyme Nueva Visión	Perú	300,000.00
Edpyme Crear Arequipa	Perú	200,000.00
Corporación Mundial de la Mujer - Bogotá	Colombia	500,000.00
Subtotal		**1070,000.00**
PyME		
PAI - Programa de Apoyo Integral a la PyME		600,000.00
Subtotal		**600,000.00**
Total		**2,416,330.00**

Management of funds for the poverty alleviation

This year CAF continued to contribute to the alleviation of rural hunger and poverty, as well as to improvements in the living conditions of indigenous populations in several Latin American and Caribbean countries by managing and supervising a number of funds. As a cooperating agency, it is currently managing and supervising, as well as co-financing, 19 loans and 2 grants from the International Fund for Agricultural Development (IFAD).

The beneficiaries of these funds are small farmers, independent fisherman, poor women in rural areas, landless peasants, rural craftsmen, nomadic herders and indigenous groups, who are help to increase food production, raise their incomes and improve their standards health, nutrition, education and general well-being in a sustainable manner.

Year 2001 saw the completion of an evaluation of the Rural Development Project for the communities of –Bugle, one of three projects currently under execution in Panama. This project is innovative in that it seeks to legalize the geographic area called Comarca, and to involve the indigenous leaders in the workings of a management committee, as well as to direct their training in the subjects of planning and management of this area.

A new IFAD loan, approved this year for Panama for US$25 million, was earmarked in part for the Ngöbe–Bugle Rural Development Project, with resources allocated to other communities in the same area, to support their efforts to overcome rural poverty in the indigenous areas.

In 18 years that the CAF-IFAD cooperation agreement has been in effect, supervision and administrative activities, initially confined to the Andean countries, have been extended to projects in Central America (Nicaragua, Honduras and Panama) and the southern cone (Paraguay and Argentina), as well as to other countries in Latin America within the context of special programs which the Corporation is a cooperating or executing agency, such as the CIARA-IFAD Regional Training Program in rural development (headquartered in Caracas, Venezuela and also operating in the Dominican Republic, Haiti, Cuba, Brazil, Colombia and Ecuador), and the Regional Program to Support the Indigenous Peoples of the Amazon Region (headquartered in La Paz, Bolivia and carrying out activities in Venezuela, Colombia, Ecuador, Peru, Bolivia and Brazil).

An eco-tourism project, MAPAJO, finances the Regional Program to Support the Indigenous Peoples of the Amazon Region, benefits the communities of Mocetén and Chimán on the Quiquibey River in the Bolivian Amazon, was awarded second prize in a UNESCO-sponsored contest of innovative experiences in the management of the biosphere reserves in Latin America and the Caribbean.

The environmental agenda

Two new programs were added in 2001 to CAF's environmental efforts. One is the sustainable development program for manufacturing firms and financial institutions, which is designed to promote the understanding of sustainable development issues, both within and outside the Corporation. Emphasis is placed on the risks derived from ignoring these issues, and also on the opportunities presented by new types of markets and emerging environmental services. Another is the biodiversity program BIOCAF, intended to promote conservation and sustainable exploitation of strategic ecosystems, biodiversity and genetic resources, and to identify business opportunities in the realm of environmental services.

BIOCAF's mission reaches all aspects of bio-commerce, including biotechnology, bioinformatics, environmental servicing of ecosystems, as well as ecotourism. Consistent with this mission, a new strategic alliance was formed in 2001 between the Andean Community, CAF and UNCTAD, intended to promote Andean bio-commerce in the framework of the program known as Biotrade, which UNCTAD sponsors. As part of this alliance, a new study was prepared by the Peruvian Society for Environmental Legislation. The study is intended for the Amazonic Parliament, and it concerns the legal basis for the valuation of traditional knowledge in Amazonia. Its purpose is to promote discussion and generate proposals within the Parliament.

Two workshops were sponsored to promote bio-trade programs in the Andean region and support was granted for the undertaking of two bio-business competitions, as potential sources of environmental and social projects of high quality, which might qualify for FONDESHU financing. Lastly a workshop was held for negotiators of biodiversity in international agreements, this being the first event of that nature in the region.

Other important regional events sponsored by CAF to promote the principles of sustainability included the meeting of *Latin American experts on Finance and the Environment* held in New York, and co-sponsored by the Fleet-Boston Consortium and by the Latin American Future Foundation; the first joint workshop with IFC and IIC to promote improved environmental management in the financial sector; a round table titled, "*Competitive Advantage: environmental management in the financial sector*," organized in the context of FELABAN's annual meeting, jointly with IFC and CitiGroup, and CAF's contribution as member of the steering committee of the Initiative of Financial Institutions of PNUMA (IIF) for the first round table of this Initiative in Latin America. This time the round table revolved around the topic of financing, investment and sustainable development, and the event was co-sponsored by CEPAL, UNEPIIF and INCAE. For the meeting CAF distributed its publication, "*Globalization and Sustainable Development: opportunities and challenges for the financial services sector*."

Also as part of its environmental agenda, CAF financed the participation of public sector officials and academicians from the region who attended international and regional events dealing with important topics in regional management. Examples of these were the Fourth Encounter of Environmental Units of the Transportation Sector (SLUAT) in Santa Cruz, Bolivia; and the national meeting of the International Association of Environmental Impact (IAIA). Certain local events were sponsored in various countries such as the Multilateral Environmental Management Workshop in Galapagos, and the support provided to the Environmental Ministry of Ecuador in best practices of environmental management in development projects.

In addition to the continued risk evaluation and environmental and social impact studies to which every operation financed by CAF is subjected, a special effort was made in 2001 to follow up on the successes and failures of a sample of projects in the Andean region and Brazil, with a view to recommend best environmental and social practices. Also worth noting is the fact that several of the infrastructure projects that CAF financed in 2001 have built-in elements that directly or indirectly improve environmental conditions, as is the case of the recovery of Lake Valencia in Venezuela and of the Estero Salado (Salt Lake) in Guayaquíl, Ecuador. Naturally, as an integral part of the financing provided by CAF, resources are earmarked for preventing or lessening any adverse environmental effects, or to compensate for such effects if unavoidable in project execution.

Finally, CAF, in conjunction with the University of Calgary and the Latin American Energy Organization (OLADE), is developing a database of environmental regulations in the energy sector, gathering such information for every country of the Andean Community, and among them, with the further purpose of doing a comparative analysis to identify environmental opportunities and risks stemming from such regulations or the lack thereof.

Latin American Carbon Program (PLAC)

Within the framework of PLAC – which was established in 1999 to contribute to the development of the nascent market for reduction of carbon dioxide gasses – many of the projects undertaken saw advances in 2001. Among them the project to optimize the La Sierra thermoelectric plant, property of Empresas Públicas de Medellín in Colombia, with the start of the monitoring protocol to effectively measure the reduction of carbon dioxide emissions. The Transmilenio in Bogotá, and the Caracas Metro, both mass transport projects, are designed to generate a significant reduction in the levels of carbon emissions, thus qualifying for Emission Control Certificates (ECC's) – from which CAF, too, receives important payments. Acting jointly with the Regional Commission for Energy Integration

(CIER), the Corporation began to prepare a survey of the energy sector in South America, intended to identify the best projects.

Negotiations are underway between CAF and the Dutch Ministry for the Environment and Housing (VROM), to establish within the Corporation a mechanism to market CRE's in Holland.

As part of CAF's efforts to strengthen the market for carbon emissions, technical assistance was provided to several government entities in the member countries. Among these, support for the Office of Climatic Change in Colombia's Ministry of the Environment, and aid for the establishment of a comparable office in Ecuador – to be followed in 2002 with similar efforts in Peru and Venezuela. Finally, CAF contributed to the funding of Bolivia's study of the Macroeconomic and Sectoral Impact of Limiting Emissions that have Greenhouse Effects.

During 2001, CAF approvals for Bolivia aggregated US$464 million, their highest level in recent years, which bears out the growing support the Corporation is providing for the country's development initiatives, the strengthening of its economy, and helping to meet its financing needs. Disbursements totaled US$271 million and the total portfolio* stood at US$581 million.

The main thrust of this year's operations was to finance the economic recovery programs and to inject fresh resources into the economy to stimulate aggregate demand and mitigate the social impact of the delicate economic situation. With CAF help, the profile of Bolivia's domestic indebtedness was improved and the tax burden lowered, enabling the country to free up resources to promote investment and sustainable development. The Corporation also backed government initiatives to maintain and develop road infrastructure and to foster trade, tourism and integration with other countries in the region.

In this connection, CAF supported the holding of trinational meetings called to frame development initiatives in the western part of the country, south of Peru and north of Chile. Since Bolivia is chairing the Andean Presidential Council, support was lent to the Ministry of Foreign Affairs in drawing up a working agenda for the Andean Community.

With respect to the structural transformation process being pursued by the country, during fiscal 2001 a loan of US$150 million was approved to contribute to the sustainability of the Social Security System by reconfiguring the profile of the domestic public debt contracted to fund pension reform. This loan had the effect of lowering the fiscal burden of the reform and freeing up domestic funds to promote more active intermediation through the capital market.

With a contribution of US$100 million, CAF provided partial financing of the Special Economic Recovery Fund (FERE) created by the Bolivian Government to support the productive sector and facilitate rescheduling of the portfolio of the national financial system. CAF's participation in this fund took the form of the purchase of bonds issued by Nacional Financiera Boliviana (NAFIBO) and guaranteed by the Treasury.

CAF also approved US$25 million for immediate implementation of the National Emergency Employment Plan set up to stimulate aggregate demand and mitigate the social repercussions of the economic crisis.

At the same time, several other operations totaling US$118 million were approved in 2001 to finance important infrastructure projects; foremost among these was the cofinancing for the Highway Rehabilitation and Maintenance Program (US$42 million), which seeks to improve driving conditions on five highway sections of Bolivia's Basic Network: Arce bridge/Sacramento bridge (Chuquisaca); Tarabuco/Muyupampa (Chuquisaca); Challapata/Melgarejo/Ventilla (Oruro); Cuchu Ingenio/Potosí (Potosí), and Concepción/San Javier (Santa Cruz). The executing agency is the National Road Service, and the World Bank is also participating in the program.

Another significant loan for infrastructure was a US$74-million CAF-Banco do Brasil cofinancing to improve and pave the Tarija/Bermejo highway. This route links up with other integration corridors and connects Bolivia with several neighboring countries. The project also demonstrates CAF's catalytic role in attracting external resources to finance development projects.

In the private sector, continued support totaling US$37 million was given to corporate clients through the approval and renewal of lines of credit for working capital and trade. A major component of this was the medium- and long-term financing provided to companies

* Includes the third-party portfolio managed and administered by CAF.

in the corporate sector, such as that granted to Textiles AMETEX (US$5 million) to finance garment exports and improve its technology.

In the financial sector, a number of existing lines were renewed with local banks and microfinancing institutions. In addition, CAF will take an equity participation in the creation of a centralized securities depository, which will be instrumental in strengthening the capital market.

In 2001, CAF assisted the country with nonreimbursable technical cooperation totaling US$1.9 million, of which US$1 million was earmarked for the Multilateral Debt Reduction Program as part of the HIPC Initiative and US$0.9 million to support different economic development activities in the public and private sectors. In the area of governance, attention was focused on such areas as decentralization and citizen participation, human resources training, and institutional development. Funding was also made available to develop strategies to improve Bolivia's trade relations with countries in Mercosur and CAN, as well as for cultural and integration events. To support the development and preservation of the country's culture, CAF made a donation to refurbish the Núñez del Prado Museum, which houses the works of this renowned Bolivian sculptress.

Finally, through its Andean Competitiveness Project, CAF is developing a series of initiatives to improve the country's competitive environment and pave the way for its successful entry into global markets. The events organized included workshops and meetings on agrotechnological development, information technology, and the reduction of red tape. In tandem with these efforts, CAF cooperated in the establishment and start-up of the National Productivity and Competitiveness Council and, in similar vein, is helping to install a computing center in the community of Calamarca on the La Paz altiplano, which will strengthen human capital in Bolivia and help to close the digital divide.

In the course of 2001, Colombia was once again a major borrower from CAF, with operations totaling US$819 million that significantly assisted the country's economy and development. Disbursements were US$379 million and the total portfolio, including that of third parties,* stood at US$1.833 billion.

To assist the public sector –and specifically to finance important infrastructure projects– US$200 million was earmarked for the second phase of the Roads for Peace program, on top of the US$162 million approved last year for the first phase.

This program's investment projects are located in parts of the country with only scattered human settlements that have high levels of unmet basic needs, which can be seen in deficiencies in transportation infrastructure, economic and social conflicts, disturbances of the peace, and illicit crop growing. The improvements in infrastructure –of both highways and rivers and airways– will enable agricultural produce to be moved to consumption centers properly, thereby promoting productive activities in the conflict zones. They will similarly give rural communities better access to State health, education, recreational, environmental sanitation, and justice services.

Roads for Peace is part of the Economic and Social Recovery component of the Colombia Plan, financing for which is being put together with the Inter-American Development Bank, the World Bank and other international agencies.

Also approved was a US$100-million loan for the Office of the Mayor of Bogotá, which will be used to finance the District's Roads Plan and the Education Program. In terms of mass transit, execution of the loan centers on expanding the Transmilenio system, which is helping visibly to improve the living conditions of the people of Bogotá and to enhance the productivity and competitiveness of the Colombian capital. Moreover, reduced congestion results in a substantial drop in toxic emissions from motor vehicles, which makes the Roads Plan eligible for consideration as a Clean Development Mechanism (CDM) under the Kyoto Protocol, which, if the project so warrants, may lead to the sale of carbon certificates. CAF is providing advice on this process through its Latin American Carbon Program (PLAC).

As far as the Education Program is concerned, CAF funds will provide continuity for two specific projects that have had a considerable social impact: the District Network of Public Libraries, and the construction and equipping of education centers in marginal areas.

The private production sector saw one of the largest cofinancing operations in recent years, when Bavaria S.A. was granted a syndicated A/B loan of US$250 million. This operation, which will finance investment programs in both the company and its subsidiaries, was jointly arranged by J.P. Morgan and was participated in by Japanese investors.

Other noteworthy medium- and long-term lending went to such private companies as Harinera del Valle (US$5 million) and Triple A (US$10 million).

As part of CAF's overall support strategy, nonreimbursable technical cooperation funds totaling US$0.8 million were also made available to a variety of clients. They were used, among other things, to finance governance programs and their institutional strengthening components, decentralization, land-use planning, improvement of audit offices, and support to superintendencies. In addition, assistance was given for studies related to the peace process, transportation programs, environmental projects, and cultural events.

Noteworthy support for strengthening environmental management has come from the First Biocommerce Competition, which was organized jointly with the Alexander von

* Includes the third-party portfolio managed and administered by CAF, as well as those operations covered by the partial credit guarantees (PGCs) granted by the Corporation.

Humboldt Institute, a prestigious Colombian agency specializing in the investigation of biological resources, under which CAF awards soft loans and technical support for the best initiatives for the sustainable utilization of biodiversity in Colombia. This experiment is part of the biocommerce program that CAF has been carrying out in the Andean countries jointly with CAN and UNCTAD.

CAF's presence in Ecuador during 2001 was marked by support for important projects designed to preserve economic stability, improve the infrastructure and competitiveness, and encourage productive activities that generate foreign exchange. In this connection, the country received approvals of US$356 million, disbursements totaled US$371, and the total portfolio* stood at US$1.120 million.

A US$50-million loan for the Manabí diversion project marked an important step toward developing the infrastructure needed for a competitive economy. This project will supply water to Manabí province and consists in utilizing the Daule-Peripa dam to increase the discharge of the Chone and Portoviejo rivers for use as potable and irrigation water. An associated loan of US$25 million was made for the Program to Rehabilitate the Daule-Peripa-La Esperanza diversion.

A credit of US$57 million was made to the municipality of Guayaquil, Ecuador's principal port, to carry out its III Roads Program; the goal is to improve the road infrastructure and reduce traffic congestion to cut travel times between the city and the port area, the historic downtown area, and the newly built northern suburbs. The project includes street extensions, widening, distribution, and urban development, and a park of unquestionable environmental and social value.

Completion of this program will position Guayaquil to increase the socioeconomic benefits by creating external economies for the entire area of influence, since the reduction in levels of congestion will mean savings in travel time, fuel, and the cost of traffic accidents. At the same time, it will help to upgrade the adjacent urban spaces and the overall competitiveness of the city by enhancing the value of buildings and property adjacent to the construction areas.

In keeping with the goal of improving overland transportation networks, a US$25-million loan was made to the Republic of Ecuador to finance, in part, the project to improve and straighten the Baeza-Tena highway in the northeast of the country. This loan was approved on an emergency basis as the highway is in an area affected by intense rainfall that caused economic and human losses.

As a contribution to regional integration –and specifically to the South American Regional Infrastructure Initiative (IIRSA)– a loan for US$70 million was made to Ecuador to finance the Southern Road Corridor project, which extends from the city of Cuenca to the four cardinal points of the country and, with the help of eight different sections, facilitates connections with the southern Pacific on the one hand and with Amazonia on the other.

To help strengthen the country's environmental management, CAF approved a US$13-million loan to finance pollution abatement works in the Estero Salado.

It also contributed to reinforcing the stability of the financial system by lending Ecuador US$25 million to assist in bolstering its regulatory system and developing its capital market.

Assistance to the private productive sector totaled US$42 million, broken down into loans to Andinatel (US$25 million), Pronaca (US$10 million), and Fadesa (US$7 million). In the course of the year, similar loans totaling US$46 million for working capital and trade were made to a variety of clients.

In addition, nonreimbursable technical cooperation funds totaling US$1.4 million were used to finance, among other things, environmental and institutional strengthening projects, development, ethics and democracy, and cultural projects, as well as strategies and policies aimed at seeking ways to cope with the country's economic, financial and social crisis.

* Includes the third-party portfolio managed and administered by CAF.

During 2001, CAF made a contribution of vital importance to help execute public investment projects and maintain Peru's macroeconomic stability. In this area, operations totaling US$650 million were approved, with disbursements of U$695 million and a total portfolio* of US$1.112 billion.

Both during the transitional government and under the current administration led by President Alejandro Toledo, the Corporation lent its full support to the achievement of social and economic stability, by backing the all-out effort to keep the principal macroeconomic variables in balance and to implement poverty reduction programs through productive public investment projects.

In this connection, two multisectoral credits totaling US$500 million were approved to implement high-priority social projects that included, among other things, access to health services, improvements in the quality of education, community sanitation, energy and transportation programs. Many of these funds were channeled through the National Compensation and Social Development Fund (Foncodes).

This effort to develop social projects was complemented by a US$20-million loan to Peru to meet emergency and other social needs created by the earthquake that occurred in June in the southern part of the country.

Moreover, as part of the regional integration programs, CAF launched an intensive effort to liaise with the public sector agencies involved with the IIRSA initiative to push ahead with the cross-sector integration projects in infrastructure.

To support the private productive sector, loans totaling US$127 million were approved in 2001 under the headings of working capital and trade, with most funds being channeled through the local financial system.

Furthermore, in view of the overlap between the issues covered by the Peruvian Business Administration Institute (IPAE) and those of the Andean Competitiveness Project led by CAF, within the framework of the 39th Annual Conference of Executives –an event traditionally sponsored by the Corporation– the IPAE was actively encouraged to frame an agenda that would set out Peru's competitive position vis-à-vis Latin America as a whole. This task involves defining how to compete and the public policies necessary to increase the competitiveness of the economy as a whole, as well as the role of the different actors involved in promoting it.

In the area of technical cooperation, CAF approved operations totaling US$0.8 million; the funds were used to finance institutional strengthening processes and competitiveness strategies and to test the feasibility of novel areas of investment and trade for the country.

It should be emphasized that both operations were approved with appropriate timeliness and speed in order to meet Peru's urgent needs without delay. Their size, combined with other loans, confirmed CAF's position as the country's leading external lender in 2001 and as a linchpin of its development.

In this connection, representatives of the various sectors have launched a process to identify priority infrastructure projects to foster integration in the areas of transportation, energy and telecommunications, implementation of which is to receive comprehensive support (design, project preparation, and financing) from CAF and the other multilateral entities that support IIRSA.

* Includes the third-party portfolio managed and administered by CAF.

Venezuela

In 2001, Venezuela received substantial loans from CAF to finance projects that will help in meeting its planned short, medium and long-term economic growth targets. In this connection, the Corporation approved a record loan total of US$738 million –the highest amount that CAF has committed to Venezuela in 31 years– while disbursements totaled US$719 million and the total portfolio* stood at US$1.406 billion.

In line with the goal of giving priority to sustainable infrastructure projects, the Corporation approved loans with a high social content, foremost among which was one of US$100 million to finance, in part, the country's 2001-2007 Economic and Social Development Plan.

The plan was conceived by the government to stimulate development of a productive economy, achieve greater social justice, strengthen democracy, contribute toward the process of decentralization, and, in the immediate term, ensure that the public investment targets set for 2001-2002 are met.

It is intended to encompass projects in transportation infrastructure, including the completion of the Caracas-Tuy Medio railroad; in agricultural development, with the construction of large and medium-sized irrigation systems; and a variety of projects in education, chief among which is the modernization of technical education, with a view to undertaking the updating and strengthening of university technological institutes, university colleges, and universities, with special emphasis on the incorporation of new technologies.

Several loans were also approved in the water and environmental sanitation sector, one of which, for US$62 million, will finance a new phase of the Yacambú-Quíbor Hydraulic System and bring to US$125 the Corporation's total support for this infrastructure project, whose purpose is to harness the waters of the Yacambú river to promote agricultural development in the Quíbor valley and supply water to the city of Barquisimeto and other population centers in this central western part of Venezuela.

In the water and sanitation sector two additional loans for a combined US$37 million were made for the public sector: US$20 million for treatment works for Lake Valencia, and US$17 million for the Investment Plans of the Losada-Ocumarito system in the central region of the country. Similarly, a US$10-million loan was made to finance complementary studies as part of the program to develop the western axis.

In addition, CAF approved a US$100-million loan for the Los Teques metro, which will usher in a mass transit system between this city and Caracas. It is believed that, when completed, this road infrastructure project will generate savings in travel time, reduce current traffic congestion, especially along the Pan American Highway, and cut travel accidents, among other benefits. It is worth highlighting that the Metro System is a candidate for inclusion in the Latin American Carbon Program, which CAF is promoting in order to reduce CO_2 emissions.

In terms of support to the productive private sector, the Corporation concluded major cofinancing operations under the A/B loan arrangements, a mechanism CAF developed to strengthen its catalytic role of attracting external resources into the region. The first such loan was one of US$200 million to Inversiones Primor, C.A., a member of the Polar Group. Joint arranger of this operation was Salomon, Smith & Barney, and the funds will be used to cover the plan of investments that Polar has scheduled as part of its growth strategy, the primary objective of which is to purchase the entire capital stock of MAVESA.

Another A/B loan of US$150 million went to Electricidad de Caracas, owned by the multinational AES, to finance in part the company's 2001 investment plan. Banco Santander Investment acted as co-leader in syndicating this loan.

* Includes the third-party portfolio managed and administered by CAF.

Syndication of an A/B loan of US$100 million also closed successfully under the CAF umbrella to finance planned investments in transmission by the public enterprise Electrificación del Caroní (Edelca); Santander Investment was in charge of structuring and syndicating the B portion of US$75 million. The operation not only met the anticipated amount, but was also oversubscribed.

To round out the above, support was also given to private enterprise in the form of renewals and approvals of lines of credit totaling US$43 million to finance trade and working capital operations.

Finally, a total of US$0.5 million was earmarked through technical cooperation operations to finance activities in the areas of institutional strengthening, integration, development projects, strategies and public policies, transportation, environmental programs, and sociocultural programs.

Others shareholder countries and multinational operations

2001 witnessed continued fruitful relations between CAF and the shareholder countries that do not belong to the Andean Community (CAN), as part of a policy of Latin Americanization that the institution is pursuing. In this connection, multinational operations and loans made to these countries totaled US$169 million, with disbursements amounting to US$112 million, and a total outstanding portfolio* of US$475 million.

As part of the IIRSA Initiative, launched to spearhead the process of integration in South America through an integrated approach to infrastructure, CAF approved a US$35-million loan to Brazil intended to finance, in part, the execution of investments for the highway rehabilitation and paving program, as well as the construction of bridges in Rondonia State with a view to integrating them with CAN countries.

Construction of the road works under this project will not only bring productive areas in the region into the general economy but will also further the road integration process between Brazil –and hence Mercosur– and the Andean Community. To this end, paving and ancillary works will be carried out on 15 sections in Rondonia that link up with Highway BR-364 and this, in turn, will hook up to the north –via the river Madeira– with Manaos and Highway BR-174, which runs as far as Venezuela and the Caribbean. In addition to the rehabilitation of the highways, the project provides for works on the Abuná y Guayaramerín bridges, which will enable Brazil to be integrated with Peru and Bolivia.

CAF also earmarked resources to finance a variety of trade and working capital operations in Brazil (US$74 million), Mexico (US$25 million) and Paraguay (US$1.7 million).

In the vein –and as part of the strategy of strengthening relations with Mexico– the Corporation approved an equity participation of up to US$8 million in the Multinational Industrial Fund (MIF), whose object is to support the development of small and medium-sized Mexican or other enterprises with growth potential that are already established or intend to set up business in Mexico, with an eye to generating long-term capital appreciation. Among the promoters of the MIF are Nacional Financiera; Sociedad Nacional de Crédito (NAFIN); Banco Nacional de Comercio Exterior de México (Bancomext); the Inter-American Investment Corporation (IIC), and Wamex S.A., a company specially created to manage it.

Moreover, within the framework of programs to support and strengthen the private sector, CAF approved the creation of the Entrepreneurial Investment and Development Fund (FIDE) for SMEs in its shareholder countries; it will have a capital of US$50 million by the end of three years. CAF's share will be US$15 million, or one third, while the remaining two thirds will be put up by international investors and private institutional investors.

Side by side with these activities –and to offer comprehensive support to the countries– CAF approved technical cooperation operations totaling US$3.3 million, channeling these funds to regional entities and to back programs of major interest to the region, such as the Andean Competitiveness Project (PAC), which CAF is carrying out with Harvard University; programs on governance, integration and sustainable development; and promotion of trade in the Andean Community and between it and the European Union or with other countries, such as Russia. Funds were also made available for studies aimed at developing sustainable infrastructure and logistics, consistent with the physical integration of South America, while events, seminars and workshops were sponsored to take an in-depth look at issues of economic and social interest to the region, including cultural promotion.

* Includes the third-party portfolio managed and administered by CAF.

The Corporation's activities, as well as its projection for the future, demand that a permanent program of modernization and improvement be maintained in order to allow it to face successfully the new challenges. In this regard, in what follows we highlight the most important advances achieved in the course of the year in both the administrative and the operational fields.

With regard to human resource management, the Corporation has undertaken the strengthening and improvement of the basic systems, such as recruitment, selection, induction, training and performance evaluation, in order to adapt them to the best international practices, thereby bringing the qualifications of each staff member in line with the critical abilities needed for the successful performance of CAF's activities. Also, significant advances were achieved in the design and development of instruments aimed to strengthen management capability of human resources based upon their talent and the maintenance of highly productive work environments.

In the field of technology and information systems, having concluded the installation of the principal operating systems during 2001, efforts were concentrated in the design and construction of tools for decision-making and online analysis of variables that are relevant for the administrative and business management of the Corporation. The availability of the basic operating systems also allowed the start of design and forthcoming implantation of the Activity Based Cost (ABC) system, which will contribute to improving management of profitability by helping to measure more precisely the costs by client and by product. At the same time, there were continued advances in the process of integrating operating systems and optimizing the use of new applications and tools by means of training programs and ongoing technological updates. Thus CAF seeks thus to maximize the return on the investments made in these areas.

Additionally, we have continued developing the Integral Risk Matrix with which to facilitate the continued monitoring of the various aggregate risks to which the Corporation is subject in the performance of its functions, through the identification of the main indicators, mitigating factors, and foreseeable contingencies. Regarding the strengthening of the credit culture, the lending guidelines have been fully updated, and new mechanisms have been put in place to help the follow-up and control of operations in their loan administration phase.

Another aspect worthy of special mention is the strengthening of both external and internal communications. On the external side, the Corporation's current presence and position in the media is visibly greater as a result of intensified efforts at communications and a strategy designed to strengthen relations with local news media and news agencies in the member countries. Internal communications have been improved by strengthening existing channels and developing new ones to meet the communication requirements of the various interest groups that make up the Corporation, from staff to shareholders. The Institution's new web site was launched with greater interactive features than earlier versions, as was the Corporate Intranet, which is an efficient vehicle for the dissemination of the CAF's values and activities.

Lastly, important changes were made in the general services area, representing continued efforts to improve administrative efficiency, such as the option of a policy of outsourcing, which has helped to improve the quality of services and to rationalize operating costs. That of administrative processes have been speeded up can be seen in the rapid pace with which the task of adapting office space in the Headquarters building has proceeded. The furnishings and interior architectural designs are based on best practices in the market, providing continuity while at the same time modernizing corporate standards by the use of open spaces.

Cultural aspects

The cultural facilities at the Headquarters' building, the Antonio José de Sucre Auditorium and the CAF Gallery, continued to exhibit programs of varied, select and integrationist works, an activity that has earned CAF the reputation of one of the important cultural centers of the Venezuelan capital.

In this regard, the programs of 2001 included: "Chromatic Spaces," an exhibit taken part in by two great Latin American masters, Angel Hurtado of Venezuela and Oscar Pantoja of Bolivia; "Florycultura," an exhibit in which the six participating artists were from Colombia, Ecuador and Venezuela; "Venezuelans…Those departing with me," made up of the art collection of Mexico's ambassador to Venezuela; and, closing with "Wooden Toys," from Colombia, Peru and Venezuela.

The Auditorium was the site of conferences and presentations by artists of different kinds and diverse musical instruments, including: The Millennium Quartet; Brazilian guitarist, Roberto Correa; Quartetto di Sassofoni Academia from Italy; Harpas Jarochas from Mexico; The Naku Theatrical Puppets; Argentinian singer María José Mentana; Venezuelan guitarist and composer Aquiles Báez; the Brasilia Quartet; a presentation of "La Piel del Cielo," a book by Mexican author Elena Poniatowska, that won the Alfaguara Prize; the ensemble Bossa Nova; Mexican singer and author José David Haro; a lyrical Christmas Gala; and the celebration of International Poetry Week that gathered over fifty poets and literary researchers from Central, North and South America, Europe and Africa.

To contribute to the dissemination of the region's values and cultural patrimony, in the course of the year CAF provided support to a variety of cultural activities in its shareholder countries. Examples of these were presentations made in Venezuela: the Urubichá Chorale; the National Folkloric Ballet of Bolivia; the exhibit "Millennial Peru" in the Museum of Fine Arts; and "Pathways of Sculpture" presented at the Universidad Metropolitana in which took part renowned Venezuelan sculptors. Presentations made in Colombia included a retrospective of the Venezuelan master Jesús Soto at the Bogota Museum of Modern Art. In Ecuador, CAF sponsored the Second Latin American Cultural Journeys. At the regional level, CAF supported the Second Encounter for the Promotion and Dissemination of the Andean Countries Folkloric Patrimony. The central theme of this Encounter was the African influence in the region's traditional cultures and its contribution to the formation of a national identity in our countries, which share, in addition to the geographic space in the Andean region and the particular aspects of the continental and insular Caribbean, the common past of a history of slavery.

Financial and Operational Analysis

Corporación Andina de Fomento
Annual Report 2001

1. Operations Approvals

In 2001, the Andean Development Corporation (CAF) reached a record level of approved operations with an amount of over US$3.190 million. This amount represents the highest level of corporate performance in 30 years, and it is the more outstanding in light of the difficult financial conditions that prevailed in Latin America and worldwide: lower commodity prices affecting a high proportion of the region's income, and reduced flows of international finance resulting from the recession in the principal economies and the collapse of stock markets. Additionally, stemming from the Argentine crisis and the events of September 11th, there was increased volatility of external finance flows. All of these factors contributed to a severe reduction of new funding for investment and development requirements.

Despite facing such difficult conditions, CAF ratified its role as the principal source of finance for the Andean countries, and the effective promoter of regional integration, at the same time strengthening its counter-cyclical role in response to growing financing requirements of both public and private clients. It is thus that, of the net disbursement flow that the Andean region received, more than 50% was provided or channeled by CAF, helping to combat the effects of low regional economic growth.

This direct financing effort was complemented with a drive to strengthen the catalytic role that the institution plays, to introduce innovative products and services, and to achieve a leadership position in the process of physical integration through the Program for Regional Integration of South America (IIRSA).

Continuing with its integral approach, in 2001CAF supported the formation of natural, social, and cultural capital in the member countries. It strengthened the performance of the Fund for Human Development (FONDESHU), and made part of its permanent culture the commitment to support the promotion and application of information technology advances, as a means to promote investments in human capital and the development of intellectual capabilities. Special attention was given to the impact of financial decisions upon the environment, with a view to preserving nature and ensure the sustainability of economic development.

The amount of financing approved in 2001 represents an increase of 37.5% over the previous year's as seen in Table 1. This table also shows the distribution by country and the evolution of approvals over the preceding 5 years.

Table Nº 1 **Approved operations by country in US$ millions**

(US$ millions)

Country	1997	1998	1999	2000	2001	1997-2001
Bolivia	353	227	248	343	464	1.635
Colombia	226	331	736	773	819	2.884
Ecuador	628	384	268	398	356	2.034
Perú	530	953	630	451	650	3.214
Venezuela	588	565	161	271	738	2.323
Other countries	574	214	139	87	169	1.183
Total	2.900	2.673	2.181	2.323	3.197	13.274

Operations approvals by term

As in previous years, the volume of long-term operations was the most significant, with 63% of approvals for terms of 5 or more years. This concentration upon a market segment that other institutions find difficult to supply reflects the Corporation's support to key projects with long gestation periods, for which long term financing is essential.

Similarly important is the increase in medium-term operations, which grew in relative terms from 17% of total in year 2000 to 25% in year 2001, following the general tendency to longer terms that is reflected in Graph 1 and Table 2.

Graph Nº 1 Approved operations by tenor in US$ millions

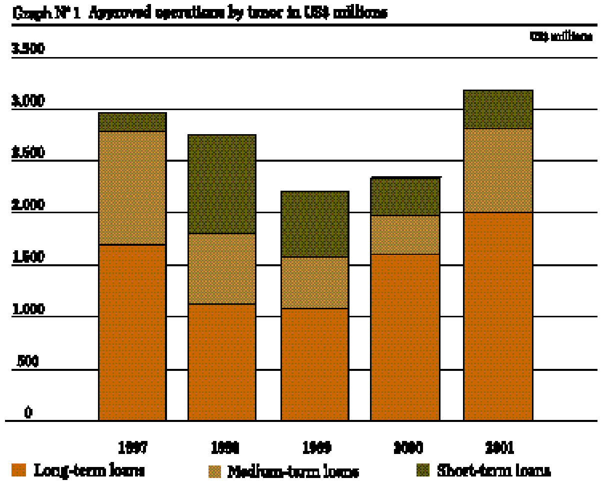


Table Nº 2 Approved operations by tenor in US$ millions

(US$ millions)

	1997	1998	1999	2000	2001	1997-2001
Long-term loans	1.651	1.102	1.048	1.556	2.020	7.377
Medium-term loans	1.045	661	476	402	795	3.379
Short-term loans	204	910	656	365	383	2.518
Total	**2.900**	**2.673**	**2.181**	**2.323**	**3.197**	**13.274**

Operations approvals by institutional sector

From the institutional sector perspective, it is important to highlight the increased proportion of operations with the private sector (see Table 3). Despite adverse international and local conditions, 38% of the total value of approved operations went to the private sector, as compared to 26% in year 2000.

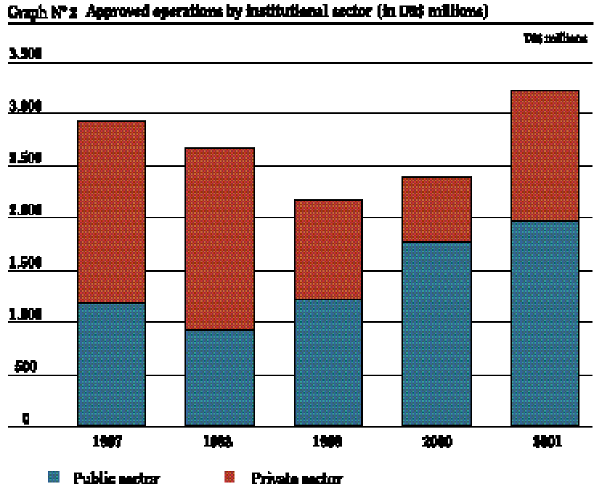
Table Nº 3 Approved operations by institutional sector in US$ millions

(US$ millions)

	1997	1998	1999	2000	2001	1997-2001
Public sector	1.213	968	1.269	1.710	1.988	7.148
Private sector	1.687	1.705	912	613	1.209	6.126
Total	**2.900**	**2.673**	**2.181**	**2.323**	**3.197**	**13.274**

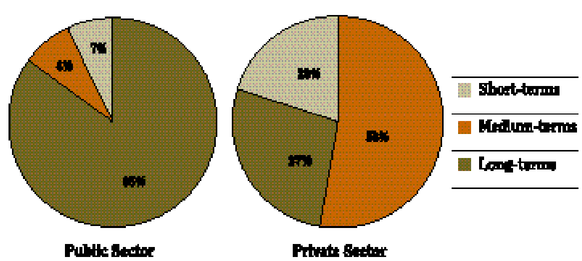
Graph 2 shows that by the end of year 2001, the public sector still held a prevalent position, 62% of the total approved, evidence of the strong demand for financing construction and expansion of basic infrastructure, which continue to be essential for the countries' competitive development.

Graph N° 2 Approved operations by institutional sector (in US$ millions)



2001 approvals viewed by institutional sector and by term (Graph 3), show that credit to the public sector is mostly long term, and that most of the medium term financing goes to the private sector, reflecting the clients' respective preferences. Indeed, 84.5% of the amount approved in long-term loans was for the public sector, while 53.4% of that of medium term loans went to the private sector.

Graph N° 3 Breakdown



Distribution by economic sector

As seen in Table 4, a high proportion of CAF's financing in 2001 went to support the building and improvement of infrastructure networks. Thus, of the total approved, 46% or US$1.289 million financed projects to improve the production and distribution of electricity, gas and water, or to build and improve infrastructure for transport, warehousing, and communications.

Among the principal individual operations approved, the following deserve to be highlighted: the program for road rehabilitation and maintenance of Bolivia's basic road network; the road and education programs of the mayoralty of Bogotá; the Second Transport Program "Roads for Peace", and complementary investments; the Water Diversion Project in the Province of Manabí; road programs for the municipality of Guayaquil; the Southern Road Corridor project; the hydraulic system Yacambú-Quibor IV; the multisectoral public investment programs for Peru; the Caracas-Los Teques Metro Line project; the corporate loan to Electricidad de Caracas; and the road program for the state of Rondonia. In addition, US$513 million in loans was approved for the manufacturing industry, and US$370 million went to intermediary commercial and development banks for onlending to the productive sectors. US$650 million more was approved in support of several programs in the fields of education, health, agriculture and community development.

Table Nº 4 **Loan approvals for project investment by economic sector**

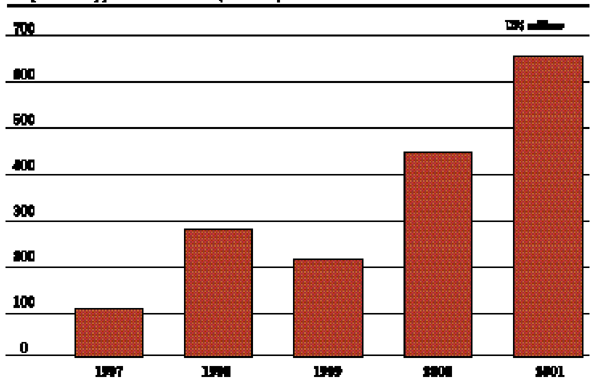
(US$ millions)

Economic sector	1997	1998	1999	2000	2001	1997-2001
Agriculture, hunting and forestry	22	62	53	58	84	278
Mining and quarry production	246			195		441
Manufacturing industries	122	24	77	60	513	796
Electric power, gas and water supply	413	200	193	180	618	1.603
Transport, warehousing and comunications	472	941	402	340	672	2.827
Wholesale and retail trade						0
Public administration		55	33	415	195	698
Hotels and restaurants	3	2	20	23	18	66
Financial intermediation	262	131	345	331	370	1.438
Other community, social and personal service activities	116	71	253	145	296	881
Education	0		26	169	57	252
Total	**1.656**	**1.485**	**1.401**	**1.916**	**2.823**	**9.280**

Structure of financing and catalytic role

CAF's catalytic role stands out in the volume of resources complementing CAF's direct lending activity, obtained thanks to the Corporation's essential participation. Such complementary funding over the past five years amounts to more than US$1.690 million.

Graph Nº 4 Approvals 1997-2001 (B + GPC)



In 2001 alone, US$600 million of complementary financing was approved, including US$450 million in B tranches of A/B loans. Also in its role of investment promoter on behalf of its clients', the Corporation completed a partial guarantee operation to raise up to US$200 million.

Overall, as can be seen in Table 5, CAF retained in 2001 its position as the principal source of finance for the Andean countries. Of the total cost of projects, programs and corporate loans, over 43% are being financed by the Corporation, while the remainder of financing originates with the clients' own contributions, 24% of the local sources, 12% from other sources, and 21% from other external sources.

Table Nº 5 **Structure of the financing for projects and corporate loans in US$ millions**

(US$ millions)

Source of financing	1997	1998	1999	2000	2001
CAF loans	1.427	1.094	1.191	1.471	2.373
Contributions from clients	1.756	1.231	1.437	1.232	1.332
Other local sources	651	62	35	166	675
Extra-regional sources	3.741	1.557	1.445	2.655	1.154
• Loans from multilateral organizations	1.902	520	130	1.221	152
• Other external sources	1.839	1.037	1.315	1.434	1.002
Total cost of proyects	7.74	3.943	4.107	5.525	5.534
CAF loans / total costs of proyects, as %	19%	28%	29%	27%	43%

2. Disbursements

As with approvals, 2001 loan disbursements also set a new record at the level of US$2,548 million, which includes B tranches of A/B operations (Table 6).

These resources helped to advance the work on important investment projects and programs that are contributing to the creation of wealth and the generation of productive employment. Of that amount, 96% or US$2.436 million, were channeled to the countries of the Andean Community; approximately 86% went to investment projects, and 14% was earmarked to support short-term corporate operations and international trade.

Table Nº 6 **Disbursments by country (in US$ millions)**

(US$ millions)

Country	1997	1998	1999	2000	2001	1997-2001
Bolivia	336	218	263	150	271	1.238
Colombia	162	311	393	818	379	2.064
Ecuador	358	356	212	235	371	1.533
Perú	458	872	406	362	695	2.793
Venezuela	336	492	294	108	719	1.949
Other countries	387	211	245	146	112	1.102
Total	2.037	2.461	1.813	1.819	2.548	10.678

Institutionally, 61% of disbursements went to public sector entities, but an important proportion of these resources were further channeled to the private sector through intermediary banking or development lending institutions.

3. Portfolio

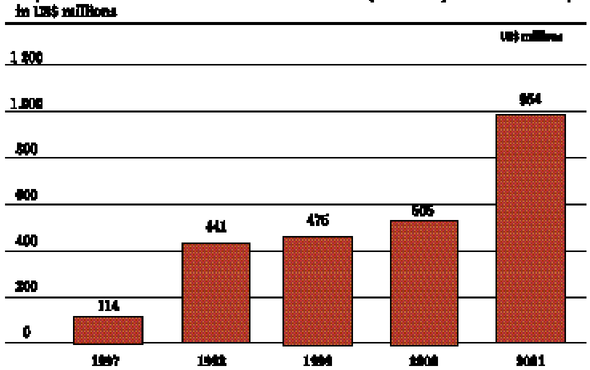
At the completion of the 2001 exercise, CAF's total loan and investment portfolio amounted to US$6.527 million, including direct CAF loans and investments, third party portfolio managed by the Corporation, and loans connected to partial guarantees provided by CAF. Said amount is 27% higher than that of the corresponding period a year ago, which was US$5.121 million. Looking back to year 1997, when the total stood at US$3.401 million, the portfolio has grown at an average annual rate of 18%. Over the same period, CAF's direct portfolio doubled in value, and this was surpassed by the growth of CAF's catalytic role, which moved from US$114 million to US$954 million, as shown in the following Graph 5.

Table N° 7 **Total portfolio* (in US$ millions)**

					(US$ millions)
Item	1997	1998	1999	2000	2001
CAF loan portfolio	3.224	3.657	4.188	4.478	5.453
Equity instruments	64	82	103	137	120
Subtotal: Direct CAF porfolio	3.288	3.739	4.291	4.616	5.573
Porfolio under management	114	441	475	255	704
Portofio related to partial credit guarantees				250	250
Subtotal: Resource movilization	114	441	475	505	954
Total CAF porfolio	3.401	4.180	4.766	5.121	6.527

* Includes the third-party loans obtained and managed by CAF, as well as loans related to partial credit guarantees.

Graph N° 5 Portfolio resource movilization 1997-2001 (B tranche plus related to PCG) in US$ millions



Total portfolio by country

Over 93% of CAF's total portfolio represents operations with the countries of the Andean Community, with the rest provided to other shareholder countries and in the form of regional operations, as shown in Graph 8.

Table N° 8 **Total porfolio* by country**

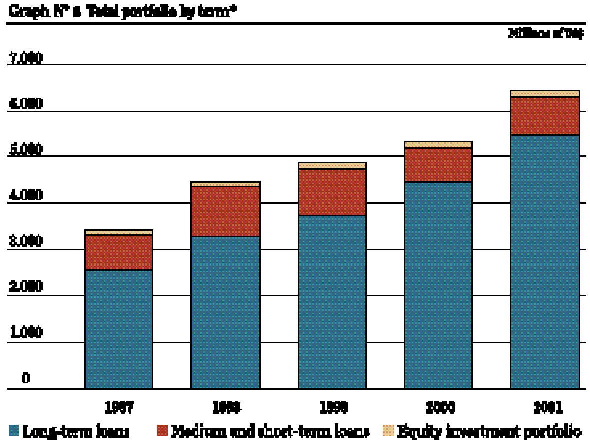
					(US$ millions)
Country	1997	1998	1999	2000	2001
Bolivia	492	468	504	486	581
Colombia	487	624	916	1.591	1.833
Ecuador	806	935	939	953	1.120
Perú	734	983	959	707	1.112
Venezuela	607	875	1.025	919	1.406
Other countries	276	295	421	464	475
Total	3.401	4.180	4.766	5.121	6.527

* Includes the third-party loans obtained and managed by CAF, as well as loans related to partial credit guarantees.

Total portfolio by term

As can be seen in Graph 6, the long term portfolio, which is made up principally of operations financing programs and projects, grew 32% over the preceding year, which is faster than the 22% average rate for the preceding 5 year period.

Graph N° 6 Total portfolio by term*



* Includes third-party loans obtained and managed by CAF, as well as loans related to partial credit guarantees.

The medium and short-term portfolios, dedicated mostly to finance foreign trade operations, grew by 10% over the previous year.

Table Nº 9 **Total portfolio* by operational type**

(millones de US$)

Operational type	1997	1998	1999	2000	2001
Long-terms loans	2.473	3.022	3.573	4.213	5.557
Medium –and short– term loans	864	1.075	1.090	770	846
Equity investment portfolio	64	82	103	137	124
Total	3.401	4.180	4.766	5.121	6.527

* Includes the third-party loans obtained and managed by CAF, as well as loans related to partial credit guarantees.

Total portfolio by institutional sector

The private sector portfolio, including the mixed public/private portion, was 27% of the total portfolio, and the remaining 73% was with the public sector reflecting a strong commitment to our shareholders and main clients.

Table Nº 10 **Total portfolio* by institutional sector**

(US$ millions)

Institutional sector	1997	1998	1999	2000	2001
Public sector	1.942	2.506	3.064	3.804	4.775
Private and mixed sector	1.459	1.674	1.702	1.317	1.752
Total	3.401	4.180	4.766	5.121	6.527

* Includes the third-party portfolio, managed and administrated by CAF, as well as those operations convered by the Partial Credit Guarantees (PCGs) granted by the coporation.

Total portfolio by economic sector

The policy to provide support to infrastructure and regional integration resulted in a significant increase of the proportion of loan portfolio going to projects for power, gas, water, transportation, warehousing and communications, raising it to 45% of the portfolio – or close to the level of the portfolio in the hands of the financial intermediation center.

Cuadro Nº 11 **Total portfolio* by economic sector**

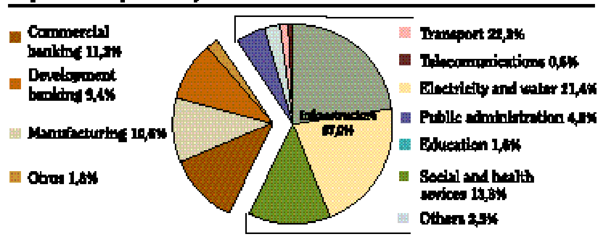
(US$ millions)

Institutional sector	1997	1998	1999	2000	2001
Agriculture, hunting and forestry	156	190	201	254	201
Minig and quarryng, oil and natural gas	191	107	72	40	
Manufacturing industry	386	402	344	306	690
Distribution of electricity, gas and water	607	796	976	1.050	1.396
Transport, warehousing and communications	469	972	1.174	1.340	1.525
Commercial banking	680	329	592	524	735
Develompment banking	709	672	751	727	608
Education, socialand health services		187	383	447	561
Other activities	203	226	274	433	810
Total	**3.401**	**4.180**	**4.766**	**5.121**	**6.527**

* Includes the third-party ortfolio managed and administrated by CAF, as well as those operations convered by the Partial Credit Guarantees (PCGs) granted by the coporation.

Though less important in relative terms, the portfolio of operations for education, social services and health grew at an appreciable rate, reflecting the support that the Corporation provides to the countries' efforts to improve the social conditions under which their people live.

Graph Nº 7 Total portfolio* by economic sector



* Includes third-party loans obtained and managed by CAF, as well as loans related to partial credit guarantees.

Capital investment portfolio

The capital investment portfolio closed 2001 at the level of US$124 million. Most of these resources represent regional investment funds. The rest are share participations in developing institutions and in institutions specializing in providing help for the development and growth of micro enterprises.

Table Nº 12 **Capital investment portfolio**

(millions of US$)

Country	1997	1998	1999	2000	2001
Bolivia	9	10	10	10	9
Colombia	2	2	10	10	2
Ecuador		1	1	1	1
Perú	26	27	27	27	23
Venezuela	4	3	3	3	2
Other countries	24	40	52	86	87
Total	**64**	**82**	**103**	**137**	**124**

I. Summary

In 2001, the Andean Region reflected economic growth for the second year in a row, albeit at a slower pace than expected. The region's economic performance was adversely affected by a variety of factors, chiefly among them were the general slowdown of the world's major economies, the aftershock of the terrorist attacks of 11 September, the Argentine crisis, and the price weakness of several commodities – principally oil. In this setting, CAF sought to emphasize its counter cyclical role through several means: by financing sustainable infrastructure projects, by attracting international financing for private sector projects, by supporting state modernization initiatives, and by supporting the strengthening and integration of the region's financial systems.

New loan approvals and disbursements totalled US$3,197 million and US$2,548 million respectively in 2001. Of these totals, 92% of approvals and 90% of disbursements were directed to medium and long term financings, principally for infrastructure projects. During the year, CAF raised US$500 million in the international capital markets and attracted US$527 million in participations from international banks under the A/B loan program.

Table N° 1
Ratings

	Long-term	Short-term
Standard & Poor's	A	A-1
Moody's	A2	P-1
Fitch	A	F1

In 2001, CAF received a new rating upgrade. Moody's upgraded CAF's long-term rating from A3 to A2 and its short-term rating from P-2 to P-1 in May 2001. On the basis of this new upgrade, CAF became the only emerging market issuer to have established a stand-alone US Commercial Paper program. This US$500 million program is rated A-1/P-1/F1, the highest short-term rating of any emerging market issuer.

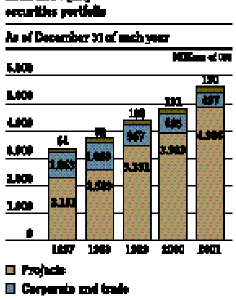
CAF issued its first Global Bond in January 2001. This US$300 million 10-year bond was placed among institutional investors in the US and Europe. Also, CAF successfully returned to the Samurai market with a ¥25 billion 5-year offering.

II. Loans

The quality of the loan portfolio remained sound and firmly within the high credit standards followed by CAF. At 31 December 2001, the loan portfolio was US$5,278 million (after an allowance for loan losses of US$177 million), representing 78% of total assets and reflecting an increase of 22% from 2000. Project loans represented 91% of total loans, while trade-finance and corporate loans represented the remaining 9%. In addition, loan participations under the A/B loan program amounted to US$425 million at the end of 2001. These participations are placed among leading international banks, largely from Europe and the United States.

The average term of the loan portfolio was 4.5 years in 2001, compared to 4.2 years in 2000. The longer-term profile of the loan portfolio is a reflection of the region's urgent need to develop sustainable infrastructure projects.

Graph N° 1
Loan and equity securities portfolio



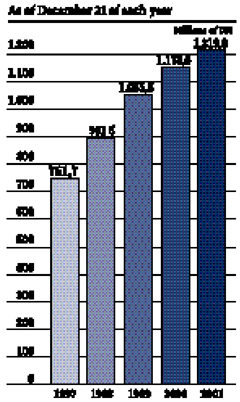
Loan quality remained strong during 2001. At 31 December 2001, non-performing loans (90-day past due loans) were US$34 million, whith no loans other than those were past-due. The loan-loss provision totalled US$77 million, representing 3.2% of the total loan portfolio and 5.2 times non-performing loans. CAF's management considers the level of the loan-provisions to be adequate in view of, first, the historically excellent performance of loan portfolio and, second, the Corporation's proven preferred creditor status in the Andean region.

III. Equity Securities

At 31 December 2001, the equity securities portfolio amounted to US$120 million, a decline of US$11 million compared to 2000. The decline was due in part to a charge of US$14 million to the equity securities portfolio resulting from management's assessment of the

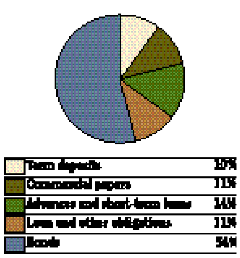
Graph N° 2
Liquid Assets

As of December 31 of each year



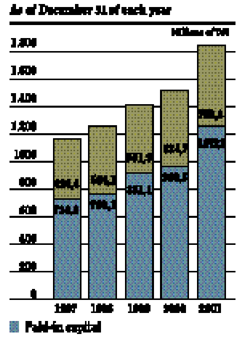
Graph N° 3
Liabilities

As of December of each year



Graph N° 4
Networth

As of December 31 of each year



value of these investments. The equity securities portfolio comprises both investments in investment funds, representing 83% of the total, and in companies' shares, representing the remaining 17%.

IV. Liquid Investments

CAF's policies and guidelines for the management of liquid investments emphasize security and availability over pure return. This is reflected both in the quality and in the average duration of the investments. At 31 December 2001, liquid investments were US$1,219 million, representing 18% of total assets. 92% of the total was placed in time deposits at major international banks and investment-grade fixed-income securities. The duration of the total portfolio of liquid investments was 0,5 years at the end of 2001.

V. Funded Debt

CAF's funding strategy follows two basic principles: diversification of funding sources and competitive terms. These principles are pursued within asset-liability management policies that seek to ensure a close match of assets and liabilities with respect to currency, interest rate, and tenor.

At 31 December 2001, funded debt amounted to US$4,799 million, a 19% increase from the end of 2000. The increase is closely related to the growth of the loan portfolio reflected during the year. Funded debt consists of deposits (11%), commercial paper (10%), short-term borrowings (14%), bonds (53%), long-term borrowings (11%), and other instruments (1%).

The leverage ratio (total liabilities over total shareholders' equity) at the end of the year was 2.6:1, well within limit of 3.5:1 established in CAF's by-laws.

VI. Shareholders' Equity

At 31 December 2001, total shareholders' equity was US$1,826 million, reflecting an increase of US$201 million compared to the end of 2000. This increase was the result of paid-in capital contributions from CAF's shareholders and of the addition of the year's net profits. Reserves were US$555 million, comprised of the mandatory reserve of US$169 million and the general reserve of US$386 million. It should be mentioned that, by policy, the general reserve is fully invested in high quality short-term instruments.

Although, CAF is not obligated to follow the capitalization guidelines set forth by the Basle Accord on Banking Supervision, management has established a minimum internal policy requirement of risk-adjusted capitalization of 30%. At 31 December 2001, capital represented 30.8% of risk-adjusted assets.

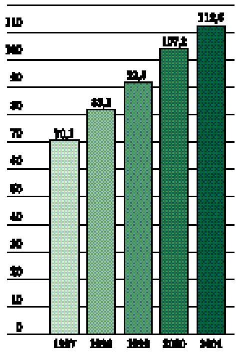
VII. Results of Operations

At 31 December 2001, net profits were US$113 million, an increase of US$6 million or 5% over the results of 2000. Total financial income amounted to US$432 million, a decline of US$32 million or 7% from the previous year. This decline in financial income is attributable to the general decline in interest rates. This trend in interest rates, on the other hand, had a compensatory effect on financial expenses. At the end of 2001, total financial expenses amounted to US$236 million, representing a US$39 million or 14% decline when compared to the closing of 2000. Administrative expenses totalled US$35 million for the year, representing 0.5% of average total assets.

At 31 December 2001, net interest margin was 3.3%, compared to 3.7% at the end of 2000. The profitability indicators remained strong with return on average assets (ROA) at 1.9% and return on average equity (ROE) at 6.6%.

Graph N° 5
Net income
For the year ended december 31

Millions of US$



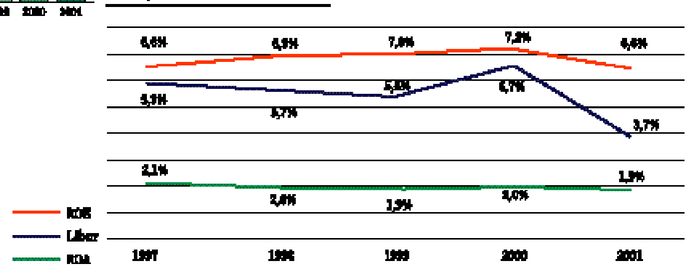
VIII. Financial Policies

CAF's asset-liability management principles can be summarized as follows:

- Loans are extended on the same basis, interest rate and currency, as the corresponding borrowings.
- The maturity of assets is closely matched to the maturity of liabilities, to the extent possible.
- There is no trading in derivatives for the account of CAF and swaps are used solely to hedge interest rate and currency exposures.

At 3 December 2001, 99.8% of assets and 99.7% of liabilities, after swaps, were denominated in US$. Likewise, 92.3% of assets and 97.9% of liabilities, after swaps, were based on six month US$ LIBOR. The average term of financial assets was 3.8 years and of liabilities 3.0 years.

Graph N° 6
Profitability indicators
For the year ended december 31



Independent Auditors' Report

Report of the auditors to the Board of Directors and Stockholders of Corporación Andina de Fomento (CAF):

We have audited the accompanying balance sheets of Corporación Andina de Fomento (CAF) as of December 31, 2001 and 2000, and the related statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Corporación Andina de Fomento (CAF) as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

As discussed in note 1(k) to the financial statements, effective January 1, 2001, the Corporation changed its method of accounting for derivative instruments to conform with Statement of Financial Accounting Standards (SFAS) No.133, "Accounting for Derivative Instruments and Hedging Activities", as amended.

February 8, 2002
Caracas, Venezuela

KPMG Alcatraz Cabrera Vázquez
Contadores Públicos, is a member of
KPMG International, a Swiss Association.

Balance Sheets 31 December 2001 and 2000

			(Expressed in thousands of US dollars)
Assets	**Note**	**2001**	**2000**
Cash and due from banks		2,744	1,585
Deposits with banks	2	606,965	428,627
Marketable securities			
Trading Held-to-maturity (market value of	3	371,294	465,202
US$238,874 in 2001 and US$283,226 in 2000)	3	238,006	283,217
Loans	4	5,455,156	4,478,234
Less allowance for losses	4	176,965	153,757
Loans, net of allowance for losses		5,278,191	4,324,477
Equity investments	5	120,152	130,968
Interest and commissions receivable		133,181	157,782
Property and equipment	6	9,466	9,443
Other assets		44,741	38,310
Total assets		**6,804,740**	**5,839,611**
Liabilities and Stockholders' Equity			
Deposits	7	528,270	517,781
Securities sold under repurchase agreements	3	33,958	-
Commercial paper	8	491,671	300,000
Advances and short-term borrowings		670,279	394,672
Bonds	9	2,562,578	2,339,873
Borrowings and other obligations	10	511,748	495,263
Accrued interest and commissions payable		96,564	106,193
Accrued expenses and other liabilities	11	84,082	60,594
Total liabilities		**4,979,150**	**4,214,376**
Subscribed and paid-in capital (authorized capital US$3,000 millions)			
Series "A" shares		6,000	6,000
Series "B" shares		1,018,755	949,470
Series "C" shares		48,575	35,025
		1,073,330	990,495
Additional paid-in capital		89,158	36,606
Reserves		554,665	495,658
Retained earnings		108,437	102,476
Total stockholders' equity	12	**1,825,590**	**1,625,235**
Total liabilities and stockholders' equity		**6,804,740**	**5,839,611**

See accompanying notes to the financial statements.

Statements of Income. Years ended 31 December 2001 and 2001

(Expressed in thousands of US dollars)

	Note	2001	2000
Interest income			
Project loans		327,838	326,755
Trade-financing and corporate loans		31,010	60,351
Investments and deposits with banks		50,977	61,833
Total interest income		**409,825**	**448,939**
Interest expense			
Deposits		20,137	28,058
Commercial paper		5,783	12,031
Advances and short-term borrowings		18,082	12,219
Bonds		156,108	174,282
Borrowings and other obligations		28,608	41,568
Total interest expense		**228,718**	**268,158**
Net interest income		181,107	180,781
Provision for loan losses	4	38,756	47,745
Net interest income, after provision for loan losses		142,351	133,036
Non-interest income			
Commissions		21,938	14,654
Impairment charge for equity investments	5	(14,244)	(6,255)
Dividends and equity in earnings of investees		4,392	4,512
Other income		1,187	1,342
Total non-interest income		**13,273**	**14,253**
Non-interest expenses			
Commissions		7,169	6,778
Administrative expenses		34,557	33,075
Other expenses		1,027	233
Total non-interest expenses		**42,753**	**40,086**
Income before cumulative effect of change in accounting for derivatives and hedging activities		112,871	107,203
Cumulative effect of change in accounting for derivatives and hedging activities		(307)	-
Net income		112,564	107,203

See accompanying notes to the financial statements.

Statement of Stockholders Equity

Years ended 31 December 2001 and 2000

(Expressed in thousands of US dollars)

	Note	Subscribed and paid-in capital	Additional paid-in capital	General reserve	Reserve pursuant to Article Nº 42 of by-laws	Total reserves	Retained earnings	Total stock-holders' equity
Balances at December 31, 1999		861,124	29,155	291,161	148,820	439,981	88,043	1,418,303
Capital increase, net of stock dividends	12	129,371	7,451	-	-	-	(22,593)	114,229
Net income		-	-	-	-	-	107,203	107,203
Appropriated for general reserve	12	-	-	46,377	-	46,377	(46,377)	-
Appropriated for reserve pursuant to Article No. 42 of by - laws	12	-	-	-	9,300	9,300	(9,300)	-
Distributions to stock holders' funds	13	-	-	-	-	-	(14,500)	(14,500)
Balances at December 31, 2000		990,495	36,606	337,538	158,120	495,658	102,476	1,625,235
Capital increase, net of stock dividends	12	82,835	52,552	-	-	-	(21,596)	113,791
Net income		-	-	-	-	-	112,564	112,564
Appropriated for general reserve	12	-	-	48,307	-	48,307	(48,307)	-
Appropriated for reserve pursuant to Article No. 42 of by - laws	12	-	-	-	10,700	10,700	(10,700)	-
Distributions to stock holders' funds	13	-	-	-	-	-	(26,000)	(26,000)
Balances at December 31, 2001		1,073,330	89,158	385,845	168,820	554,665	108,437	1,825,590

See accompanying notes to the financial statements.

Statements of Cash flows. Years ended 31 December 2001 and 2000

			(Expressed in thousands of US dollars)
	Nota	**2001**	**2000**
Cash flows from operating activities			
Net income		112,564	107,203
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Provision for loan losses	4	38,756	47,745
Impairment charge for equity investments	5	14,244	6,255
Equity in earnings of investees		(2,480)	(3,036)
Amortization of deferred charges		1,370	1,094
Depreciation of property and equipment	6	1,793	1,551
Provision for employees' severance benefits		3,195	3,023
Employees' savings plan		1,864	2,149
Net changes in operating assets and liabilities			
Net loss on sale of trading securities	3	59	1,773
Severance indemnities paid or advanced		(760)	1,423
Employees' savings plan paid or advanced		(943)	(1,157)
Trading securities	3	93,908	(28,993)
Interest and commissions receivable		24,601	(11,438)
Other assets		(352)	(6,749)
Accrued interest and commissions payable		(9,629)	(9,226)
Accrued expenses and other liabilities		17,549	1,733
Total adjustments		183,175	6,147
Net cash provided by operating activities		295,739	113,350
Cash flows from investing activities			
Purchases of held-to-maturity securities	3	(785,826)	(590,303)
Maturities and prepayments of held-to-maturity securities		831,037	527,622
Loan origination and principal collections, net	4	(989,946)	(313,342)
Purchases of equity investments	5	(948)	(32,541)
Purchases of property and equipment	6	(1,816)	(1,260)
Net cash used in investing activities		(947,499)	(409,824)
Carried forward		(651,760)	(296,474)

Statements of Cash flows. Years ended 31 December 2001 and 2000

(Expressed in thousands of US dollars)

	Nota	2001	2000
Brought forward		(651,760)	(296,474)
Cash flows from financing activities			
Net increase in deposits		10,489	63,412
Net change in securities sold under repurchase agreements		33,958	(19,423)
Net increase in commercial paper		191,671	52,000
Net increase in advances and short-term borrowings		275,607	157,773
Proceeds from issuance of bonds	9	609,109	421,300
Repayment of bonds		(386,480)	(320,110)
Net change in borrowings and other obligations	10	9,112	(136,809)
Distributions to stockholders' funds	13	(26,000)	(14,500)
Capital increase, net of stock dividends	12	113,791	114,229
Net cash provided by financing activities		831,257	317,872
Net increase in cash and cash equivalents		179,497	21,398
Cash and cash equivalents at beginning of year		430,212	408,814
Cash and cash equivalents at end of year		609,709	430,212
Consisting of :			
Cash and due from banks		2,744	1,585
Deposits with banks		606,965	428,627
		609,709	430,212

See accompanying notes to the financial statements.

(1) Significant Accounting Policies

(a) Description of Business

Corporación Andina de Fomento ("CAF" or the "Corporation") commenced operations on June 8, 1970 and is a corporation under public international law which abides by the provisions of its by-laws. Shareholder countries are: Bolivia, Colombia, Ecuador, Peru and Venezuela, members of the Andean Community, together with Brazil, Chile, Jamaica, Mexico, Paraguay, Panama and Trinidad and Tobago, in addition to 22 banks of the region. The Corporation has its headquarters in Caracas, Venezuela.

The Corporation's principal activity is to provide short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in its member countries.

(b) Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and in U.S. dollars.

In preparing consolidated financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Foreign Currency Transactions

Transactions in currencies other than U.S. dollars are translated at exchange rates prevailing on the international market at the dates of the transactions. Foreign currency balances are translated at year-end exchange rates. Any gains or losses in foreign exchange are included in the results of operations, and are not significant.

(d) Cash and Cash Equivalents

The Corporation considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. As of December 31, 2001 and 2000 the cash equivalents included on the balance sheet were held in the form of cash, due from banks and deposits with banks.

(e) Marketable Securities

Marketable securities at December 31, 2001 and 2000 consist of U.S. Treasury and debt securities. The Corporation classifies its debt and securities in one of two categories: trading or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities in which the Corporation has the ability and intent to hold the security until maturity.

Trading securities are recorded at fair value. Unrealized holding gains and losses on trading securities are included in earnings.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount. The impairment is charged to income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method. Dividend and interest income are recognized when received and earned, respectively.

(f) Loans

The Corporation grants short, medium and long-term loans to finance projects, working capital, trade activities and undertake feasibility studies for investment opportunities in its member countries.

Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, less the allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

The accrual of interest on loans is discontinued at the time a private sector loan is 90 days (180 days for public sector loans) delinquent unless the credit is well-secured and in process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

(g) Equity Investments

Equity investments are accounted for using the equity method or at cost. If the Corporation has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist at a 20% of equity ownership level, the equity investments are accounted for using the equity method. Under the equity method, the carrying value of the equity investment is adjusted for its proportionate share of earnings or losses, dividends received and certain other transactions of the investee company.

A decline in the market value of any equity investments accounted for at cost, that is deemed to be other than temporary, results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the investment is established.

(h) Allowance for Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis generally using the present value of expected future cash flows discounted at the loan's effective interest rate.

(i) Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation, calculated on the straight-line method, is charged to operations over the estimated useful lives of assets.

(j) Employees' Severance Indemnities

The Corporation accrues for employees' severance indemnities in accordance with the Corporation's personnel regulations and the Partial Reform of the Organic Labor Law of the Republic of Venezuela, which establish that employees are entitled to an indemnity upon the termination of employment, equivalent to five days remuneration for each month of service, plus two days for each year of service up to a maximum of 30 days, commencing from the second year. Under certain circumstances the reformed law also provides for the payment for unjustified dismissal. The accrual is presented net of advances and interest is paid annually on the outstanding balance.

(k) Derivative Instruments and Hedging Activities

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities." In June 2000, the FASB issued SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activity, an Amendment of SFAS 133." SFAS No.133 and SFAS No. 138 require that all derivative instruments be recorded on the balance sheet at their respective fair values. SFAS No. 133 and SFAS No. 138 are effective for all fiscal quarters of all fiscal years beginning after June 30, 2000; the Corporation adopted SFAS No. 133 and SFAS No. 138 on January 1, 2001. In accordance with the transition provisions of SFAS133, the Corporation recorded a cumulative-effect-type adjustment of US$307,410 charged to income to recognize at fair value all derivative contracts that were previously designated as fair value hedging instruments.

All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the Corporation designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or a foreign-currency fair-value or cash-flow hedge ("foreign currency" hedge). The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Corporation discontinues hedge accounting prospectively.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, until income is affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either income or other comprehensive income, depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge.

The Corporation discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised, the derivative is designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Corporation continues to carry the derivative on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Corporation continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Corporation continues to carry the derivative on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in income. In all other situations in which hedge accounting is discontinued, the Corporation continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in income.

For the year ended December 31, 2000, prior to the adoption of SFAS No 133, the Corporation entered into interest rate and foreign exchange swap agreements to reduce its exposure to market risks from changing interest and foreign exchange rates. For these swaps, the differential to be paid or received was accrued and recognized in the statement of income. If a swap was terminated prior to its maturity, the gain or loss was recognized over the remaining original life of the swap if the item hedged remained outstanding, or immediately, if the item hedged did not remain outstanding. If the swap was not terminated prior to maturity, but the underlying hedged item was no longer outstanding, the interest rate swap was marked to market and any unrealized gain or loss was recognized immediately.

(2) Deposits with Banks

Deposits with banks mature in three months or less and include the following (in thousands of U.S. dollars):

	December 31, 2001	2000
U.S. dollars	599,557	420,674
Other currencies	7,408	7,953
	606,965	428,627

(3) Marketable Securities

Trading securities

A summary of trading securities follows (in thousands of U.S. dollars):

At December 31, 2001	Amount	Average maturity (years)	Average yield
U.S. Treasury Notes	9,042	1.83	2.49
Bonds of other governments and entities	210,484	1.30	2.91
Financial institutions and corporate securities	151,768	1.81	2.57
	371,294	1.52	2.76

At December 31, 2000			
U.S. Treasury Notes	35,686	0.38	6.22
Bonds of other governments and entities	286,080	1.38	6.69
Financial institutions and corporate securities	143,436	1.56	6.54
	465,202	1.36	6.61

Held-to-Maturity Securities

A summary of held-to-maturity securities follows (in thousands of U.S. dollars):

At Dicember 31, 2001	Amortized cost	Gross unrealized holding gains	Gross unrealized holding losses	Fair value
Bonds of other governments and entities	46,090	740	(44)	46,786
Financial institutions and corporate securities	191,916	376	(204)	192,088
	238,006	1,116	(248)	238,874

At December 31, 2000				
Bonds of other governments and entities	73,941	290	(445)	73,786
Financial institutions and corporate securities	209,276	183	(19)	209,440
	283,217	473	(464)	283,226

Held-to-maturity securities mature as follows (in thousands of U.S. dollars):

	December 31,	
	2001	2000
Remaining Maturities		
Less than one year	195,968	248,898
Between one and two years	42,038	34,319
	238,006	283,217

At December 31, 2001, the funds received from securities sold under repurchase agreements of US$33,958,000, reflected as liabilities in the balance sheet, were secured by marketable securities with a carrying value of US$34,000,000.

(4) Loans

Loans include project, trade-financing and corporate loans. Project loans relate to medium and long-term financing both in the public and private sectors of shareholder countries.

Trade-financing and corporate loans are granted to promote trading activities among member countries and with external markets, as well as to finance working capital and capital expenditure.

The majority of the loan contracts have been subscribed with the members of the Andean Community or with private institutions or companies of these countries.

Loans by country are summarized as follows (in thousands of U.S. dollars):

At December 31, 2001

	Bolivia	Colombia	Ecuador	Peru	Venezuela	Other	Total
Project	390,481	1,292,002	1,070,832	896,984	986,862	318,780	4,955,941
Trade-financing and corporate	129,356	11,695	45,957	185,100	54,123	70,460	496,691
	519,837	1,303,697	1,116,789	1,082,084	1,040,985	389,240	5,452,632
Fair value adjustments on hedging activities							2,524
Carrying value of loans							5,455,156

At December 31, 2000

Project	349,242	1,179,177	870,421	412,298	857,334	314,757	3,983,229
Trade-financing and corporate	61,868	35,945	78,337	230,507	25,612	62,736	495,005
	411,110	1,215,122	948,758	642,805	882,946	377,493	4,478,234

Fair value adjustments to the carrying value of loans represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At December 31, 2001 and 2000, loans in other currencies were granted for an equivalent of US$7,098,000 and US$12,048,000, respectively, principally in deutschemark, yen and belgian francs. At December 31, 2001 and 2000, loans include fixed interest rate loans of US$287,707,000 and US$140,248,000, respectively.

The loan portfolio composition and average yield of loans disbursed and outstanding are summarized below (in thousands of U.S. dollars):

	December 31, 2001		December 31, 2000	
	Amount	Average yield (%)	Amount	Average yield (%)
Project	4,955,941	5.73	3,983,229	9.38
Trade-financing and corporate	496,691	4.90	495,005	8.87
	5,452,632	5.66	4,478,234	9.32

Loans by industry segments are as follows (in thousands of U.S. dollars):

	2001	%	2000	%
Agriculture, hunting and forestry	192,864	4	241,626	5
Exploitation of mines and quarries	4,320	1	37,630	1
Manufacturing industry	305,134	6	264,376	6
Supply of electricity, gas and water	1,052,496	19	890,064	20
Transport, warehousing and communications	1,419,747	26	1,208,857	27
Commercial banks	676,297	12	360,764	8
Development banks	489,925	9	638,426	14
Social and other infrastructure programs	933,194	17	585,537	13
Other activities	378,655	6	250,954	6
	5,452,632	100	4,478,234	100

Loans mature as follows (in thousands of U.S. dollars):

	December 31,	
Remaining maturities	2001	2000
Less than one year	863,080	775,584
Between one and two years	697,335	615,749
Between two and three years	674,770	586,514
Between three and four years	745,473	657,167
Between four and five years	738,981	636,525
Over five years	1,732,993	1,206,695
	5,452,632	4,478,234

At December 31, 2001 and 2000, the carrying value of impaired loans was approximately US$65,315,000 and US$72,201,000, respectively. The average recorded investment in impaired loans during the years ended December 31, 2001 and 2000 was approximately US$78,665,000 and US$72,557,000, respectively.

Non-accrual loans (see note 1(f)) at December 31, 2001 and 2000 amounted to US$33,792,000 and US$36,166,000, respectively. Had these loans not been in non-accrual status, income for the years ended December 31, 2001 and 2000 would have increased by US$3,624,000 and US$4,596,000, respectively. During the years ended December 31, 2001 and 2000, there were interest collections against non-accrual loans amounting to US$3,408,000 and US$3,378,000, respectively.

Loan Participations and A/B Loans

During 2000, the Corporation received funds from commercial banks amounting to US$20,767,000, for loans which were sold by the Corporation to the banks without recourse. These participations are administered by the Corporation on behalf of the participants.

Also, the Corporation administers loan participations provided to clients, and assumes the credit risk only for that portion of the loan corresponding to the Corporation. During 2001 and 2000, the Corporation administered loans of this nature whereby other financial institutions provided funds amounting to US$525,000,000 and US$102,063,000, respectively.

Allowance for Losses

Movements of the allowance for losses follow (in thousands of U.S. dollars):

	December 31,	
	2001	**2000**
Balances at beginning of year	153,757	129,082
Provision charged to results of operations	38,756	47,745
Recoveries	64	493
Loans charged off	(15,612)	(23,563)
Balances at end of year	176,965	153,757

(5) Equity Investments

A summary of equity investments follows (in thousands of U.S. dollars):

	December 31,	
	2001	**2000**
Direct investments in companies (including investments accounted for using the equity method of US$7,182 and US$6,062, at December 31, 2001 and 2000, respectively)	20,099	28,355
Investment companies (including investments accounted for using the equity method of US$59,896 and US$63,112, at December 31, 2001 and 2000, respectively)	100,053	102,613
	120,152	130,968

The Corporation recorded an impairment charge of US$14,244,000 and US$6,255,000 for the years ended December 31, 2001 and 2000, respectively, related to equity investments accounted for at cost.

(6) Property and Equipment

A summary of property and equipment follows (in thousands of U.S. dollars):

	December 31,	
	2001	**2000**
Buildings and improvements	23,207	21,530
Furniture and equipment	4,064	4,852
Vehicles	323	364
	27,594	26,746
Less accumulated depreciation	18,128	17,303
	9,466	9,443

Depreciation is provided for property and equipment on the straight-line method over the estimated useful lives of the respective classes of assets, as follows:

Buildings and improvements	15 years
Furniture and equipment	2 to 5 years
Vehicles	5 years

(7) Deposits

The Corporation's deposits of US$528,270,000 at December 31, 2001 (US$517,781,000 at December 31, 2000), mature in 2002.

(8) Commercial Paper

The Corporation's commercial paper of US$491,671,000 at December 31, 2001 (US$300,000,000 at December 31, 2000), mature in 2002. At December 31, 2001 and 2000, the interest rates on commercial paper ranged from 1.94% to 2.25% and from 6.65% to 6.67%, respectively.

(9) Bonds

The Corporation has placed in the international capital markets, bond issues of US$3,595,711,000 maturing through 2017. Of this amount, US$520,100,000 were issued under a Medium Term Note Programme (MTN) of which US$37,400,000 were outstanding at December 31, 2001.

An analysis of bonds follows (in thousands of U.S. dollars):

	December 31, 2001		December 31, 2000	
	Amount	Weighted average cost, after swaps (%)	Amount	Weighted average cost, after swaps (%)
U.S. dollars	1,581,888	4.29	1,399,528	7.74
Yen	379,645	4.83	224,848	8.08
Deutschemark	109,709	4.27	109,709	6.76
Italian Lire	-	-	114,528	6.88
Euros	491,260	3.40	491,260	8.00
	2,562,502		2,339,873	
Fair value adjustments on hedging activities	76		-	
Carrying value of bonds	2,562,578		2,339,873	

Fair value adjustments to the carrying value of bonds represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

A summary of the bonds issued, by remaining maturities, follows (in thousands of U.S. dollars):

	December 31,	
Remaining maturities	**2001**	**2000**
Less than one year	315,942	302,854
Between one and two years	490,077	315,992
Between two and three years	541,720	489,877
Between three and four years	541,425	518,000
Between four and five years	201,613	541,425
Over five years	471,725	171,725
	2,562,502	2,339,873

At December 31, 2001 and 2000, fixed interest rate bonds amounted to US$2,455,614,000 and US$2,054,001,000, respectively, of which US$980,614,000 and US$779,000,000, respectively, are denominated in yen, deutschemark and euros in 2001 and 2000.

(10) Borrowings and Other Obligations

An analysis of borrowings and other obligations and weighted average cost, follows (in thousands of U.S. dollars):

	December 31, 2001		December 31, 2000	
	Amount	Weighted average cost, after swaps (%)	Amount	Weighted average cost, after swaps (%)
U.S. dollars	435,966	3.57	430,995	7.12
Deutschemark	1,820	5.50	2,264	5.50
Yen	52,182	4.06	42,220	7.35
Units of account - Inter - American Development Bank	-	-	301	6.36
Other currencies	14,407	6.10	19,483	6.89
	504,375		495,263	
Fair value adjustments on hedging activities	7,373		-	
Carrying value of borrowings and other obligations	511,748		495,263	

Fair value adjustments to the carrying value of borrowings and other obligations represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At December 31, 2001 and 2000, there are fixed interest - bearing borrowings and other obligations amounting to US$101,414,000 and US$86,965,000, respectively.

Borrowings and other obligations, by remaining maturities, are summarized below (in thousands of U.S. dollars):

	December 31, 2001	2000
Less than one year	114,443	110,952
Between one and two years	103,472	104,427
Between two and three years	61,239	79,728
Between three and four years	35,833	49,237
Between four and five years	30,607	30,665
Over five years	158,781	120,254
	504,375	495,263

Some borrowing agreements contain covenants restricting the use of the funds for specific purposes or projects.

At December 31, 2001 and 2000 there were unused term credit facilities amounting to US$120,000,000 and US$180,000,000, respectively.

(11) Accrued Expenses and Other Liabilities

At December 31, 2001 and 2000, the accrual for employees' savings plan funds amounts to US$7,838,000 and US$6,917,000, net of advances of US$4,312,000 and US$3,639,000, respectively.

The employees' savings plan consists of contributions made by the employees and by the Corporation, as established in the Corporation's personnel regulations. Such funds are maintained within the Corporation and interest is accrued on the balance of such funds. The Corporation's contributions to this fund amounted to US$1,311,000 and US$1,255,000, for the years ended December 31, 2001 and 2000, respectively.

At December 31, 2001 and 2000, the accrual for employees' benefits amounted to US$6,393,000 and US$4,914,000, net of advances of US$4,453,000 and US$3,368,000, respectively.

At December 31, 2001 and 2000, total employees were 260 and 252, respectively.

(12) Stockholders' Equity

Authorized Capital

The authorized capital of the Corporation at December 31, 2001 and 2000, amounts to US$3,000,000,000, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of the Corporation, when internal resources are inadequate.

Shares

The Corporation's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semi-public or private entities with social or public objectives of the five Andean Community member countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares grant the right of representation on the Corporation's board of one principal director and one alternate director per share. Series "A" shares have a par value of US$1,200,000.

Series "B" shares: Subscribed by the governments or public-sector institutions, semi-public or private entities and financial institutions of the five Andean Community member countries. These shares grant the right of representation on the Corporation's board of one principal director and one alternate director. Also, the commercial banks are entitled to one principal director and one alternate director on the board. Series "B" shares have a par value of US$5,000.

Series "C" shares: Subscribed by legal entities or individuals outside of the region. These shares provide for representation on the Board of Directors of the Corporation of one principal director and his respective alternate, who are elected by the holders of these shares. Series "C" shares have a par value of US$5,000.

A summary of the movement in subscribed and paid-in capital for the years ended December 31, 2001 and 2000, follows (amounts in thousands of U.S. dollars):

	Number of Shares			Amounts			
	Series A	Series B	Series C	Series A	Series B	Series C	Total
At December 31, 1999	5	164,635	6,389	6,000	823,179	31,945	861,124
Dividends in shares	-	4,727	178	-	23,635	890	24,525
Issued for cash	-	20,532	438	-	102,656	2,190	104,846
At December 31, 2000	5	189,894	7,005	6,000	949,470	35,025	990,495
Dividends in shares	-	5,341	202	-	26,705	1,010	27,715
Issued for cash	-	8,516	2,508	-	42,580	12,540	55,120
At December 31, 2001	5	203,751	9,715	6,000	1,018,755	48,575	1,073,330

Subscribed and paid-in capital is held as follows at December 31, 2001 (amounts in thousands of U.S. dollars):

	Number of Shares			Amounts			
	Series A	Series B	Series C	Series A	Series B	Series C	Total
Bolivia	1	16,124	-	1,200	80,620	-	81,820
Colombia	1	57,093	-	1,200	285,465	-	286,665
Ecuador	1	16,124	-	1,200	80,620	-	81,820
Peru	1	57,092	-	1,200	285,460	-	286,660
Venezuela	1	57,092	-	1,200	285,460	-	286,660
Brazil	-	-	4,813	-	-	24,065	24,065
Chile	-	-	245	-	-	1,225	1,225
Jamaica	-	-	82	-	-	410	410
Mexico	-	-	2,617	-	-	13,085	13,085
Paraguay	-	-	800	-	-	4,000	4,000
Panama	-	-	1,041	-	-	5,205	5,205
Trinidad & Tobago	-	-	117	-	-	585	585
Commercial banks	-	226	-	-	1,130	-	1,130
	5	203,751	9,715	6,000	1,018,755	48,575	1,073,330

At December 31, 2001, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below (amounts in thousands of U.S. dollars):

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
Stockholder	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	3,638	18,190	-	-	14,400	72,000	-	-
Colombia	12,824	64,120	-	-	50,400	252,000	-	-
Ecuador	3,638	18,190	-	-	14,400	72,000	-	-
Peru	12,826	64,130	-	-	50,400	252,000	-	-
Venezuela	12,826	64,130	-	-	50,400	252,000	-	-
Brazil	-	-	644	3,220	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Jamaica	-	-	27	135	-	-	-	-
Paraguay	-	-	227	1,135	-	-	-	-
Panama	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
	45,752	228,760	898	4,490	180,000	900,000	2,400	12,000

Subscribed and paid-in capital is held as follows at December 31, 2000 (amounts in thousands of U.S. dollars):

	Number of Shares			Amounts			
Stockholder	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Bolivia	1	15,026	-	1,200	75,130	-	76,330
Colombia	1	53,206	-	1,200	266,030	-	267,230
Ecuador	1	15,026	-	1,200	75,130	-	76,330
Peru	1	53,205	-	1,200	266,025	-	267,225
Venezuela	1	53,205	-	1,200	266,025	-	267,225
Brazil	-	-	2,865	-	-	14,325	14,325
Chile	-	-	238	-	-	1,190	1,190
Jamaica	-	-	80	-	-	400	400
Mexico	-	-	2,546	-	-	12,730	12,730
Paraguay	-	-	527	-	-	2,635	2,635
Panama	-	-	635	-	-	3,175	3,175
Trinidad & Tobago	-	-	114	-	-	570	570
Commercial banks	-	226	-	-	1,130	-	1,130
	5	189,894	7,005	6,000	949,470	35,025	990,495

At December 31, 2000, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below (amounts in thousands of U.S. dollars):

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
Stockholder	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	4,308	21,540	-	-	14,400	72,000	-	-
Colombia	15,216	76,080	-	-	50,400	252,000	-	-
Ecuador	4,308	21,540	-	-	14,400	72,000	-	-
Peru	15,218	76,090	-	-	50,400	252,000	-	-
Venezuela	15,218	76,090	-	-	50,400	252,000	-	-
Brazil	-	-	2,512	12,560	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Jamaica	-	-	27	135	-	-	-	-
Paraguay	-	-	485	2,425	-	-	-	-
Panama	-	-	382	1,910	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
	54,268	271,340	3,406	17,030	180,000	900,000	2,400	12,000

General Reserve

The general reserve was set-up to cover possible contingencies. The stockholders decided to increase the reserve by US$48,307,000 and US$46,377,000 during the years ended December 31, 2001 and 2000, respectively, by appropriations from net income for the years ended December 31, 2000 and 1999, respectively.

Reserve Pursuant to Article No. 42 of the By-laws

The Corporation's by-laws establish that at least 10% of annual net income is to be allocated to a reserve fund until that fund amounts to 50% of the subscribed capital. Additional allocations may be approved by the stockholders. At the stockholders meetings in March 2001 and 2000, it was authorized to increase the reserve by US$10,700,000 and US$9,300,000, from net income for the years ended December 31, 2000 and 1999, respectively.

(13) Distributions to Stockholders

In March 2001 and 2000, the stockholders agreed to distribute US$26,000,000 and US$14,500,000, respectively, from retained earnings at December 31, 2000 and 1999, respectively, to the stockholders funds.

(14) Tax Exemptions

The Corporation is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

(15) Derivative Instruments and Hedging Activities

The Corporation seeks to match the maturities of its liabilities to the maturities of its loan portfolio. The Corporation utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. The Corporation does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rate and foreign exchange rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and, therefore, it does not possess credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is A or higher.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates and currency exchange rates. The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings subject to fixed interest rates and denominated in foreign currency into floating interest rate instruments denominated in U.S. dollars.

The Corporation assesses interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flow. The Corporation maintains risk management control systems to monitor interest rate cash flow risk attributable to both the Corporation's outstanding or forecasted debt obligations as well as the Corporation's offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Corporation's future cash flows.

The following table presents the fair value of interest rate swaps and cross-currency swaps at December 31, 2001:

	Fair value adjustments	
	Derivative assets	Derivative liabilities
Investments	-	79
Loans	-	2,524
Bonds	76	-
Borrowings and other obligations	7,373	-
	7,449	2,603

For the year ended December 31, 2001 all of the Corporations' derivatives which have been designated in hedging relationships were considered fair value hedges. The change in fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged is included in other income in the income statement. The net effect of these changes for the year ended December 31, 2001 was nil, as the Corporation uses the short-cut method to determine the fair value of its hedged financial instruments.

(16) Fair Value

The following table presents the carrying amounts and estimated fair values of the Corporations' financial instruments at December 31, 2001. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties (amounts in thousands of U.S. dollars):

	2001	
	Carrying amount	Fair value
Financial assets:		
Cash and due from banks	2,744	2,744
Deposits with banks	606,965	606,965
Marketable securities		
Trading	371,294	371,294
Held-to-maturity	238,006	238,874
Loans	5,455,156	5,465,767
Interest and commissions receivable	133,181	133,181
Derivative contracts (included in other assets)	7,449	7,449
Financial liabilities:		
Deposits	528,270	528,270
Commercial paper	491,671	491,671
Advances and short-term borrowings	670,279	670,279
Bonds	2,562,578	2,562,891
Borrowings and other obligations	511,748	514,926
Derivative contracts (included in accrued expenses and other liabilities)	2,603	2,603
Accrued interest and commissions payable	96,564	96,564

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and due from banks, deposits with banks, other assets, deposits, securities sold under repurchase agreements, commercial paper, advances and short-term borrowings, accrued interest and commissions, accrued expenses: The carrying amounts approximate fair value because of the short maturity of these instruments.

Marketable securities: The fair values of held-to-maturity securities are based on quoted market prices at the reporting date for those or similar securities. Trading securities are carried at fair value based on quoted market prices.

Loans: The Corporation is one of the few institutions that offer loans for development in the stockholder countries. A secondary market does not exist for the type of loans granted by the Corporation. As rates on variable rate loans and loan commitments are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate hedged loans is determined using the market value of the swap agreement hedging interest rate risk. For unhedged fixed rate loans, the fair value is determined using the current variable interest rate for similar loans.

Derivative assets and liabilities: Current market prices obtained from third party banks were used to estimate fair values of interest rate and foreign currency swap agreements.

Bonds, borrowings and other obligations: The fair value of bonds, borrowings and other obligations is determined using the short-cut method by applying the market price for swap agreements to determine the market price of the debt, for hedged items. The carrying amounts of unhedged debt approximate fair value when such debt is subject to variable market interest rates. For unhedged fixed interest rate debt, the fair value is determined using the current variable interest rate for similar bonds and borrowings and other obligations.

(17) Commitments and Contingencies

Commitments and contingencies include the following (in thousands of U.S. dollars):

	December 31,	
	2001	**2000**
Agreements subscribed	1,250,071	1,079,641
Lines of credit for foreign trade	1,297,270	1,408,879
Letters of credit for foreign trade	22,005	22,681
Guarantees	100,000	-
Other	27,374	37,370

These commitments and contingencies result from the normal course of the Corporation's business and are related principally to loans and loan equivalents that have been approved or committed for disbursement.

In the ordinary course of business the Corporation has entered into commitments to extend credit. Such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also based on experience, part of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the event the credit lines are not utilized, no additional cost is incurred by the Corporation.

Shareholders Assembly [1]

The Shareholders Assembly is the highest authority of CAF. Shareholders meetings can be regular -taking place once a year within ninety days following the end of the fiscal year- or Special. In both cases, the meetings are convened by the Executive President. The Assembly is composed of Series "A", "B" and "C" shareholders. Series "A" and Series "B" shares have been suscribed by the governments of the five member countries or by public, semi-public or private institutions. Series "C" shares can be suscribed by governments or public and private institutions of countries outside the Andean region. The Assembly approves the annual report of the Board of Directors, the financial statements duly audited and determines the destination of CAF's profits. It also elects the Board Members (in accordance with the provisions set forth in the Constitutive Agreement), appoints external auditors, and examines any other issues expressly submitted to it.

Board of Directors [2]

The Board of Directors consists of twelve members and their alternates. Ten of its members are elected by shareholders of Series "A" and "B" for a three-year period and can be reelected. One Director and his alternate are elected by the holders of Series "C" shares. The private banking and financial institutions of the subregion which hold Series "B" shares of the Corporation appoint one director and his alternate. The Board of Directors shall have the power to establish the policies of the Corporation and to appoint the Executive President as well as to approve credit operations, the annual expense budget, the granting of guarantees or investments, and any other operation within CAF's objectives. Approval of certain operations is delegated to the Executive Committee or to the Executive President in accordance to the rules set forth by the Board of Directors.

Executive Commitee

The Executive Committee was created by the Board of Directors in 1971. It consists of six directors appointed by Series "A" and "B" shareholders and is chaired by the Executive President. It is in charge of approving financial operations not exceeding the limits set forth by the Board of Directors.

[1] The 32th meeting of the Shareholders' Regular Assembly was held on the 30th of March of 2001.

[2] During 2001, the Board of Directors held four meetings: 30th of March, 18th of July, 2 of November and 7 of December.

Auditing Committee

The Auditing Committee was established by the Board of Directors in 1996. It consists of 4 members, two of which are directors elected by the Board, the President of the Board and CAF's Executive President. The Committee has the power to recommend the selection and hiring of external auditors as well as to consider their annual report and plan of work. It reviews, together with the external auditors the financial statements that are to be presented to the Board and Assembly for their approval.

Executive President

The Executive President is CAF's legal representative and is estrusted with the Corporation's general direction and management as well as all matters which have not been specifically entrusted to any other governing body. Likewise, he approves the strategic plans for countries and sectors, along with the institutional structures and processes under his authority, as well as transactions, the amount of which comes within the limits authorized by the Board of Directors. The Executive President is appointed for a five year period and can be reelected.

The Executive President is assisted by an Advisory Council composed of experts from the economic, business and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives.

*President of the Board of Directors (2001-2002)**

Juan Manuel Santos	*Minister of Finance, Colombia*

Series "A" Shareholders

Bolivia

Principal: Jacques Trigo	Minister of Finance
Alternate: Bernardo Requena	Viceminister of Public Investment and External Finance

Colombia

Principal: Juan Manuel Santos	Minister of Finance
Alternate: Marta Lucía Ramírez	Minister of External Trade

Ecuador

Principal: Pedro Khon	President of Corporación FinancieraNacional
Alternate: Richard Moss F.	Minister of External Trade, Industrialization and Fisheries,

Peru

Principal: Raúl Diez Canseco Terry	Minister of Industry, Tourism, Integration and International Trade
Alternate: Pedro Pablo Kuczynski G.	Minister of Economy and Finance

Venezuela

Principal: Nelson Merentes Díaz	Minister of Finance
Alternate: Jorge Giordani	Minister for Development and Planning

Series "B" Shareholders

Bolivia

Principal: Claudio Mansilla	Minister of External Trade and Investment
Alternate: Carlos Kempff Bruno	Viceminister of External Trade and Investment

Colombia

Principal: Miguel Urrutia	General Manager of Banco de la República
Alternate: Eduardo Pizano de Narváez	Minister of Economic Development

Ecuador

Principal: Carlos Julio Emanuel	Minister of Economy and Finance, Industrialization and Fisheries
Alternate: Mauricio Yépez	President of the Central Bank de Ecuador

Peru

Principal: Aurelio Loret de Mola B.	President of Corporación Financiera de Desarrollo (COFIDE)
Alternate: Kurt Burneo Faffán	Vice-Minister of Finance

Venezuela

Principal: Luisa Romero	Minister of Industry and Trade
Alternate: Antonio Giner	President of Fondo de Inversiones de Venezuela

Series "C" Shareholders

Principal: Martus Tavares	Senior Advisor to Banco Central Do Brazil
Alternate: Eduardo Mapes	Manager for Investment Promotion of Nafín, S.N.C.

Private Banks

Principal: Gustavo Marturet	President of Banco Crédito del Per·
Alternate: Julio León Prado	Manager, International Banking, Banco Mercantil Venezuela

** José Luis Lupo, Minister of Finance of Bolivia Through March 2001.*

Executive Officer	L. Enrique García
Executive Vice President	Luis Enrique Berrizbeitia
General Advisor	Luis Sánchez Masi
Chief, Legal Counsel	Fernando Dongilio
Internal Auditor	Raúl Pineda
Chief, Credit Officer	Stephen Foley
Director, Special Assets	Renny López
Director, Risk Administration	Jaime Reusche
Director, Secretariat and External Relations	Ana Mercedes Botero
Director, Corporate Communications	José Luis Ramírez
Corporate Vice President, Development	
Strategies and Chief Economist	Fidel Jaramillo
Director, Regional Integration	Carlos Zannier
Director, Sustainable Development	María Teresa Szauer
Director, Financial Market Development	Camilo Arenas
Corporate Vice President, Country Programs	Liliana Canale
Director, Country Programs	Alexis Gómez
Director, Governance and Technical Cooperation	Elvira Lupo de Velarde
Country Representative, Bolivia	José Vicente Maldonado
Country Representative, Colombia	Luis Palau
Country Representative, Ecuador	Freddy Rojas
Country Representative, Perú	Germán Jaramillo
Corporate Vice President, Infrastructure	Antonio Juan Sosa
Director, Power, Water and Project Finance	Carmen Elena Carbonell
Director, Transport, Telecommunications and Social Infrastructure	Manuel Llosa
Corporate Vice President, Industry and Financial Systems	Alfredo Solarte
Director, Investment Banking and Capital Markets	Rodrigo Navarro
Director, Development Financial Institutions	Ricardo Campins
Corporate Vice President, Chief Financial Officer	Hugo Sarmiento
Director, Financial Policy and International Issues	Félix Bergel
Director, Multilateral and Bank Financing	Fernando Infante
Director, Treasury	Eleonora Silva
Director, Accounting and Budget	Marcos Subía
Director, Operations Control	Germán Alzate
Director, Human Resources	Seyril Siegel
Director, Information Technology	Esteban Cover
Director, General Services	Jaime Caycedo

Headquarters

Venezuela
Ave. Luis Roche, Torre CAF
Altamira, Caracas - Venezuela
Teléfono: (58-212) 209.2111 (master)
Télex: 27418; 23504
Fax: (58-212) 284.5754; 284.2553
P.O. Box Carmelitas 5086
e-mail: sede@caf.com

Ofices
Bolivia
Edf. Multicentro - Torre "B", Piso 9
Calle Rosendo Gutiérrez, Esq. Ave. Arce
La Paz - Bolivia
Teléfono: (591-2) 443333 (master)
Fax: (591-2) 443.049
P.O. Box Nº 550
Télex: 2287CAFBV
e-mail: bolivia@caf.com

Colombia
Edificio Corporación Financiera de Caldas
Carrera 7ª. Nº 74-56, Piso 13
Santafé de Bogotá - Colombia
Teléfono: (57-1)313.2311 (master)
Fax: (57-1) 313.2787
Télex: 41207CAFCO
P.O. Box 17826
e-mail: colombia@caf.com

Ecuador
Edf. World Trade Center, Piso 13
Ave. 12 de Octubre Nº 1942 y Cordero
Quito - Ecuador
Teléfono: (593-2) 224.080 (master)
Fax: (593-2) 222.107
Télex: 22402 CAF-ED
P.O. Box 17-01-259
e-mail: ecuador@caf.com

Perú
Ave. Enrique Cavanal Moreyra Nº 380
Edf Torre Siglo XXI, Piso 10, Oficina 1002
San Isidro - Lima 27 - Per·
Teléfono: (51-1) 221.3566 (master)
Fax: (51-1) 221.0968
Télex 21074 PE CAF PERU
P.O. Box 18-1020, Lima 18
e-mail: peru@caf.com

Internet: www.caf.com

Photographs
Benjamín Villegas
Pablo Cuvi
Nelson Garrido
Peter MacFarren
Noel Norton
RICAR-2
Ideas Stock
CAF archive

Graphic Design
Pedro Mancilla

Electronic Composition
Preprint/Lila Centeno

Color Separations and Printing
Grupo Soluciones Gráficas-Editorial Arte

ISSN1315-9394

This annual report
has been printed
on recycled paper

Caracas, Venezuela