

*Thirty years committed
to sustainable development and regional integration*



Annual Report 2000 Corporación Andina de Fomento

Corporación Andina de Fomento (CAF) is a multilateral financial institution which supports the sustainable development of its shareholder countries and integration efforts within the region. Its shareholders are the five countries of the Andean Community: Bolivia, Colombia, Ecuador, Peru and Venezuela, as well as Brazil, Chile, Jamaica, Mexico, Panama, Paraguay, Trinidad & Tobago 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 strengthening 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.

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- Total assets increased to US\$ 5,844 billion in 2000 (US\$5.4 billion in 1999).
- Liquid assets increased to US\$ 1,179 million in 2000 (US\$1.0 million in 1999).
- The loan and investment portfolio amounted to US\$ 4,615 billion in 2000 (US\$4.2 billion in 1999).
- Shareholders' equity increased to US\$ 1,629 billion in 2000 (US\$ 1.4 billion in 1999).
- Paid-in capital grew to US\$ 990 million in 2000 (US\$ 861 million in 1999).
- Net profits increased to US\$ 107 million in 2000 (US\$ 93 million in 1999).

In 2000, CAF distinguished itself by:

- reaching its thirtieth anniversary as a sound institution of recognized international prestige that has become the leading source of external financing for the countries of the Andean Community.
- its leadership role in regional integration especially in the area of infrastructure, through the financing of studies and projects in transportation, telecommunications, energy, logistics and water becoming, together with the IDB, a principal player for the follow-up of mandates resulting from the South American Presidential Summit.
- earning an upgrade in risk rating from "A-" to "A" from Fitch which together with the ratings of other agencies confirm CAF as the highest-rated issuer in Latin America.
- being awarded the prize for "Best Multilateral in 2000" given by the review "Latin Finance," in recognition of the outstanding work it did in 2000 as issuer and catalytic agent and by virtue of the consistency of its work throughout its 30 years of existence.
- becoming the first multilateral institution to venture into the Spanish short-term note market, with a 500-million Euro program launched in Madrid, which will enable it to continue to diversify its funding sources at competitive rates;
- by forming together with the American International Group, the Latin American Investment Guarantee Corporation (LAIGC), a company geared to offer insurance against political risk and investment guarantees to financial institutions and private companies operating in Latin America and the Caribbean.
- successfully introducing new products with a high value added, such as the Partial Credit Guarantee (PCG) conceived to improve credit risk for member countries and thereby having a catalytic effect in the international financial markets.
- identifying, structuring and promoting projects –through the Latin American Carbon Program– that can qualify as reducing carbon dioxide emissions, in line with the provisions of the Kyoto Protocol on Climate Change;
- creating –in the context of cultural integration– the Andean Community Youth Symphony, convinced that culture is an important tool for human sustainable development and promotion of values that contribute to individual ethics and community participation.
- launching CAF's Prize for Technological Investigation, as a means to promote technological competitiveness in member countries and contribute to their insertion in the new economy based on knowledge and technology.

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
	EMTN	Others	245
	Total 1993-1999		2,925
Year 2000			
May	Dollars	US\$225	225
August	Commercial Paper Program	US\$400	400
November	Euros	EUR 200	173
November	Short-term Note Program (Spain)	EUR 500	421
	Total 2000		1,219
	Grand Total		4,144



**Letter from the
Executive President**

Corporación Andina de Fomento
2000 Annual Report

I am pleased to present the Annual Report and audited financial statements for fiscal year 2000.

During the period, CAF contributed to the gradual recovery of the region's economies and helped to relieve signs of social instability that had been present in several countries. In so doing, the Corporation consolidated its countercyclical role as the Andean countries' principal provider of multilateral financing, while enhancing its catalytic role with the launching of new products and services with a high value added that brought an increased diversification of funding sources into the region.

Regional integration was given a powerful impetus, particularly in relation to the development of sustainable infrastructure and logistics for South America, in line with the agreements arising out of the Presidential Summit in Brasilia. Steps were taken to increase the region's competitiveness so that it can become engaged in the globalization process in a more efficient, equitable and environmentally sustainable manner.

Special attention was also devoted to programs concerned with sustainable human development, to bolster the search for more equitable, participatory and cohesive societies.

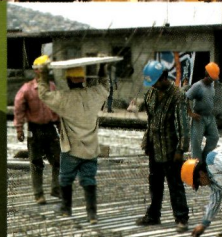
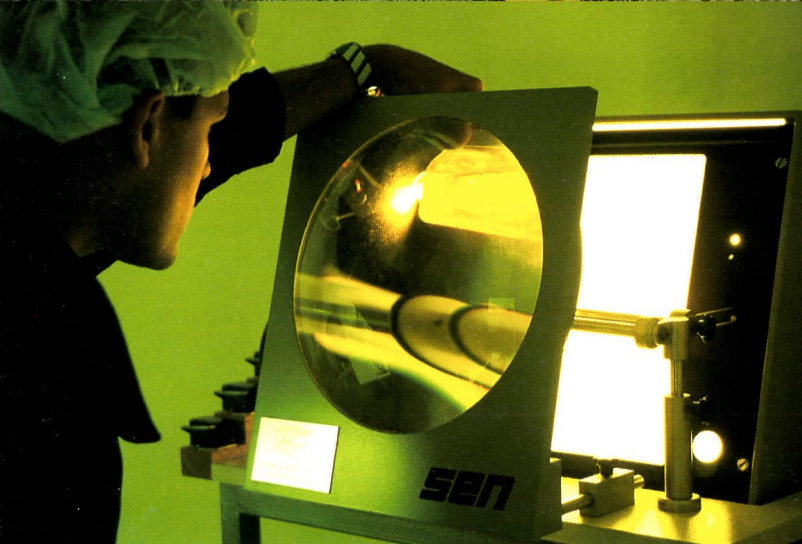
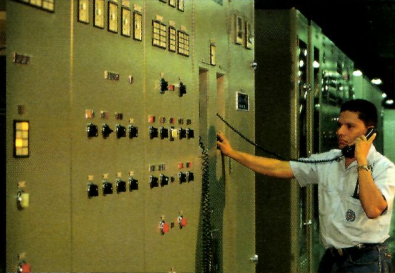
Because it again maintained highly satisfactory operating and financial indicators, CAF's risk ratings were both ratified or upgraded in 2000, thereby confirming its standing as the highest rated issuer in Latin America.

A special milestone this year came when the institution reached its thirtieth anniversary, maintaining a position of leadership in the area of regional integration –especially as liaison and channel of communication between the Andean Community and the various integration schemes in Latin America and the Caribbean.

Reaching the institutional maturity we enjoy today would not have been possible without the backing and commitment of our shareholders and members of our Board of Directors, the loyalty and trust of our clients and external financiers, and the support of CAF's entire staff. To all of them I extend my profound gratitude.



L. Enrique García
Executive President



After facing the worst recession in several decades in 1999, with a drop of 3.8% in regional GDP, the economy of the Andean countries gradually recovered in the course of 2000, as the GDP of the Andean region grew by 3.1%. It is important to note that all countries achieved positive growth rates higher than those recorded in 1999.

Improved growth conditions in the world and Latin American economies –which expanded at rates of 4.7% and 4.3%, respectively– the recovery in capital flows into the region, and the apparent improvement in terms of trade helped to underpin the rate of recovery in the economies in a year that was particularly difficult for the Andean countries, both politically and socially.

The economies of Ecuador, Venezuela and Colombia –the most critical cases in 1999– recorded substantial headway in restoring economic growth and consolidating their principal macroeconomic indicators.

Ecuador, which had recorded a decline of -7.3% in 1999, grew by 1.9% in 2000. Although economic and social problems persist, there are several positive factors that have markedly improved the economic outlook, notably the higher prices for oil, political stability, the exchange rate and monetary stability resulting from the dollarization program, and the agreements with international agencies and private creditors.

Venezuela also benefited from the higher oil prices. Following a 6.1% drop in GDP in 1999, last year saw an increase of 3.2%. Growth was built around a significant increase in public spending and investment, as well as on the dynamic behavior of such sectors as telecommunications and trade.

In Colombia, the cycle of recession also appears to have come to an end. Indeed, after declining by 4.3% in 1999, the economy grew by 3% in 2000. Apart from the high price of oil, the expansion was driven by dynamic growth in the manufacturing sectors geared to the export market, the recovery in domestic consumption, and the good performance of agriculture.

Peru and Bolivia –whose economies had been recording buoyant economic growth within a framework of stability and structural reforms– suffered a significant slowdown in 1999 but succeeded in moving ahead somewhat in 2000, in the midst of a situation of uncertainty related to political events and social protests.

Peru, despite the recent political and social instability, achieved growth of 3.6% this year after expanding by 1.4% in 1999. The high growth rate achieved in the first half of 2000, driven mainly by the manufacturing sector, offset the powerful downturn in aggregate demand in the closing semester due to the fiscal adjustment and the deterioration in investment expectations.

Bolivia achieved growth of 2.0% in 2000, compared with 0.6% recorded a year earlier; the increase was driven primarily by higher gas exports to Brazil and a variety of official programs aimed at restoring demand and economic activity.

Macroeconomic stability

The recovery in economic growth took place in a context of macroeconomic stability characterized by prudent monetary and fiscal policies. Inflation remained under control, and the financial markets showed greater stability than they had in the recent past.

Unlike the crises recorded in the 1980s, the latest cycle of recession in the Andean countries was not accompanied by inflationary events. On the contrary, the region made great strides in maintaining macroeconomic stability, which proved decisive in the downward trend recorded in its rate of inflation. In 2000, all the Andean countries except Ecuador made significant progress in their fight against inflation. Bolivia, Colombia and Peru achieved sin-

gle-digit rates of inflation, with Venezuela not far behind. For 2001 it is anticipated that Ecuador will also significantly reduce its inflation thanks to monetary and exchange rate stability. The Andean countries as a group are thus set to record average inflation in the single digits, something that has not happened in several decades.

The high oil prices were instrumental in reducing the current account and public sector imbalances. Exports from the region surged by 37%, rising from US\$44.5 billion in 1999 to US\$61 billion in 2000. However, this outcome is attributed to oil exports, which in 2000 accounted for more than 60% of the region's total external sales. Imports increased by 14%, rising from US\$34.5 billion in 1999 to around US\$39.5 billion in 2000.

As a result, the trade surplus in 2000 was in excess of US\$20 billion, while the current account surplus on the balance of payments stood at the equivalent of 4.1% of the regional GDP. This result varies as between the oil exporting countries like Venezuela and Ecuador –which showed significant surpluses– and Colombia –which was in relative equilibrium– and countries like Peru and Bolivia, which showed more sizable external deficits.

Aside from the fiscal adjustment that occurred chiefly in the economies of Colombia and Ecuador, the increase in fiscal revenues due to the high price of oil and the economic recovery helped to substantially improve the fiscal results of these two countries, as well as those of Venezuela. Looking at the Andean Community as a whole, the region went from a deficit of 3.1% in 1999 to a surplus in 2000. It is important to note that in Colombia and Venezuela the stabilization funds linked to oil revenues accumulated sizable surpluses in the past year, thereby strengthening their external accounts.

Challenges for the future

Despite these achievements, the region's economies still face structural problems that will have to be resolved if balanced and sustainable growth is to be attained. On the one hand, unemployment is still high and the labor market excessively informal, a problem that is especially acute in Colombia, Ecuador and Venezuela. Similarly, the remaining low levels of savings and investment serve to reduce the possibilities for growth in the economies and to accentuate their volatility and reliance on external financing, which continues to be both in short supply and costly.

In addition, one of the factors that have hindered faster recovery in the region's economies is the credit squeeze by the financial system, which, in most Andean countries, still reflects the aftermath of the recession and the financial crises suffered mainly in Colombia and Ecuador, though these countries have evolved favorably during the past year. In spite of a modest improvement in the indicators of the regional banking systems, consolidation of this process is a prerequisite for sustainable economic recovery and for improved risk perception of the countries and the region.

It is also vital to improve the indicators of competitiveness. According to the competitiveness index published by the World Economic Forum (WEF), the Andean countries on average rank 53rd out of the 59 countries surveyed. Four of the five countries rank among the last ten. It is disturbing that, quite apart from these relatively low standings, the situation has actually been worsening in recent years, dropping in rank from 50th in 1999 to 53rd in 2000.

The WEF index analyzes a number of factors that determine how competitive a country is. Specifically, it includes indicators for finance, trade and financial openness, labor force, infrastructure, technology, institutions, and government. Unfortunately, the region scores very poorly in each of these components. On key issues for the new economy, such as the technology component, the Andean countries even appear to be in an inferior position. Other components of the competitiveness index are similarly worrisome and under-

score the region's institutional and financial fragility, as well as weaknesses in the quality of its human capital and infrastructure.

Faced with this situation, the challenge facing the Andean countries is to improve their competitive position vigorously, to make a "quality leap" toward productive processes that rely on technology and know-how, reduce their reliance on the exploitation of natural resources, and integrate their economies and markets in a productive manner, all as part of a process that makes it possible to consolidate regional integration, and take advantage of the opportunities afforded by globalization and the information and communications technology.

Andean Community: Macroeconomic Indicators 2000

	1996	1997	1998	1999	2000
GDP growth (%)	1.4	5.1	0.2	-3.8	3.1
Inflation (%)	30.0	19.2	19.2	17.6	20.4
Total external debt (US\$ millions)	117,794	116,387	119,653	117,855	112,828
Net international reserves (US\$ millions)	33,291	38,893	34,283	33,139	35,460
Foreign direct investment (US\$ millions)	8,589	12,933	10,201	7,279	7,060
Exports (US\$ millions)	46,296	48,772	40,078	44,464	60,957
Imports (US\$ millions)	36,012	42,668	43,286	34,522	39,483
Balance of trade (US\$ millions)	10,284	6,104	-3,208	9,942	21,474
Current account (US\$ millions)	421	-6,726	-14,938	2,211	12,292

Andean Community: Macroeconomic Indicators 2000

	Bolivia	Colombia	Ecuador	Perú	Venezuela
GDP growth (%)	2.0	3.0	1.9	3.6	3.2
Inflation (%)	3.4	8.8	91.0	3.7	13.4
Total external debt (US\$ millions)	6,072	35,973	13,458	27,500	29,825
Net international reserves (US\$ millions)	1,096	9,005	1,180	8,180	15,999
Foreign direct investment (US\$ millions)	699	1,181	741	650	3,789
Exports (US\$ millions)	1,261	13,786	4,822	7,050	34,038
Imports (US\$ millions)	1,635	11,180	3,195	7,400	16,073
Balance of trade (US\$ millions)	-374	2606	1,627	-350	17,965
Current account (US\$ millions)	-473	179	821	-1,600	13,365

Source: Economic Studies Unit, CAF.

Regional integration

During the year, in spite of the different economic and political difficulties they faced, the countries of Latin America and the Caribbean pursued their integration efforts and processes just as vigorously as they have since the early 1990s. Moreover, they attached special importance to strengthening their ties to the countries of the hemisphere and the European Union.

The most significant event for Latin American integration took place in Brasilia (31/Aug.-1/Sep.), which was the venue –at the invitation of the President of Brazil, Fernando Henrique Cardoso– for the historic meeting of the twelve Heads of State of South America that was to give a higher dimension to the building of a broad shared area of democracy, peace, justice and prosperity.

The Brasilia Summit was an event of great significance and unique in the history of South America. The Presidents reached important understandings on topics such as the consolidation of democracy; the expansion of regional trade, by setting 2002 as the dead-

line for establishing a free trade area between Mercosur and ACN; and the commitment to expand the physical infrastructure for integration, taking greater advantage of South American complementarities. In this connection –and as a product of this meeting– CAF, IDB and Fonplata drafted a *Plan of action for integrating South America's regional infrastructure*, which consolidates this initiative and sets out the mechanisms for its implementation and monitoring.

In addition, a decision was taken to focus efforts on fighting money laundering by creating a *South American Financial Action Group*, as well as to intensify cooperative measures to curb such illegal activities as drug trafficking, organized crime, violence and corruption. Commitment to education was also recognized through the formation of a *South American Science and Technology Fund*, as a means of tapping into the technology patterns of the knowledge economy, an indispensable tool in building a more prosperous future.

As far as the Andean Community is concerned, during 2000 –in spite of the political crisis afflicting its member countries –intraregional trade showed a sharp recovery to reach an annual increase of 27%, rising to US\$5.021 billion.

The Twelfth Andean Presidential Council (Lima, Peru, 9-10/Jun.) reaffirmed its commitments to the Andean integration project and emphasized that its deepening would help to meet development needs and achieve a dynamic and profitable insertion into the international arena. At this meeting the Presidential Council expressed “its gratification that this day marks the 30th anniversary of the founding of the Andean Development Corporation –the financial arm of Andean integration– which stands as one of the most important and prestigious institutions in Latin America and a key agency in financing the economic and social development of its member countries.”

With respect to trade negotiations with third countries, during 2000 ACN broadened the preferential tariff agreement signed with Brazil in 1999 and signed a similar one with Argentina. ACN opened trade talks with the Northern Central American triangle (Guatemala, Honduras and El Salvador), as well as with the Caribbean Community (Caricom). A process of analysis and studies was launched with the European Union, with an eye to a new association that would include a free trade agreement and deepening of the current political and cooperative dialogue.

Mercosur, for its part, continued during the year successfully facing the difficulties resulting from the international situation of earlier years, and made substantial progress in both political and economic terms. Indeed, agreement was reached on the common automotive regime that regulates about one-fourth of the trade in the bloc, and for the first time it was agreed to coordinate macroeconomic policies by setting maximum parameters for inflation, public debt/GDP, and fiscal deficits, which represents an important step towards economic convergence.

At the Twelfth Meeting of the Common Market Council (Florianópolis, Brazil, 14-15/Dec.), the Presidents of the States Parties reiterated that the strategic and central objective of Mercosur is to consolidate the customs union and build up the common market within a framework of open regionalism. They emphasized the importance of institutional strengthening and of devising appropriate instruments to allow Mercosur to proceed in a joint manner on unfair trade practices by third countries. They reaffirmed that regional integration and South-South trade are compatible with the Multilateral Trade System and help to expand world trade and gain access for their economies to international markets. They also broadened their working agenda to include social issues.

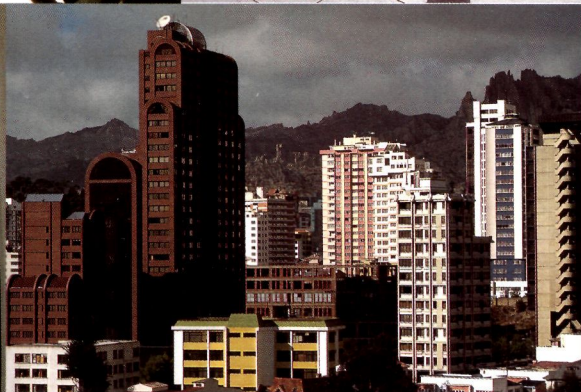
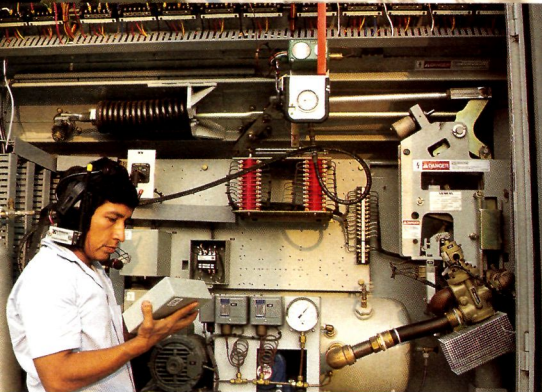
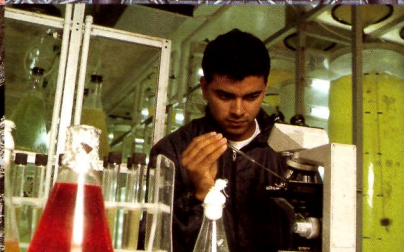
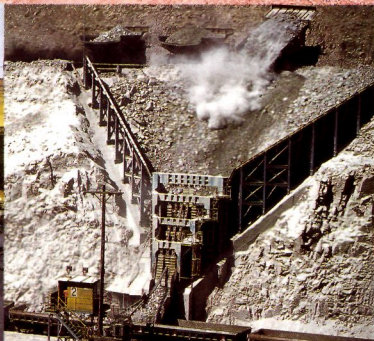
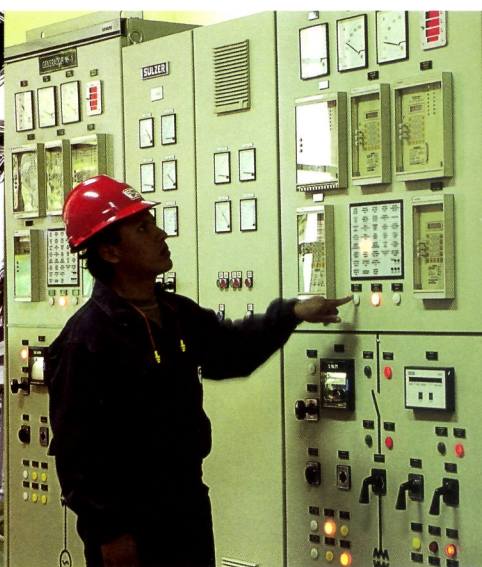
In the area of trade agreements with other countries and regions, particular attention is drawn to the intense efforts undertaken by Mercosur with the European Union, the

Andean Community, FTAA, Mexico, South Africa, and the European Free Trade Association (EFTA).

Within the hemisphere, 2000 was also a year of intense activity in terms of preparatory and negotiating meetings to form the Free Trade Area of the Americas (FTAA), especially preparing for the 3rd Summit of the Americas to be held in Quebec in April 2001. Indeed, the Trade Negotiations Committee steered the work of the nine negotiating groups and the other groups and special committees set up by the Declaration of San José (March 1998). The year 2000 brought the most important achievement in this integration process since negotiations began in 1994, with completion of an initial draft of the FTAA Agreement.

With respect to the policy of regional cooperation and consensus-building, the Rio Group continued to work intensively throughout the year and was strengthened by the individual participation -for the first time- of the Member States of Central America following the 14th Meeting of Heads of State and Government of the Rio Group, held in Cartagena de Indias, Colombia. In addition, taking advantage of the new President of Mexico, Vicente Fox, the leaders of the three countries that make up the G3 -Mexico, Colombia and Venezuela- undertook to reactivate the Group and agreed to call a meeting of foreign ministers early the following year.

In the Caribbean, meetings included the Conference of Heads of State and Government of CARICOM and the 6th Ordinary Meeting of the Council of Ministers of the Association of Caribbean States, at San Pedro Sula, Honduras; at the latter, firm support was given to strengthening economic and trade relations among member countries and the other countries of Latin America and the Caribbean.



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 competitiveness, 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 develop 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, underwriting 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;
- assists companies and banks in accessing local and international capital markets;
- 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 cofinancing 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.

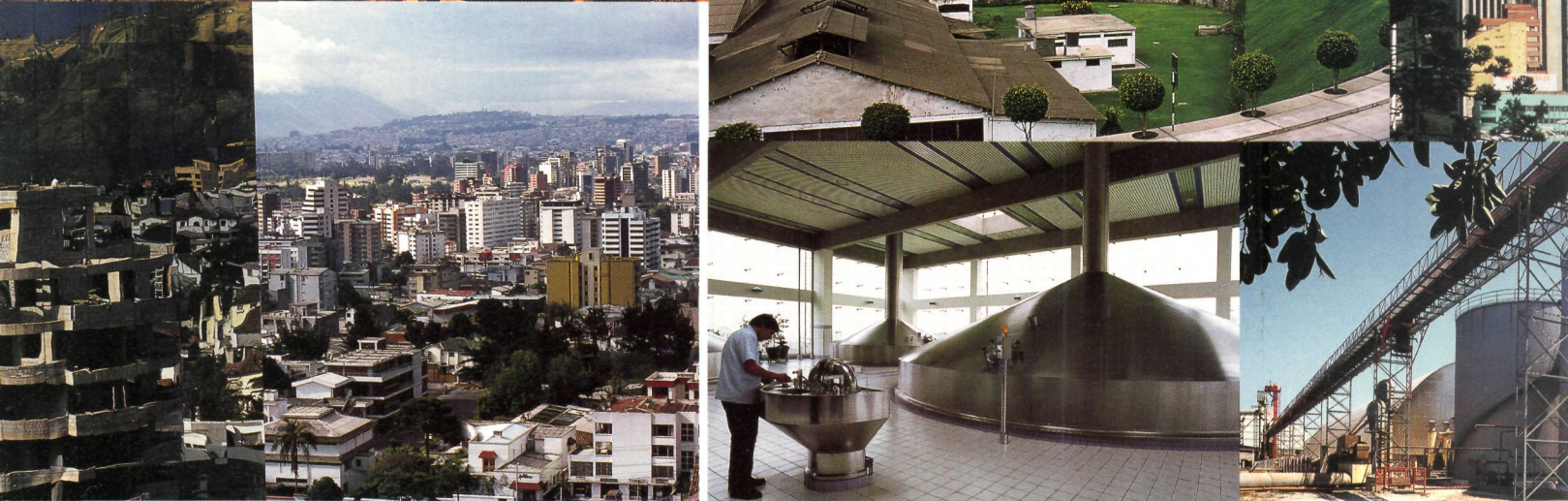
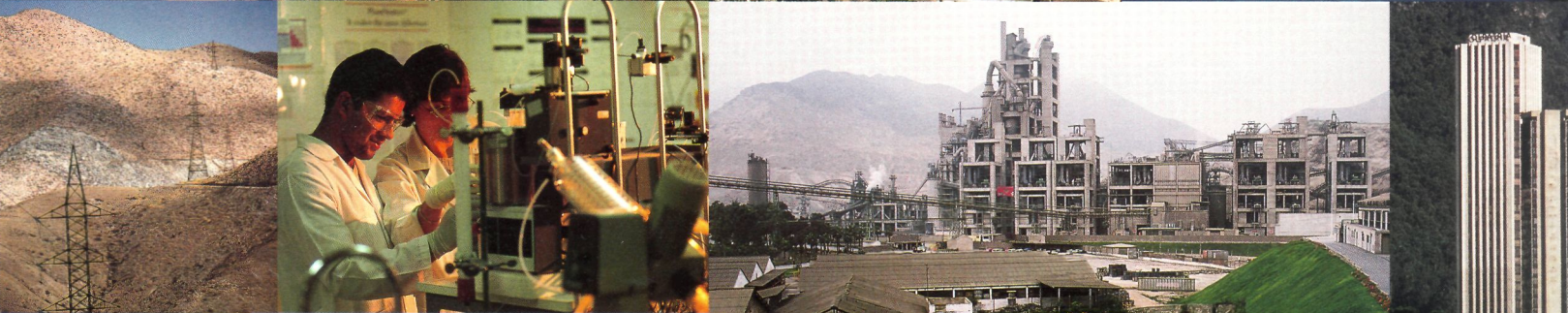
Community projects for low-income rural sectors

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.



With an internal organizational platform attuned to the exigencies of the new world environment –characterized by the globalization of economies and by competitiveness– CAF reached its thirtieth year of operations in full command of its mission to support sustainable development of its shareholder countries and regional integration, by directing all its efforts to achieving an economically viable, socially equitable and ecologically sustainable environment.

Within the on-going process of structural change of the region's economies, CAF's participation transcends the confines of strictly financial management to encompass a broad spectrum of activities which include support for microeconomic reforms, institutional strengthening, and support for the improvement of social indicators, its goal being to work together with the countries on all fronts to achieve the levels of competitiveness and equity required for sustainable development.

At the same time, CAF is aware of the need for the countries to participate in the new world order based on knowledge, information, and competitiveness and to be less prone to the external shocks that wash over the region in cycles –like the repercussions from international financial crises, or natural tragedies–. In this regard, the Corporation also supports technological development, the creation of related-industry chains, the entry of companies into the ecoefficiency revolution, the strengthening of financial systems and capital markets, the attainment of greater effectiveness and transparency in government, the transformation of productive structures with emphasis on the development of micro- and small-sized companies, the prevention and mitigation of natural disasters, as well as a series of productive and innovative projects related to sustainable human development and social equity for the benefit of the most disadvantaged.

One of the main challenges facing the region today is the need for competitiveness improvement, which depends largely on the development of infrastructure and logistics. In this respect, CAF is working diligently to help create an appropriate environment for private sector participation and increase of direct investment.

Moreover, the Corporation is promoting, organizing and sponsoring a series of events that support investigative and critical thought, in order to identify the required solutions and to promote it internationally. It also offers, periodic publications which provide a conceptual framework of new approaches and solutions to the region's problems.

Key areas

Institutional support and regional promotion

The following were among the main projects designed for institutional strengthening and increased competitiveness in the economies of its member countries, as well as to promote the region internationally:

- CAF's participation in the XII Meeting of the Andean Presidential Council and the Summit of South American Presidents, especially on the subject of the physical integration of South America.
- Support to two exhaustive studies on the importance of physical integration of the continent and the need to increase competitiveness of the Andean region and South America: *Diagnosis of international transportation and its infrastructure in South America*, on multimodal transportation; and *Current situation and prospects of international freight transportation by road in the Andean Community*.
- Support to the governments of the Andean countries in identifying, designing and implementing the reforms required to modernize the State and in defining the legal and regulatory frameworks needed for its implementation.

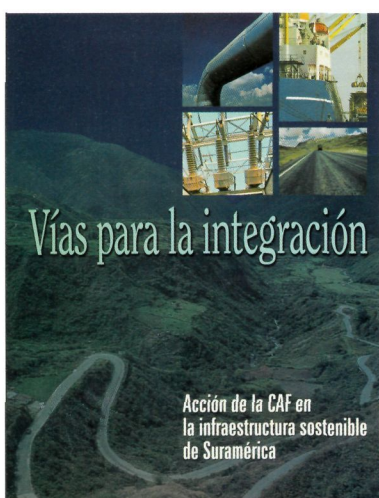
- The in-depth analysis of major strategic programs, such as:
 - the *Kemmerer Program of technical cooperation for regulatory agencies*, which is playing an effective role in strengthening the region's financial and regulatory systems, through such special projects as the *Standardization of Prudential Criteria*, whose goal is to harmonize the principal standards, policies and procedures of the Andean countries;
 - the *Latin American Carbon Program (PLAC)*, under which important corporate workshops have been held in several shareholder countries and support has been provided for government programs on climate change initiatives;
 - the *Andean Competitiveness Program (PAC)*, created to set priorities, generate strategies and develop specific initiatives to reinforce the region's competitiveness in the world economy by supporting each country's efforts to date in the area of competitiveness.

- The organization and/or sponsoring of a series of forums, seminars and conferences –all with a strong emphasis on integration and with comprehensive coverage of economic, social and environmental concerns– designed to promote the region to international investors and to stimulate interaction between them and the public and private sectors in shareholder countries. Discussion at these forums centered on such issues as stability and economic growth, the generation of domestic savings and investments, institutional strengthening, policy reforms and governance, modernization of the State, ethical values, strengthening of democracy and of physical infrastructure to enhance the competitiveness of the economies, the role of the media in the integration process, environmental preservation in the design of long-term strategies, the quest for greater social equity, culture as a tool for human development, along with other topics designed to provide food for thought for eminent thinkers, personalities from the academic world, and decision makers, thereby helping to devise new tools and strategies for integration and providing room for networking and interaction. Foremost among these events were:
 - The public launch in New Orleans, USA, of the Latin American Investment Guarantee Company Ltd. (*LAIGC- Compañía Latinoamericana de Garantías de Inversiones*), set up through a partnership between CAF and AIG Global Trade & Political Risk Insurance Company to offer insurance against political risk and investment guarantees to financial institutions and private companies operating in Latin America and the Caribbean.
 - The seminar held at CAF headquarters, with support from the Institute for European-Latin American Relations (IRELA) and Dresdner Bank Lateinamerika AG, which analyzed the experience of the European Union and particularly the beginning of the Euro, and its lessons for the integration process in Latin America, which was attended by European and Latinoamerican experts on matters of economic, banking and integration policy.
 - The organization, jointly with Inter-American Dialogue and the Organization of American States, of the *Fourth Annual Conference on Trade and Investment in the Americas*, a forum held in Washington that proved an important platform for discussing and analyzing the evolution and development of economic and political matters of vital importance to the region and to the American hemisphere.

- The publication of four books on sustainable infrastructure and logistics, containing studies that are regional in scope and integration –oriented to promote joint action and support. They identify priority infrastructure projects in various sectors, carry out diagnoses that provide benchmarks for the current situation –including vulnerabilities to natural disasters– and map out potential future scenarios.



- *Energy without borders: power integration in South America*, analyzes the creation of an integrated power market or possible submarkets, to optimize the use of energy resources available from hydroelectricity and natural gas, and to identify the energy corridors that would allow such markets to function physically.
- *Roads to integration: CAF's work on sustainable infrastructure in South America*, a book which summarizes the work that both the Corporation and the governments are doing in terms of infrastructure to integrate the region, particularly in road, river, rail, maritime and air transportation, as well as in telecommunications, electricity and gas; it also identifies proposals to solve the main challenges they face. This publication was presented very successfully at the Presidential Summit in Brasilia.
- *The lessons of El Niño: reports on the El Niño phenomenon, 1997-1998. Challenges and proposals for the Andean region*. A series of six volumes on the magnitude of the severe changes caused by this atmospheric phenomenon, including their socio-economic impacts and a quantification of their direct and macroeconomic damage, as well as the policies aimed at reducing vulnerabilities. This year saw the publication of Volumes IV on Ecuador and V on Peru.



- The first step toward exploring the possibilities of expanding trade relations between the Russian Federation and the Andean Community of Nations (ACN), in addition to CAF's participation in a seminar at which, apart from forging closer relations between the ACN and that country, attention was focused on the need to identify the concrete potential of Andean exports to Russia and the possible organization of a meeting for entrepreneurs to identify specific business deals.

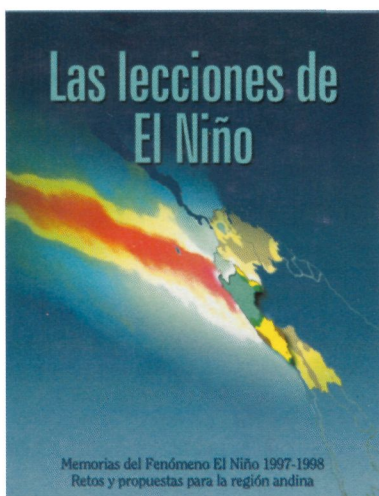
Achievements in 2000 in the area of infrastructure

In a year when the region faced great difficulties, CAF mounted a successful counter-cyclical effort to support its shareholder countries decisively by providing the financing needed to construct priority infrastructure works in each country. Thus, major transportation, telecommunications, power and water projects in each member country became a reality or advanced further toward completion, thanks to the catalytic support of CAF, which mobilized resources totaling US\$3 billion.

CAF was invited to participate as a special guest in the Presidential Summit in Brasilia to contribute its valuable experience in the area of planning, developing and financing integration infrastructure projects in South America; financing over the last five years has amounted to US\$5 billion. In addition, the Corporation conducted and published studies on each country in South America to identify the principal axes for integration and development with its neighbors; these were presented to the Presidents gathered at the Summit and at subsequent meetings to the ministers of infrastructure. In this connection, the institution put forward proposals involving these integration axes including strategies for their development, organizational outlines for their management and monitoring, and innovative structures for financing projects with private-sector participation. They were favorably received by the presidents and ministers.

A special highlight was CAF's active participation in the Conference of South American Ministers of Transportation and Communications held in Montevideo, Uruguay, in December 2000 in view of its leading role in defining the continent's road integration axes, its financial support to its technical studies, and the coordination, steering and monitoring of the process.

Conscious of the need to combine resources and efforts to contend with the enormous challenge of developing the region's integration infrastructure, CAF drew on its full leader-



ship and organizational ability to bring about the creation of the *Technical Coordinating Committee (CCT)* of the three banks that operate in South America –IDB, CAF and FONPLATA–. As a result, the CCT was formed by the presidents of the three multilaterals, in coordination with the infrastructure ministers. CAF was instrumental in arranging for this committee to present at the meeting a *Plan of action for developing South America's regional integration infrastructure*, which was approved by the ministers and will be implemented in 2001, with the full support of the Corporation.

In addition, a total of US\$900.9 billion was approved during the year to finance infrastructure, in particular transportation, telecommunications, energy, water, oil, and social infrastructure, which was equivalent to 38% of all operations approved by CAF.

In view of its importance to infrastructure and the amount approved,* mention must be made of the support provided by CAF to the multisectoral investment programs in the public sector of Colombia and Peru. Two loans were approved for Colombia, one of US\$162 million to finance the *Roads for Peace Transportation Program* and the second for US\$200 million in support of the *1998-2002 Public investment plan*, while Peru was given a US\$250-million loan to finance the *2000-2001 Multisectoral public investment program*.

Ecuador was granted two loans, each for US\$25 million. The first was to finance the *Border infrastructure program*, which forms part of the binational plan to develop the Peru-Ecuador border region, and the second went to finance the Plan Esperanza II, to be executed by the Ecuadoran Episcopal Conference. Similarly, Bolivia received a US\$45-million loan to support execution of the *Financial realignment Plan* approved by the government to support local authorities.

For its part, the transportation sector received US\$65 million in CAF funding for three projects. Two of them were for Bolivia: one to finance the *Emergency Road Infrastructure Program* and the other to support the private sector, granted to Empresa Ferroviaria Oriental S.A., while the third loan was approved for Venezuela, specifically for Line 4 of the Caracas metro.

In the telecommunications sector, a loan was approved to Cooperativa Mixta de Teléfonos de Cochabamba (COMTECO), Bolivia, to finance the *Personal mobile communications* project, while in the water and sanitation sector a US\$20-million loan was approved for Venezuela for the *Waste-water treatment systems in the Lake Valencia watershed* project.

The energy sector received resources totaling US\$100 million under the A/B loan arrangement to support the Plan for Investments in Transmission of Venezuela's C.V.G. Electrificación del Caroní C.A. (EDELCA). In addition, the oil and gas sector received an A/B loan of US\$180 million to assist a private oil company, Empresa Petrolera Andina S.A., in Bolivia.

CAF also made non-reimbursable technical cooperation resources available to support infrastructure programs. In Bolivia, it supported the feasibility study for the Puerto Suárez river project; in Colombia, two operations were approved: one for the Ministry of Economic Development to improve the corporate management of the potable water and sanitation sector, and the other for the Ministry of Transportation to hold the seminar *Significant savings in highway construction*; in Ecuador and Peru, funding was provided for the respective committees of the *Binational plan to develop the Peru-Ecuador border region*, and in Venezuela support was given to the national government to assist the process of reconstruction in the State of Vargas. At the multinational level, several operations were approved, foremost among which were the *CAF plan of action to integrate South America's highways* and support for the Paraguay-Paraná Hidrovía.

* The description of these infrastructure projects can be found in sections Operations by Country (pages 41-56) and Operations Approvals (pages 80-91)



- 1 Eje del Cono Sur
- 2 Eje Andino
- 3 Eje Brasil-Bolivia-Perú-Chile
- 4 Eje Venezuela-Brasil-Guyana-Suriname
- 5 Eje Multimodal Orinoco-Amazonas-Plata
- 6 Eje Multimodal del Amazonas
- 7 Logística Marítima del Atlántico
- 8 Logística Marítima del Pacífico
- 9 Eje Neuquén-Concepción
- 10 Eje Porto Alegre-Jujuy-Antofagasta
- 11 Eje Bolivia-Paraguay-Brasil
- 12 Eje Perú-Brasil

Eje-00 EJES DE INTEGRACION EN AMERICA DEL SUR

Carretera pavimentada	—	Capital de país	●	Ferrocarril existente	—
Carretera sin pavimentar	—	Capital de provincia	⊙	Ferrocarril proyecto	—
Carretera proyecto	—	Ciudad o pueblo	○	Ríos	—
Eje priorizado	—	Límite de país	—	Puerto	⚓



Finally, it should be highlighted that the initial phase of the *Andean Regional Program for Risk Prevention and Mitigation (PREANDINO)* got under way; this strategic project will generate institutional capacity to prevent disasters through resort to horizontal cooperation among nations.

Andean Competitiveness Project (PAC)

This project –set up in 1999 with the core objectives of improving the competitiveness of the Andean countries and promoting their integration into the world economy– focused its efforts this year in three areas: information technology, foreign direct investment, and competitiveness indicators. Work also started on projects dealing with the vulnerability of countries to external shocks, the sustainable use of natural resources, and the costs incurred by companies to comply with environmental regulations. This work was carried out both with researchers from the Harvard Center for International Development and with research institutes in each of the Andean countries.

The PAC's information technology area seeks to evaluate the current situation of this sector in each country and to make specific recommendations for improvements. In this respect, the project has made a great effort to evaluate what each country needs to do to prepare for an interconnected world, in terms of access, educational systems, integration of information technology in society, its use in companies and government departments, and the existence of public policies on the subject. It should be emphasized that there is evidence in every country that genuine efforts are being made to increase the use of information technologies in both public and private sectors.

As far as foreign direct investment is concerned, representatives from all economic sectors, governments, and civil society agree that its promotion is vital to the Andean countries. ACP members have therefore focused their efforts on identifying and understanding the factors that influence decisions by foreign companies on where to invest. The universities involved in the ACP have been conducting surveys among major companies that have invested in the region. Preliminary findings show a significant growth in investment flows during the 1990s in the five Andean countries, but most of this investment has been earmarked to cater to the domestic markets and the export of raw materials. The results of these surveys will also be helpful in identifying the factors that discourage other kinds of direct foreign investment, for example, that geared to the export of manufactured goods.

Since the ability to measure competitiveness can be key to solving these problems, PAC has also been investigating the competitiveness of the Andean countries using the methodology developed for the compilation of the *Global Report on Competitiveness*, a joint work by the Center for International Development and the World Economic Forum. Although the indicators used in this report have been useful in presenting an initial diagnosis, PAC is validating them to determine whether they apply to the specific conditions in the Andean countries.

The social agenda

One of the elements that CAF has been advocating is sustainable human development, as a fundamental means of alleviating poverty and helping to improve social indicators. Accordingly, much of the year's activity was focused on strengthening and consolidating institutions that serve the needs of microenterprises and SMEs. The placement of funds in the form of loans, equity investment or technical cooperation was geared primarily to reinforcing the financial sector, as well as to improving the quality and efficiency of the recipient institutions.

Microfinancing institutions

The strategy on microfinancing institutions was aimed at continuing support for the formation and consolidation of formal, sustainable and profitable institutions that are supervised and regulated by the Superintendency of Banks in each country, so as to offer a range of financial services, in a sustainable manner, to those sectors of the economy that do not have permanent access to them.

In keeping with this strategy, seven new institutions were added to CAF's portfolio: three in Colombia, three in Peru, and one in Paraguay, through the approval of lines of credit and funds for their institutional strengthening. By year's end, this brought to 22 the number of microfinancing institutions that are either partners or clients of the Corporation.

This strategy involves not only extending financial support to those institutions but also engaging in a policy dialogue with the authorities and government departments responsible for applying the law, to ensure that each country's microfinancing system can function in an effective and sustainable manner.

In addition, a series of training events was held for lending officials from microfinancing institutions in Venezuela, both in Caracas and in other ACN countries; CAF also cosponsored or participated in three related international seminars in Bolivia, Brazil and Panama.

Support for SMEs

The strategy with respect to the small and medium-sized enterprise sector has been defined as a *Program of Comprehensive Support (PAI) to SMEs*, in which a variety of components are used as the optimum vehicles for delivering that support.

As a development bank, CAF can meet the financing needs of SMEs in various ways and using different products, such as loans or lines of credit, in partnership with financial institutions in its shareholder countries. This is a costly and long-term process whose success cannot be measured on the volume of disbursements but on the financial results and the quality and impact of the overall assistance. However, support can also be provided to improve the institutional features of SMEs by making optimum use of technical cooperation to bring about institutional and corporate development in such areas as management, marketing, quality control, sharing and dissemination of experience, transfer of appropriate technology, performance evaluation and risk analysis, all of which are key tasks in achieving an impact in the sector.

In line with this component, CAF successfully developed strategic alliances in each country with non-financial institutions that have successful track records and appropriate technologies for the training, strengthening and formation of viable enterprises. It is these entities which, if called upon to support SMEs, become ideal agents for identifying candidate companies that are capable of making a "quality leap" as they overcome their weaknesses through institutional strengthening.

In this way, using resources from CAF's Human Development Fund, an average of three non-financial partners in each country are engaged in the program to strengthen SMEs that were selected to receive comprehensive support (approximately six companies per institution). In October 2000, the first phase of the PAI was launched with the signing of cooperation agreements between CAF and its partners, an event that represents the start of the pilot projects in each of the five countries of ACN. The projects will last an estimated nine months, at the end of which the results achieved will be evaluated and the lessons drawn will be shared. A total budget of US\$600,000 was set aside to fund them, so that each country is to receive US\$120,000 spread over the nine-month duration of the experiments.

The non-financial institutions participating as “partners supplying services to SMEs” and selected for their experience and successful operation in each country, are: in Bolivia, Fundación BOLINVEST, Fundación para el Desarrollo Sostenible (FUNDES) and Fundación INASET; in Colombia, Instituto COLCIENCIAS, FUNDES and Universidad de los Andes; in Ecuador, Fundación SWISSCONTACT and Instituto INSOTEC; in Peru, CONFIEP y COMEXPERU, and in Venezuela, CONINDUSTRIA, Universidad Metropolitana and FUNDES.

One element viewed as key in supporting SMEs is to institute risk capital mechanisms that support equity strengthening in small and medium-sized companies. At present, the strategy in promoting and creating investment funds for SMEs is focused on identifying potential partners -domestic and foreign- interested in setting up such mechanisms, as well as on identifying the most experienced and successful managers for funds of this kind. In this connection, consultants have been hired to evaluate the feasibility of establishing a Regional Investment Fund to serve all ACN countries and other CAF shareholders through equity investments in SMEs that meet these criteria. This would streamline the channeling of resources and avoid duplication of efforts, while maximizing the benefits that would flow from joint catalytic action with other agencies and international organizations.

FONDESHU operations in 2000

Category	Country	Amount approved (US\$)
Community projects		
Asociación Vecinos de Galipán	Venezuela	50,000
World Vision	Venezuela	50,000
Fundación Tamayo	Venezuela	360,000
Corporación Femenina Ecuatoriana	Ecuador	260,000
The Nature Conservancy	Regional	500,000
WRI	Regional	55,000
Subtotal		1,275,000
Microfinancing		
FFP Prodem S.A.	Bolivia	500,000
FFP Eco Futuro S.A.	Bolivia	500,000
Fundación WWB	Colombia	500,000
Fundación Mundo Mujer	Colombia	500,000
Corporación Mundial de la Mujer	Colombia	500,000
Fundación Mundial de la Mujer	Colombia	500,000
Banco Solidario	Ecuador	500,000
Edpyme CREAM	Peru	300,000
Banco Regional	Paraguay	500,000
Cosponsored seminars	ACN	20,000
Training in micro financing	ACN	68,500
Institutional strengthening	ACN	139,500
Subtotal		4,528,000
PAI - Program of Comprehensive Support to SMEs		
Pilot projects for SMEs	ACN	600,000
Subtotal		600,000
Total		6,403,000

Community projects

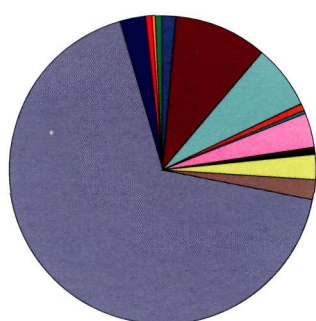
CAF furnished substantial support throughout the year to community projects targeted to the most disadvantaged sectors, providing financing through concessional lines of

credit designed to teach the beneficiaries how to tackle their responsibilities. These funds are accompanied by a non-reimbursable technical assistance component aimed at financing training activities and institutional strengthening.

In Ecuador, support went to a project called *Mechanisms for optimizing the performance of microenterprises managed by women*, promoted by Corporación Femenina Ecuatoriana, while in Venezuela financing was approved for the project *Aloe Vera Growing, Processing and Crafts in Taguay*.

In addition, at the time of the natural disaster which befell Venezuela in December 1999, CAF lent support during its economic recovery process both to the Asociación de Vecinos de Galipán, in the form of aid to flower growing, and to the town of Agua Clara in the municipality of Páez, Miranda State, through the project *Resumption of banana growing for the Barlovento area*.*

Technical cooperation approvals 2000



■	Communication
■	Transport
■	Natural Resources
■	Environment
■	General Development Issues
■	Science and Technology
■	Culture
■	Social Development
■	Human Settlements/Disasters
■	Employment
■	Education
■	Population
■	Comerce and Development
■	Integration
■	Governance

Technical cooperation

At the present stage in Latin America's history, globalization has meant new development challenges, with new roles for governments, the private sector and civil society, if it is to build more equitable, participative and cohesive societies and ensure that the region is recognized as a major player in terms of the new global governance. Conscious of these challenges, in the course of 2000 CAF also supported its shareholder countries through novel technical cooperation programs designed to create competitive and open markets, deepening sustainable development and strengthening of democracies, institutions and state reform.

With these goals in mind, non-reimbursable technical cooperation resources totaling US\$12.9 million were approved, spread over 176 operations relating to: general development matters (47% of operations), integration (13%), sustainable development (4%), trade and development (15%), energy (5%), social development (3%), and transportation (7%), together with other areas, including culture and mitigation of impacts from natural disasters.

Technical Cooperation Approvals 2000

Sector	US \$	%
Governance	191.170	1,46
Integration	1.266.763	9,79
Trade and Development	871.490	6,73
Population	5.400	0,04
Education	92.720	0,72
Employment	46.500	0,36
Natural disasters	461.800	3,57
Social development	99.800	0,77
Culture	339.460	2,62
Science and Technology	268.375	2,07
General development issues	8.724.811	67,40
Environment	356.910	2,76
Natural Resources	84.830	0,66
Transport	44.590	0,34
Information and Communications	90.400	0,71
Total	1.945.019	100,00

* For details of these projects, see Operations by Country (pp. 41 to 58).

Management of poverty alleviation funds

CAF is contributing to the alleviation of rural hunger and poverty, as well as to improvements in the living conditions of indigenous peoples 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 –and also cofinancing– nineteen loans and two grants from the International Fund for Agricultural Development (IFAD).

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

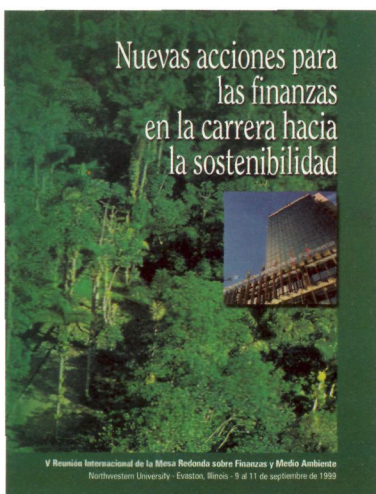
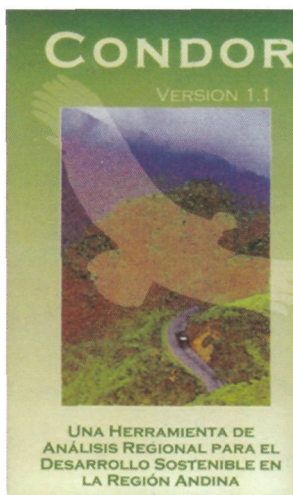
In the eighteen years that the CAF-IFAD cooperation agreement has been in effect, supervision and administrative activities, initially confined to the Andean countries, have been extended to projects in Central America (Nicaragua, Honduras, Panama) and the Southern Cone (Paraguay, Argentina), as well as to other countries in Latin America, within the context of special programs in 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 Basin, based in La Paz, Bolivia, and carrying out activities in Venezuela, Colombia, Ecuador, Peru, Bolivia and Brazil.

The environmental agenda

During the year, CAF embarked on the process of revising and updating the *Environmental and Social Guide for CAF Operations*, with assistance from the international firm Ecology and Environment. The purpose of this guide is to set out CAF's policy in this regard and to serve as a useful tool both for CAF's Sustainable Development Department and business areas as well as for its clients, by defining the environmental and social procedures involved in the processing of a project. Also, to strengthen the environmental and social appraisal of projects, CONDOR Version 1.1 was updated; this is an analytical and planning tool for sustainable development in the Andean region, which can be used to display and overlay linear infrastructure works on a cartographic base and thematic maps (scale 1:1,000,000) showing environmental, social and economic variables.

Moreover, in the actual processing of CAF operations, progress has been made in incorporating environmental and social variables more fully to ensure lending remains sustainable. In this respect, their use was made more widespread through their inclusion in operations with financial institutions, following the development of case studies that will serve to give this issue a higher profile. With the same end in view, CAF brought out *New Financing Actions on the Road to Sustainability*, which contains the reports in Spanish of the 5th International Roundtable Meeting on Finance and the Environment of the Financial Institutions Initiative of the United Nations Environment Programme, held at the Kellogg Graduate School of Management in September 1999.

Similarly, an appraisal of the risk of and vulnerability of projects to potential natural and man-made disasters has been incorporated as a key variable in the environmental and social evaluation process of operations. In light of recent events in the region –which have hit our countries hard both economically and socially– this is a factor of vital importance to both governmental and non-governmental sectors and to civil society in general, and one where CAF can assist and play a very important role as a promoter of sustainable development.



Furthermore, through the Human Development Fund, CAF supported the holding of the *First Environmental Investors' Forum*—organized by the World Resources Institute and New Ventures—which took place in Rio de Janeiro in September 2000. The importance of this event—geared essentially toward regional businessmen—lies in what it can achieve in catalyzing investment operations aimed at creating and fostering productive activities, in addition to supporting institutional strengthening, the exchange and dissemination of experience, and the transfer of appropriate technology, with emphasis on the promotion and development of community, educational, and innovative environmental business projects.

The Latin American Carbon Program (PLAC)

The primary objective of this program—created in 1999—is to help governments and the private sector in CAF's shareholder countries to take advantage of opportunities to participate in the establishment of the emerging carbon market, within the context of the United Nations Framework Convention on Climate Change (UNFCCC) and its Kyoto Protocol.

In the course of this year, PLAC focused its work on training and briefing the private sector on the opportunities in this market and the prerequisites for taking advantage of them. The primary vehicle for doing this was a series of four corporate workshops held in Caracas, Lima, Santa Cruz, and Buenos Aires, organized with support from the Andean Community of Nations and the Regional Power Integration Commission. These workshops concentrated on about one hundred organizations, most of them companies in the region, and briefed them on the FCCC's bargaining process and its importance to the region, as well as on how to prepare projects eligible under the clean development mechanism (CDM), and the options for marketing emission reductions achieved through the projects. The program also assisted several government agencies with technical exchanges and by having key personnel attend the FCCC negotiating meetings.

Cooperation commitments were also formalized with Ecuador—to strengthen the institutional framework for managing CDMs at the national level—and Bolivia—for a study on the possible impact on the country's economy of the measures that might be adopted within the context of the FCCC. Discussions with Colombia have reached a fairly advanced stage, and it is expected that PLAC support will shortly be ready for structuring the institutional framework for managing CDMs at the national level.

CAF was formally accredited as an international observer to the UNFCCC at the *Sixth Conference of the Parties (COP6)*, held in November 2000 in The Hague. PLAC support to the countries in the region at COP6 came about primarily through their strategic relationship with CSDA, an organization which advised delegations and regional groups.

With regard to project development, the process of obtaining the GHG emission reduction certificates (ERCs) to be generated by Empresas Públicas de Medellín's *Project to Optimize the La Sierra Thermoelectric Power Station* continued following approval by the United States Initiative on Joint Implementation. The next steps to be followed are to establish emission abatement monitoring protocols and to have the proposal validated by an independent agency.

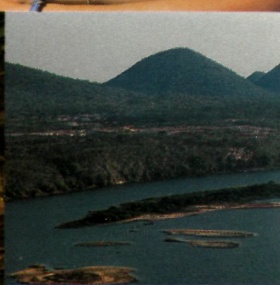
In line with the foregoing, PLAC continues with its efforts to identify and promote projects that result in GHG emission reductions, a complex process in view of the uncertainty resulting from the present status of UNFCCC negotiations. However, Latin America's status as a major player in the establishment of the CDM and the carbon market remains intact, and CAF's involvement in this process is still required to pave the way for sustainable development in the region, as it fosters the creation of new markets for the environmental ser-

vices to be provided by its shareholder countries, while at the same time generating environmental benefits on a global scale.

Eco-companies Fund

In the course of the year, CAF approved an equity participation of US\$0.5 million in the Eco-companies Fund, set up to offer risk capital and technical support to small and medium-sized companies that are environmentally responsible, as well as to generate revenues for the conservation of biodiversity and to support the sustainability of environmentally active NGOs in the region.

The fund –which arose from an initiative by The Nature Conservancy and the IDB’s Multilateral Investment Fund– will mostly support companies that are intrinsically linked to the conservation of biodiversity through their impact on the use of natural resources, that generate employment, and that have limited access to sources of financing. The principal sectors identified are eco-tourism, alternative agriculture (including organic farming, aquaculture, and beekeeping), sustainable forestry products, and non-timber forest products.



30 years: Committed to sustainable development and regional integration

Corporación Andina de Fomento
Annual Report 2000

On 8 June 2000, the Andean Development Corporation reached its thirtieth anniversary as a competitive, modern financial institution in line with today's international and regional environment, with excellent indicators and results, sustained growth in its profits and net worth, and consistent support from its stakeholders. With unremitting effort and constant fine-tuning, CAF has kept pace with the extraordinary changes the world has experienced over the past three decades, which have produced an almost complete turnaround in the world economic and political order, especially following the fall of the Berlin Wall. Today the new historical age of information, knowledge and competitiveness calls for entirely different institutions, operating procedures and rules of the game. It is undeniable that over this time new technologies have ousted old models and strategies regarded as synonymous with development, and the term *globalization* has taken root as an inescapable reality.

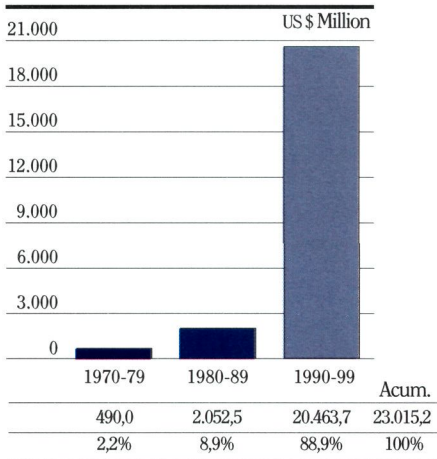
Faced with these changed circumstances, Latin America had to gear up to put forward, negotiate and obtain solutions that could start to replace the inward-looking, closed-economy, statist development model. Far-reaching structural reforms to the economic apparatus, democracy, governance, redefinition of the State, market-driven social economy, social and economic equity, sustainability of growth, cooperation and integration, strengthening of capital markets, competitiveness of the productive sectors, environmental management among others, are the issues that –to a greater or lesser degree– virtually all countries of the region have come to grips with in the last decade, lest they be left behind by the new world reality. Throughout the continent, moreover, the idea of integration also underwent a redefinition in both conceptual and spatial terms, after oscillating during this period between times of euphoria and periods of great weakness.

Thanks to its founders' foresight, CAF was designed to act with great flexibility and provide support to address different circumstances. This is why it has been able to stand by its shareholder countries no matter what difficulties they have had to live through. It propped them up in serious crises like those of the nineteen eighties, when unmanageable external debt and the decline in raw materials prices spelled the end of the import substitution model. It stood by them, too, in the transition to an open economy, in which the roles of the public and private sectors, of civil society and of the workers were redefined, while far-reaching structural reforms made way for new actors. More recently it supported them as they strove to overcome their vulnerability to external shocks –especially the aftermath of the international financial crises and the slump in prices for the raw materials on which their exports rely– or in the face of serious damage inflicted by the natural disasters that strike the region all too often. And it supports them still as they seek to gain a competitive foothold in a globalized economy, striving to face the challenges of globalization from a human perspective that will be conducive to sustainable economic development and social equity.

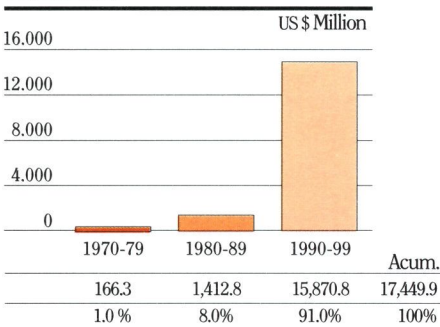
Faithful to the twin pillars on which its institutional mission rests –sustainable development and integration– and continually broadening the range of financial products and services, CAF has been instrumental in removing the obstacles that prevent its shareholder countries from mobilizing the resources they need for their development. Sometimes it lends directly for projects considered as priorities for national development and regional integration; at others, it performs a catalytic role by attracting funds from different sources –especially from lending institutions in the industrialized world, multilateral agencies or by making calls on the world's capital markets, where CAF raises most of its resources– at the kind of competitive rates it can command by being the most successful issuer in Latin America, with the highest, and steadily improving, risk ratings given to any regional issuer by Fitch, Standard & Poor's, and Moody's.

Three decades of achievements

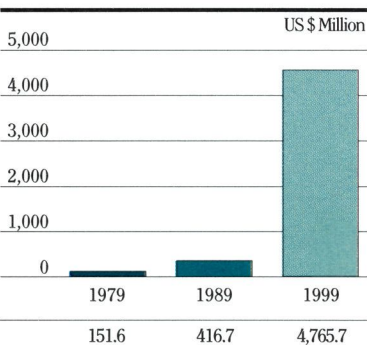
Approvals



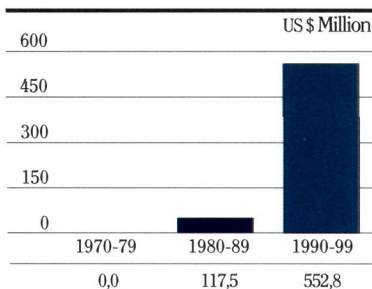
Disbursements

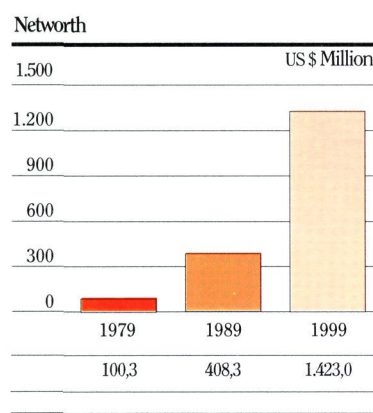
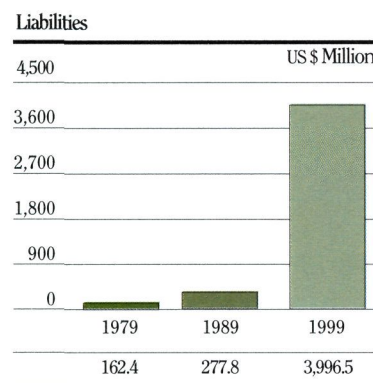
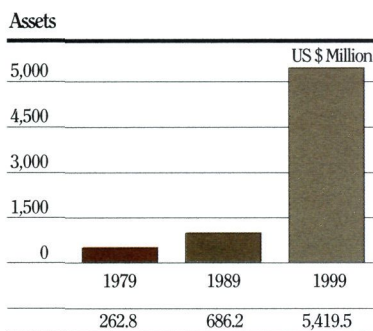


Portfolio



Net income





At the same time, the continual broadening of the Corporation's shareholder base—with the accession of Mexico in 1990, followed by Chile, Brazil, Paraguay, Panama, Jamaica, and Trinidad & Tobago, along with other potential partners—has allowed the Andean countries to create new markets and integration areas and CAF to expand its operational base by creating new business opportunities, mitigating risk through portfolio diversification, and pushing on with the process of Latin Americanization, as a first step toward a project of overarching scope, namely integration of the hemisphere. The work that CAF is doing as a channel of communication among these countries—especially in terms of sustainable physical infrastructure, thanks to a plan of action launched in 1992—is vital to the union and competitiveness of the American continent and its vast potential, which ranges from overland corridors, rivers and railroads; air and ocean transportation; gas pipelines; power interconnections; and telecommunications, to cite only the sectors with the greatest impact, seen in terms of competitive logistics.

Parallel to the foregoing, as it supports regional integration CAF is also seeking to make of Latin America an active actor in the world's decision-making bodies—which is crucial in a world dominated by great powers—and seeking, too, to incorporate the human, social and environmental dimension in all the projects it finances. This is why its role during this period has gone far beyond channeling resources into the key goal of economic integration; it has also sought consensuses to secure signature of effective cooperation agreements; organized and sponsored events to raise the region's profile and make its voice heard and respected; stimulated the spread of culture and technological progress, and worked with others to identify common problems that undermine the sustainability of development so that more suitable instruments can be designed or underwritten to help overcome them, such as the Andean Competitiveness Program, the Human Development Fund, and the Latin American Carbon Program; a number of programs that provide support to micro, small and medium-sized enterprises; the lessening of vulnerability to natural disasters; breakthroughs in privatization processes; offering insurance against political risk and investment guarantees; community projects to benefit the most disadvantaged groups in society; promotion of environmental businesses; and equity participation in several investment funds of region-wide scope, mostly geared to supporting the construction of infrastructure through private enterprise.

In short, an institution that generates value, added for its shareholders and clients in the areas of finance, economy, environment, knowledge, information, and in the creation of conditions conducive to technological innovation, economic efficiency, social equity, environmental equilibrium, and globally competitive production.

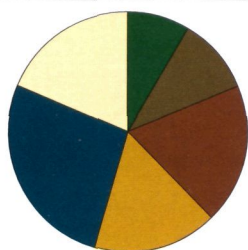
These achievements have involved a long and challenging journey, from the difficult early years, when it took on the arduous task of getting the institution moving, and of defining and later refining the operating criteria, as well as the difficulties of attracting often scarce resources, to the transformation of that small subregional lending agency, something of a utopia, into what it is today: a modern, solvent financial institution that has international credentials and is backed by governments and by its shareholders and board members. It stands today as the Andean countries' principal multilateral source of funding (see *Table 1*) and their most reliable partner by virtue of the responsiveness and timeliness with which it acts, especially in difficult circumstances.

This story is backed by the figures in the tables which illustrate these pages and chart CAF's performance over the last thirty years: total approvals in excess of US\$23.0 billion, disbursements of US\$17.45 billion, and a loan and investment portfolio of US\$4.766 billion. The unequivocal support of its shareholder countries is evidenced by the steady increase in

Operational and Financial Achievements of the 90's

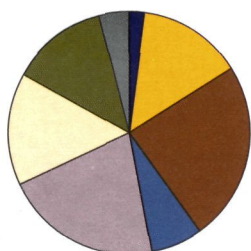
Approvals per country

(accumulated US\$20,463,7 million)



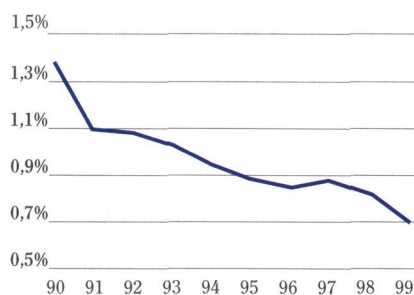
Bolivia	10.3%
Colombia	18.8%
Ecuador	16.8%
Peru	26.8%
Venezuela	18.59%
Other shareholder countries	8.4%

Approvals per economic sector 1990-99

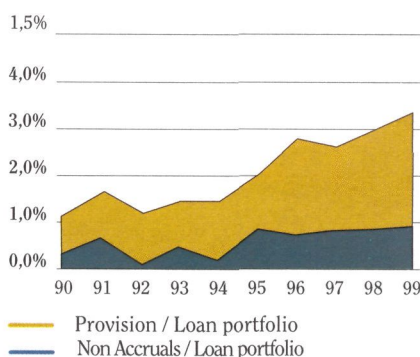


Mining	4%
Commercial Banking	13%
Development Banking	15%
Energy	21%
Manufacture	7%
Transport and Communications	24%
Others	14%
Agriculture	2%

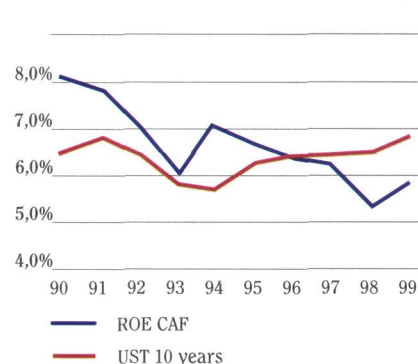
Administrative expenses / Assets



Provision



ROE CAF vs UST



CAF's authorized capital, the timely fulfillment of their commitments, and the presence of top-ranking government representatives on its Board of Directors. Its excellent financial results are reflected in the ratios of liquidity, portfolio quality, administrative efficiency, and profitability. Also noteworthy is the important catalytic role which the Corporation plays in attracting and mobilizing external resources, which has resulted in the last thirty years in some US\$50 billion being channeled into highly productive projects for sustainable development in its shareholder countries, whether through cofinancing operations, innovative financial products like the A/B loans, or equity participations in investment funds covering the whole of Latin America.

Upon analysis, these figures underscore the extraordinary growth that CAF underwent in the 1990s. This came about because the institution was resized –both internally and externally– in light of the dynamic of world events and the need to adapt quickly and competitively to the changes in order to respond swiftly to the needs of clients in the public and private sectors. The turnabout in fund-raising strategy that took place starting in 1993 proved to be one of the main landmarks in the institution's history, allowing it to diversify its sources of financing and cut costs. Today, more than 95% of its funds are obtained from sources outside Latin America, notably in the international capital markets. Also significant are the catalytic role the institution plays on behalf of the private sector –for which it is the primary source of long-term financing– its extraordinary efforts to unite the region through sustainable physical infrastructure, the broadening of its shareholder base with its attendant impact on integration, and the large number of programs and projects which CAF has supported in the interest of achieving an economically viable, socially equitable and environmentally sustainable regional environment, even though there is a clear awareness within the institution that these contributions are no more than steps along the path toward the integrated and vibrant America of which we all dream.

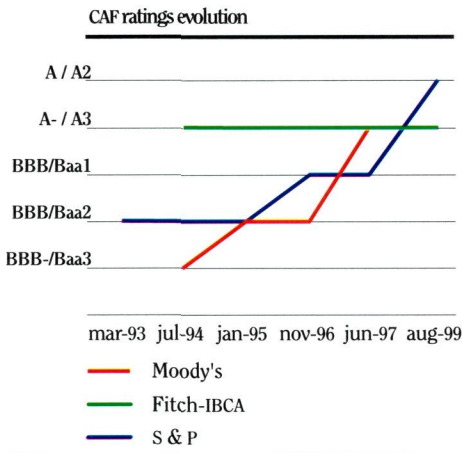
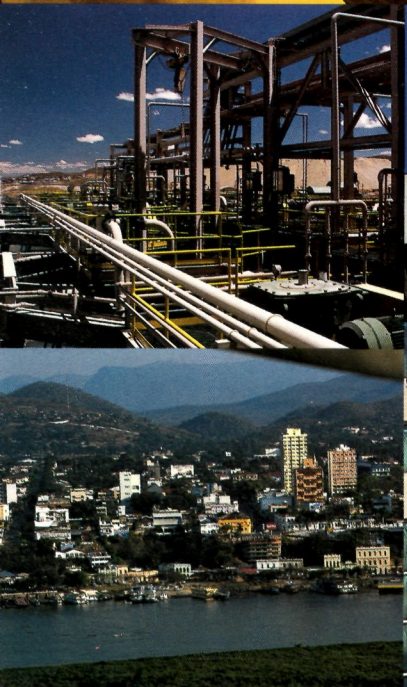


Table1 Net financial flows to the Andean countries

	US\$ Billion		
	90-93	94-97	98-99
Multilateral	3,5	2,0	3,0
CAF	0,4	0,9	1,4
Others *	2,7	10,5	0,4
Total	6,2	12,5	3,4
CAF/Total	6,5%	7,2%	41,2%
CAF/Multilateral	11,4%	45,0%	46,7%

* Capital markets, international banking, bilaterals, suppliers, others.



Operations by Country Bolivia

Corporación Andina de Fomento
Annual Report 2000

During 2000, CAF, in keeping with its strategic objectives, focused its activity in Bolivia on supporting the deepening of the reform and decentralization of the State, the provision of physical infrastructure –especially to foster integration– and cofinancing programs demonstrating the Corporation’s catalytic role on behalf of its shareholder countries.

In the course of the year, operations totaling US\$343 million were approved for Bolivia, while disbursements totaled US\$150 million and the total portfolio stood at US\$486 million, including the third-party portfolio managed and administered by CAF.

In line with one of its strategic objectives –to help governments to maintain a stable macroeconomic environment and to identify and implement reforms aimed at modernizing the State– CAF contributed resources to Bolivia to strengthen, innovate and deepen the administrative decentralization programs in the public sector.

In this connection, a US\$45-million loan was approved for partial financing of the program to support the financial realignment plan for local governments. The proceeds of the loan will be allocated to a number of Bolivian municipalities to provide them with the medium-term funds they need in order to realign their liabilities and set future standards that will assure rational management of both ordinary revenues and municipal loans. In this way, the Corporation is contributing toward modernizing Bolivia’s municipalities and strengthening the process of administrative decentralization and revitalizing public investment by these subnational governments.

Another of CAF’s priority fields of action is support for projects aimed at providing modern physical infrastructure, both public and private, especially in the areas of roads, transportation and communications; in the case of Bolivia, this support has led to a steady flow of resources over time.

A highlight here was approval of a US\$15-million loan to finance the Emergency Road Infrastructure Program, the purpose of which is to facilitate the transportation of freight and passengers, with a corresponding reduction in costs to the user. To this end, final design studies, rehabilitation, and maintenance will be performed on different sections of the Basic Road Network, as well as emergency works to ensure that traffic can flow along the highways damaged by the recent weather phenomena.

CAF also remained a steady lender to the private sector, especially in support of integration infrastructure projects and cofinancing programs displaying the institution’s catalytic role in attracting foreign resources to finance development projects.

In the first case, a loan of US\$4.9 million was approved to *Constructora Queiroz Galvao*, S.A. for the construction of the Padcaya-Campanario-La Mamora section of highway, which has an integration component as it forms part of the corridor linking Bolivia with Argentina. This corridor is of strategic importance within the Andean Highway System since it will facilitate integration between the countries of the Andean Community and Mercosur, through Bolivian territory.

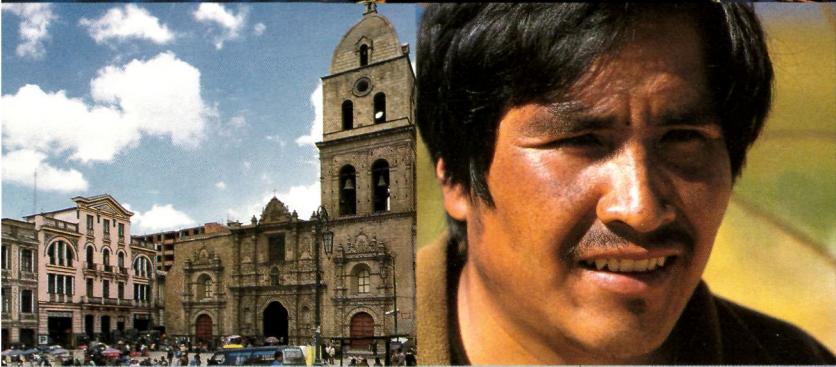
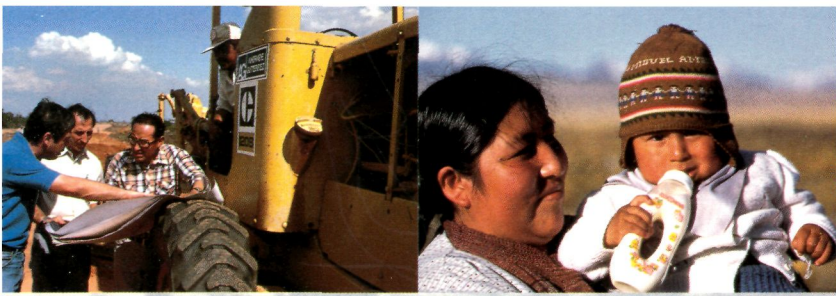
In the second case, *Empresa Petrolera Andina* S.A. was granted US\$180 million in A/B cofinancing, with major international banks participating. This lending facility will provide partial financing for the company’s plans to expand its gas and oil production capacity in 2001 and 2002. The project will earmark much of its gas production for export to the Brazilian market, representing CAF’s significant contribution to the energy integration and sustainable development of its member countries.

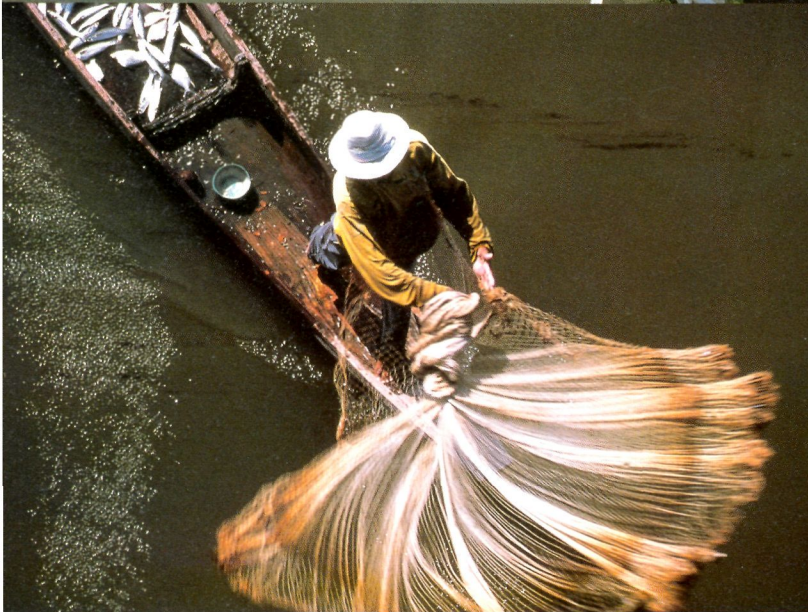
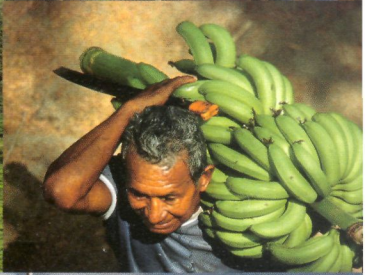
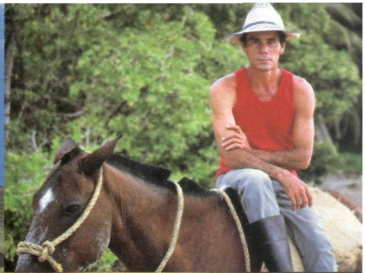
In support of the private sector, the Corporation provided assistance to a variety of clients in the form of loans for working capital and trade, in a total amount of US\$45 million.

Moreover, CAF approved US\$20-million to Bolivia’s Multilateral Debt Reduction Program under the Expanded HIPC Initiative.

Also, in keeping with the policy of assisting the country's social development, CAF approved a social capital investment operation of up to US\$500,000 in *Fondo Financiero ECO FUTURO*, representing support for the Government's efforts to promote an institutional scheme for developing the micro enterprise Pilar Oportunidad.

In the course of the year, the Corporation granted Bolivia technical cooperation resources and contributions totaling US\$4.2 million, through the Human Development Fund (FONDESHU), intended mainly to assist both domestic and foreign trade, institutional strengthening to promote reforms of the State, and cultural and integration projects. Also noteworthy is the support CAF provided to continue the National Dialogue, a series of consensus-building activities between society and the political system involving the fight against poverty.





CAF's activity in Colombia during 2000 was geared to serving as a catalyst to help the country in its quest for international financing; assisting the effort to stabilize the economy and the programs to support the peace process; and strengthening the development of clean fuel alternatives.

During this period, operations totaling US\$773 million were approved for Colombia, while disbursements totaled US\$818 million and the total portfolio stood at US\$1,591 million, including the third-party portfolio managed and administered by CAF.

The Corporation was especially concerned to respond to the financing needs of its shareholder countries by bolstering its efforts as a catalyst to facilitate access to the world's financial markets on favorable terms.

In keeping with this stance, CAF granted Colombia this year a Partial Credit Guarantee, a novel financial instrument that will allow it to optimize use of its resources and improve its risk rating as a borrower.

This unconditional and irrevocable guarantee on the part of CAF is for US\$100 million and will enable Colombia to borrow up to US\$250 million from a syndicate of international banks for a term of five years. The funds will be used to finance expenditures on priority goods and services related to the 2000 Investment Plan.

The operation had a catalytic effect in the sense that it opened the door to financing that would not have been feasible without the guarantee of CAF or another similar institution. The Corporation's involvement enabled Colombia not only to call on the investment grade market but also to borrow for longer terms.

Another highlight of the year's lending was a US\$200-million loan for the Multisectoral Public Investment Program, whose executing agency will be Colombia's Ministry of Finance and Credit. This provides concrete backing for the efforts the Executive branch is making to regain macroeconomic stability by developing projects that help to raise employment levels, restore the external feasibility, reduce poverty, and pursue the peace process.

This program is part of the 1998-2002 Public Investment Program and consists in high-priority projects in the potable water and basic sanitation, transportation, industry and trade, community development, health, agriculture and agroindustry, and environment sectors.

Moreover, in its support to the peace process, CAF approved a US\$162-million loan to finance projects that will benefit the poorest rural inhabitants of the critical conflict zones and create temporary employment in those communities.

This loan was earmarked for the Roads for Peace Transportation Program being executed by the National Highway Institute (INVIAS), the National Secondary Road Fund (FNCV) and the Directorate of River Transportation under the coordination of Colombia's Ministry of Transportation. As a sustainable development component, this program has a budget for preventing, mitigating and offsetting the environmental impacts that will be created by various projects during the construction and operating phases.

A loan contract for US\$92.2 million with *Empresas Públicas de Medellín (EPM)* was signed for expansion of the La Sierra Thermoelectric Power Station, which will make it possible to convert the present plant from single-cycle to combined-cycle operation and increase its capacity from 300 to 480 MW, reducing costs and optimizing energy resources. This is a syndicated A/B loan in which Citibank is participating, together with the Ganadero Bank, BANCOLOMBIA, the Bilbao Vizcaya Bank and the Banque Nationale de Paris.

Optimization of the La Sierra thermoelectric power station became the first Colombian project to win approval from the evaluation panel of the United States Initiative on

Joint Implementation (USIJI), which recognized EPM's initiative as one that would reduce carbon dioxide emissions and thus meet the Clean Development Mechanism (CDM) criteria of the Kyoto Protocol. In this connection, CAF's Latin American Carbon Program was instrumental in structuring and successfully presenting this project to the USIJI.

In support of the private sector, the Corporation approved loans totaling US\$11.8 million to a number of clients to finance working capital and international trade operations.

During the year, approvals of technical cooperation and Human Development Fund (FONDESHU) operations amounted to US\$1.7 million, which was earmarked to support information technology, infrastructure forums and workshops, peace processes, modernization of the State, foreign investment and trade development, as well as a novel program of technology and technology-services exports by small and medium-sized companies.



During 2000, CAF played a lead role in Ecuador in financing programs designed to reactivate the economy, demonstrating the Corporation's reputation for standing by its shareholder countries, particularly when times are at their hardest.

During this period, operations totaling US\$398 million were approved for Ecuador, while disbursements totaled US\$235 million and the total portfolio stood at US\$953 million, including the third-party portfolio managed and administered by CAF.

It should be emphasized that in support of Ecuador's efforts to stabilize and reactivate its economy, CAF played a prominent role in advocating, together with the IMF, IBRD and IDB, the approval of a loan package of US\$2,045 million, with CAF making the largest single contribution of US\$700 million. Out of this contribution, the first US\$200 million has already been furnished to fund actions aimed at macroeconomic stabilization, strengthening of the financial system, and reform of the State. In addition, part of these funds are to be used to develop tax reform programs and to implement the dollarization process.

Moreover, in keeping with the decision to help reduce tensions among neighboring countries and consolidating peace with Peru through trading between the two countries in their border areas, CAF approved a US\$25-million loan to Ecuador.

This operation was earmarked to finance part of the Border Infrastructure Program between Ecuador and Peru, essentially the N° 5 Road Axis project which consists in the rehabilitation of the highway linking the Ecuadoran cities of Cuenca and Loja with the Peruvian cities of Santa María de Nieva and Puerto de Sarameriza, on the river Marañón. The project with a high social content will stimulate development in the border areas by means of road works, airport services, electricity service, potable water and sewerage, as well as reforestation and natural resource management in eight provinces along Ecuador's southern border.

Another project with a strong social impact that CAF has been supporting from the outset is *Plan Esperanza* led by the Ecuadoran Episcopal Conference to improve living conditions in urban and rural segments of the population and to foster their development and well-being.

Plan Esperanza is spread over 49 specific projects, implemented in almost all provinces, addressing the most urgent needs and designed for the education, health and environment sectors, community development, and institutional strengthening.

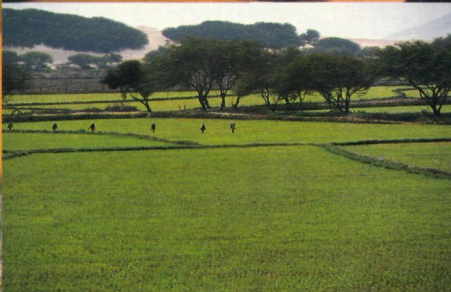
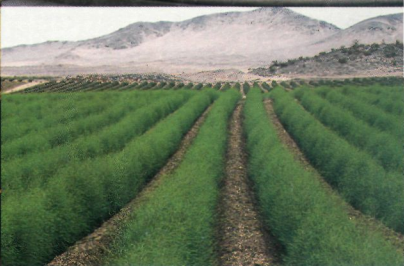
In view of the plan's success during its initial phase, a new CAF loan was granted for US\$25 million this year to finance two programs: Productive Development –aimed at facilitating community projects and microenterprises and small businesses– and Social Development –to help finance infrastructure works in the areas of health, environmental sanitation, and education.

Continuing efforts were also made during the year to support the government's initiatives to reactivate the productive apparatus through the Foreign Trade Financing Program. In this connection, CAF made a financial contribution of US\$30 million, of a revolving nature, which helped to maintain an adequate flow of basic imports and to promote exports at a time of difficulty for the Ecuadoran economy.

In the area of capital markets, the Corporation –jointly with Ecuador's Superintendency of Companies– organized the international seminar *Public Trust and Securitization*, to help disseminate knowledge of and training in operations of this kind and the legal and organizational frameworks they require. The event –which was part of the Kemmerer Program which CAF has been engaged in since 1998– was attended by officials from superintendencies of securities and national securities commissions from Latin America and by experts from Mexico, Venezuela, Colombia and Ecuador.

Technical cooperation operations totaled US\$0.9 million, with special priority going to education and social development through the farming schools project, as well as to strengthening of the banking system, the Ecuador-Peru border peace program, and a new competitiveness program for the metropolitan district of Quito and the surrounding region.

One of these technical cooperation operations was designed to provide comprehensive support to small and medium-sized enterprises through an agreement signed between CAF's Human Development Fund, the Swiss Foundation for Cooperation in Technical Development (SWISSCONTAC), and the Institute for Socioeconomic and Technological Research (INSOTEC), which will enable US\$110,000 to be used for execution of an initial pilot program with 11 small and medium-sized companies in different productive sectors and in several cities of Ecuador.



Peru During year 2000, CAF played a prominent role in backing efforts to contribute to the country's economic stability. Operations totaling US\$451 million were approved for the country, while disbursements totaled US\$362 million and the total portfolio stood at US\$707 million, including the third-party portfolio managed and administered by CAF.

CAF's special concern vis-à-vis Peru was to reaffirm its support for its economic stabilization and liberalization policies, which were affected by the aftermath of the El Niño phenomenon, the international financial crisis, and the political transition which the country underwent in the waning months of the year.

This situation called for a strategy aimed at maintaining the framework of economic stability by ensuring that sufficient resources were injected to keep priority projects moving ahead. Against this backdrop, CAF, as the principal source of multilateral financing for the Andean region, approved and granted Peru a US\$250-million loan to finance the 2000-2001 Public Investment Program.

Those resources will permit timely execution of top-priority projects, such as universal access to health services, improvement in conditions in the agricultural sector, in the quality of education, in the coverage of the services responsible for community sanitation, energy and transportation programs, and, in particular, raising the living standards of those suffering from poverty and extreme poverty, through social development programs leading to sustained improvements in family income and in the quality of the basic services in these communities.

Moreover, the Corporation undertook to support the feasibility studies for infrastructure works in the border region with Ecuador with a US\$8-million loan; these studies cover up to 10 investment projects aimed at improving and/or building highways and bridges, works at the airport and port of Iquitos, and road works and urban facilities at various locations.

Development of these projects will, in turn, permit the execution of corresponding growth plans in the main border cities; arrangements have been made accordingly to set up Border Response Customs Centers to service migration, customs, health, and police movements and to provide information for tourists.

In addition, CAF sponsored the seminar of its Latin American Carbon Program: *New opportunities for the energy and transportation sectors in Latin America*, intended for managers and owners of large public and private companies in Peru, in order to publicize the clean development mechanism and the prerequisites for participating in the emerging carbon market.

This seminar is in line with CAF's goal of supporting participation in the carbon market by its shareholder countries, so that they can avail themselves of any opportunities that arise from the greenhouse gas reduction agreements.

CAF's presence in Peru was further evidenced by its support for working capital and trade programs, for which it approved a series of loans to various clients totaling US\$168 million.

Technical cooperation and FONDESHU resources totaling some US\$1.9 million were also allocated to support the private sector in its efforts to gain entry for Peru into the international economy, as well as to disseminate culture on the world scene. Moreover, on the public sector side, the cooperation effort was geared to strengthening the National Plan, developing border relations with Ecuador, and projects related to competitiveness, infrastructure and the environment.



In 2000, Venezuela began to show signs of recovery after going through an acute recession. In this context, the country maintained sizable levels of approvals and disbursements, amounting to US\$271 million and US\$108 million, respectively, while the total portfolio stood at US\$919 million, including the third-party portfolio managed and administered by CAF.

As with its other shareholder countries, CAF relationship with Venezuela goes beyond project loans to emphasize the development of plans and programs that are required to revitalize the country's competitiveness. It was within this framework that the Andean Competitiveness Project (PAC) was launched through the establishment of a strategic partnership between CAF, Harvard University and Venezuela Competitiva.

The objective of PAC –created by CAF in 1999– is to develop a policy agenda for the public and private sectors that will make it possible to improve the competitive environment in the Andean countries through programs designed to produce high-quality goods and services that can be introduced into global markets.

In addition, throughout 2000, the Corporation supported a variety of high-priority projects for Venezuela, including one with a high environmental sustainability component: the Lake Valencia Basin Waste Water Treatment System. The purpose of the US\$20-million loan for this project is to contribute toward the plans to lower pollution levels in its tributaries and in nearby towns. To do this, a system of collectors, cutoff drains and treatment plants will be built to improve water quality in the lake.

Another project that has had continuous support from CAF is the Caracas Metro, for which a fourth loan of US\$45 million was approved to develop Line 4; it will be used to construct various civil works and to procure machinery and equipment to bring an additional 5.5 km into service between Plaza Venezuela and Capuchinos station in the heart of downtown Caracas.

As the high-speed mass transit system that causes the least pollution, the Metro is a potential candidate for inclusion in the Latin American Carbon Program, which CAF is promoting to help lower greenhouse gas emissions.

In the energy sector, CAF's role as a catalyst was in evidence with the approval of a US\$100-million A/B loan for EDELCA's Plan for Investments in Transmission, an infrastructure project to build electricity transmission lines for the Oriente, Regional de Guayana, Guayana Centro and Centro Occidente regions, which have significantly increased their demand for electric current in recent years. Santander Investment is participating in this operation as co-leader.

In addition, in the interests of serving small and medium-sized enterprises (SMEs), CAF has adopted a comprehensive approach to allying itself with financial institutions in its shareholder countries using a variety of modalities and products. For instance, it has placed a US\$60-million loan approved for Venezuela through the Industrial Credit Fund (FONCREI), in order to provide the sector with timely and ongoing financing that will help its economic recovery.

Similarly, and setting dead aim at the private sector, CAF approved a line of credit of up to US\$7 million for *Banco del Caribe* to finance medium-term operations for SMEs, thereby helping them to expand thanks to a specialized service and timely financing.

Technical cooperation approvals totaled US\$0.9 million. They went to finance, among other things, integration workshops and activities, foreign trade, especially with the Caribbean, general development matters, global strategies and policies, transportation, tourism, environmental programs, and sociocultural activities.

It should be mentioned that through technical cooperation and resources from FONDESHU, CAF responded effectively by providing humanitarian aid following the natural disaster of 1999; this benefited growers in Galipán (north of Caracas) and banana growers in the Barlovento area (north-east), who were also affected by the tragedy.



CAF



CAF supports the adoption and promotion of information and communication technologies in its member countries in order to encourage their effective participation in the global economy and the full integration of its people into the benefits of the digital society

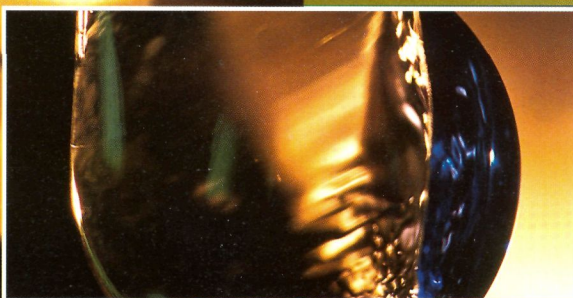
Human Capital in the Networked Economy
CAF and Cisco Investment Fund

- To create local training schools for network specialists in the Andean Countries.



Andean Competitiveness Program
CAF and Harvard's Center
for International Development

- To promote the implementation of national and regional agendas on competitiveness, including Promoting Information Technologies, Attracting Foreign Direct Investment and Developing Competitiveness Indicators.



Other shareholder countries and multinational operations

Corporación Andina de Fomento
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During 2000, the Corporation reaffirmed its mission as an advocate of integration by making a number of loans to shareholder countries outside the Andean Community, as well as for projects of a multinational nature. These approvals totaled US\$87 million, while disbursements totaled US\$146 million and the total portfolio stood at US\$464 million.

In line with its mission to support sustainable development in its shareholder countries and regional integration, it signed a loan contract for US\$60 million with the Republic of Paraguay, to finance a major integration infrastructure project: the 250-km long Transchaco Highway, and specifically the section that runs from Mariscal Estigarribia/La Patria in Paraguay to the border with Bolivia. This project will make road integration a reality between the ACN countries and those of Mercosur, including access to the markets of the Pacific, in addition to helping to promote the Inter-Oceanic Multimodal Corridor Montevideo/Buenos Aires/Asunción (by river) and the Santa Cruz de la Sierra/Pacific Ocean corridor (overland).

Moreover, to support the private financial sector in Paraguay, a revolving line of credit of up to US\$2.5 million was approved for Multibanco, intended to meet the medium-term financing needs of its clients in the small and medium-sized enterprise sector through the contracting of services, the purchase of equipment and machinery, the provision of working capital, and the domestic sale of capital goods.

CAF continued to enjoy a fruitful relationship with Brazil, signing an agreement with the National Economic and Social Development Bank (BNDES) to pursue strategic agendas that will lay the foundation for joint ventures to finance projects of interest to the Corporation's shareholder countries—essentially in infrastructure—and, in particular, Brazilian exports to the Andean countries.

This agreement will help to streamline the formalities and procedures involved in financing local costs in CAF projects, as well as the financing of Brazilian exports by BNDES, as the latter will provide the Andean countries with access to credit on internationally competitive terms.

In a gesture of solidarity, the Corporation gave Chile a US\$25,000 grant to alleviate the damage caused by the heavy rains that left nearly 60,000 people injured, of whom 20,000 are residents of the capital.

With respect to multinational operations, CAF agreed to participate in the creation of a special fund, of up to US\$1 million, to finance the second phase of the execution of the Latin American Carbon Program (PLAC), with an eye to tapping into opportunities in the emerging carbon market that arise from reductions in greenhouse gases, and to promoting the use of less polluting fuels and renewable sources of energy.

Also approved was an equity participation of US\$25 million in the establishment of the Latin American Investment Guarantee Company, which is intended to offer political risk insurance and investment guarantees to financial institutions and private companies operating in Latin America and the Caribbean.

In keeping with its catalytic role, CAF obtained a US\$40-million loan from Caja Madrid de España as part of a relationship begun in 1998 that now exceeds US\$200 million. These funds will permit financing of priority projects in the Corporation's shareholder countries.

To finance multinational and Series "C" shareholder projects, CAF approved technical cooperation operations totaling some US\$5.1 million targeted to programs, projects and events that had strong ties to integration, sustainable development, and governance. It also supported the processes of State reform, the expansion of trade among the countries through international forums, and studies of different aspects of trade within the region, such as overland transportation, the promotion of folklore, and regional culture.

Technical cooperation resources also financed the concluding phase of the *Vision Forums*, as part of CAF's 30th Anniversary celebrations, in an effort to reflect more deeply on the economic and political changes under way in the world, while bringing CAF's vision up to date by incorporating views and directions that will enable it to design forward-looking strategies in the areas of integration, anti-corruption, governance, reforms of the State, policy, and sustainable development for the benefit of its shareholder countries.

In addition, the Corporation allocated technical cooperation resources to finance a major *Governance program* designed to train managers of decentralized agencies.

Institutional and Cultural aspects

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The Corporation continued its efforts to modernize and fine-tune its institutional set-up during 2000, and position itself better to face the new challenges of a globalized, dynamic and changing environment. Highlights of the activities carried out in this context are described below.

The Corporation celebrated its thirtieth anniversary in an international and regional context markedly different from that prevailing in 1995, when it implemented a new corporate vision. These changes called for an updating of CAF's medium-term strategic vision, and to this end a number of in-house and external forums were held to generate the inputs and guidance needed to reframe that vision.

This undertaking brought home the need to refine CAF's organizational structure to accomplish a number of basic objectives, notably to strengthen its country and sector, as well as structured products –with a high catalytic content– focus, to enhance operational targeting and competitiveness; to improve institutional coordination and efficiency; and to reinforce the credit assessment process, as well as the Corporation's contribution to the analysis and debate of public policies. Those adjustments led, among others, to the creation of vice-presidencies for Country Programs and Development Strategies; the organization along sectoral lines of the business offices in two vice presidencies: Industry and Financial Systems, and Infrastructure; and the creation of the Loan Administration Office and the Corporate Communications Division.

To make sure this model is implemented successfully and operates properly, a process was launched to review and adjust the human resource profile required to tackle the new corporate challenges, an effort that will take more than one fiscal year. In this connection, a series of measures were taken in the course of the year aimed at fine-tuning salary administration policies, recruitment and selection of specialized personnel, and intensifying personnel rotation and training programs. Work was also begun to align the model of competencies to the new organizational structure.

In tandem with this –and to strengthen the corporate culture and create an organizational climate characterized by motivation and satisfaction– special emphasis was placed on reinforcing internal communications by devising communications vehicles to keep the staff informed of the Corporation's activities and presence, both locally and internationally, and to support the dissemination and strengthening of its mission, objectives and cultural values.

Another milestone was reached when more than 80% of the main operating systems were finally brought on line, providing an up-to-date, efficient and reliable basic technology platform that will pave the way for the development, already in hand, of a second level of management information systems. Major progress was also made in introducing multidimensional analytical tools to streamline the decision-making process and facilitate on-line analysis of key variables for the Corporation's administrative and business management.

In view of the importance of maintaining a sound loan portfolio and minimizing the unwanted risks inherent to the Corporation's business, several activities and projects were carried out to strengthen the underpinnings of the credit culture and related monitoring mechanisms, by updating the institution's loan guidelines, practices and procedures and by the early warning of problems (credit risk rating system).

By incorporating new strategic management practices and techniques, CAF also continued to refine its corporate planning process with a view to promoting greater synergy between business, advisory and support areas, strengthening its country focus, and deepening its strategic vision.

Cultural Aspects

Intensive and meaningful cultural activity was scheduled this year to mark CAF's thirtieth anniversary—with the creation of the *Andean Youth Symphony Orchestra* occupying center stage—. Additionally the Corporation continued to champion the cause of integration, contributing to sustainable human development, through regular events presented at CAF's Gallery and the Antonio José de Sucre Auditorium—at its headquarters—as well as in outside venues. These included a variety of performances and events including music, cinema, literature, plastic arts, and publications.

This year, CAF's Auditorium hosted singers and musical groups which performed traditional Latin American programs and repertoires, among them: *Siempre Latinoamericana: Nancy Toro; the María Guinand Chorale*, as part of the 3rd América Cantat Festival; *the Sonero Clásico del Caribe; Tango Trío with the Uruguayan dancer Yamandú Pereira*, and the *Saúl Vera Ensemble*. It also presented the well-known Venezuelan humorist Laureano Márquez, who delivered a creative monologue about the history of America.

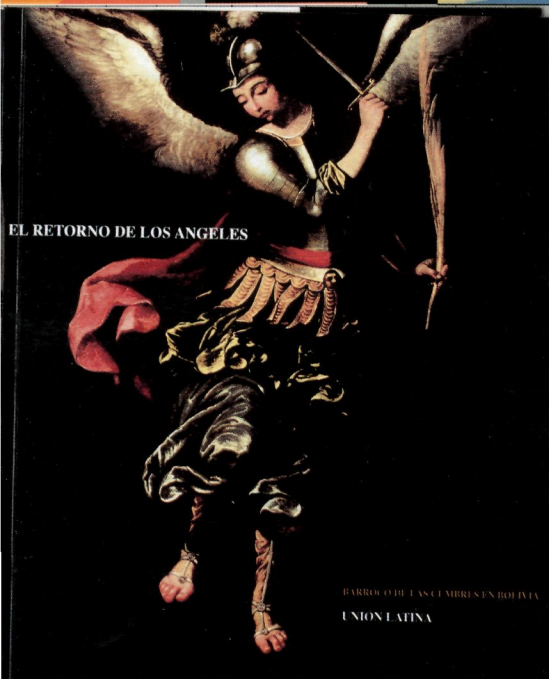
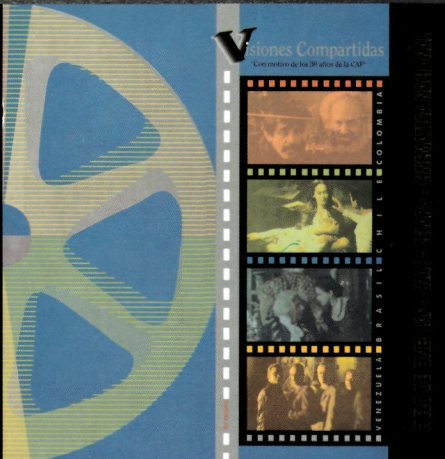
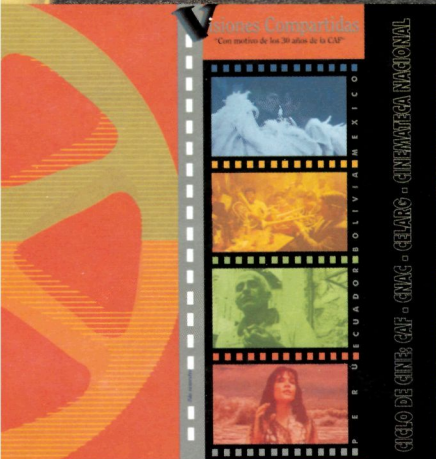
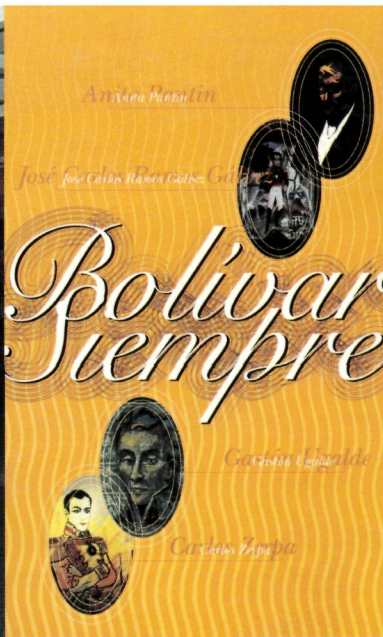
The Auditorium was also the venue for the seminar *Culture and National Recovery*, a workshop focusing on culture as a tool for the social and economic revitalization of a country, which was organized jointly with the Central Bank of Venezuela and the Polar and Bigott foundations. It presented case studies in social reality and self-management initiatives, and participants included officials representing the official cultural policies of countries in the region.

Cinema also played a leading role, with a program of films regarded as the most important in the cinematography of each of CAF's shareholder countries over the last thirty years. An agreement to this effect was signed with the Cinemateca Nacional, the Rómulo Gallegos Center for Latin American Studies, and the National Cinematographic Center, with support from the film institutes, Ministries of Culture and embassies of each country in Venezuela. The program included films such as, "Cuestión de fe" (Bolivia); "La estrategia del caracol" (Colombia); "Ratas, Ratones y Rateros" (Ecuador); "La Carnada" (Peru); "100 años de Perdón" (Venezuela); "Carlota Joaquina, princesa del Brasil" (Brazil); "La Frontera" (Chile), and "Santitos" (México).

CAF's Gallery, for its part, dedicated the opening and closing of its program to two exhibitions designed to exhibit trades in line with the concept of sustainable development. In the first quarter, the showing of *Magic and Craft* brought together ten Latin American goldsmiths, whose craftsmanship in all cases followed the age-old traditions of our continent's cultural heritage, while setting the stage for a series of parallel activities such as workshops and lectures. To bring the year to a conclusion, there was a display of nativity figures made by craftsmen from countries throughout the region and arranged on stage by Venezuelan painters, to produce a unique exhibition of uplifting artistic convergence.

Two other exhibits were presented at the Gallery during the year: "*Sights and views of a Region*," consisting of photographs taken during a visit to shareholder countries and highlighting both the day-to-day activities of their peoples and the development projects supported by CAF; and "*Always Bolívar*," comprising works of Latin American plastic artists representing four trends in visual art inspired by the image of Simón Bolívar.

The traveling exhibit "*Return of the Angels*," made up of large-scale oils from Bolivia's colonial era, was shown at the Caracas Museum of Fine Arts, drawing large crowds. In addition, CAF lent its support to a variety of events which served as the backdrop for cultural exchanges in the region, such as the "*Rally to promote and publicize the folkloric heritage of the Andean countries*," held in Cartagena, Colombia; the "*Ibero-American Theatre Festival*," in Bogotá; the "*Colombian Culture Month in Venezuela*"; "*Visions of Venezuelan History*," a forum organized jointly with the Spanish Embassy and Editorial Santillana; and performances by the Simón Bolívar University Chorale in a number of European countries.



Memories of the Thirtieth Anniversary **Andean Community Youth Symphony**

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Among the many different events organized by the Corporation to commemorate its thirtieth anniversary, pride of place went to the creation of the *Andean Community Youth Symphony*, made up of 160 young musicians from Bolivia, Colombia, Ecuador, Peru and Venezuela, the institution's primary shareholders. This orchestra's gala and premiere performances in the capital cities of these countries drew glowing praise from authorities, dignitaries and society in general. CAF, once again ratified its commitment in reconciling the economic dimension of growth with the human aspects of development.

The education and technical training of the Andean Community Youth Symphony reaffirmed cultural integration, and proved to be a powerful vehicle for social transformation, through the uplifting and rescue of children and youths from middle and low-income backgrounds. Music, besides its immense artistic potential, is a tool for the enhancement of values and the strengthening of social and community participation.

CAF joined efforts for the founding of this orchestra with the State Foundation for the National System of Youth and Children's Orchestras in Venezuela. Directors were appointed, one for each country, and set about the extraordinary task of selecting the best proponents of wind, string and percussion instruments from among their young compatriots; they then trained them on musical compositions unfamiliar to many and finally brought them together with their fellow musicians of other nationalities. The result surpassed all expectations, as could be seen in the emotional response that swept over audiences at the grandeur of the performances, the masterly conducting under the different batons, and, above all, the integrationist spirit that permeated the gala scene. A compact disc recorded during the inaugural concert in Caracas, Venezuela, will serve as a memento and reaffirmation of that indelible bond that ennobles peoples and rallies them around the common ideal of integration.

CAF'S Technology Prize

A very important initiative among the events commemorating the 30th anniversary—especially in the region's scientific and technological community—was the creation of *CAF's Prize for Technological Research*, which the Corporation offered in special recognition to the work of those researchers and technologists in the five Andean countries who generate, broaden and apply useful know-how to enhance technological competitiveness and thus help improving the indicators of excellence in education and economic and social development.

Together with the main technological research institutes in each of the countries of the Andean Community CAF supported the organization and implementation of the difficult process of selecting from among 142 entrants. The prize was awarded by a non-Andean jury made up of five leading academics and scientists from Brazil, Chile and Mexico. The unanimous winner was the Venezuelan researcher Hercilio Rivas for the impact that his extensive work has had in the field of oil and environmental technologies, as well as in the development of the hydrocarbon sector.

The Role of the Media and Integration

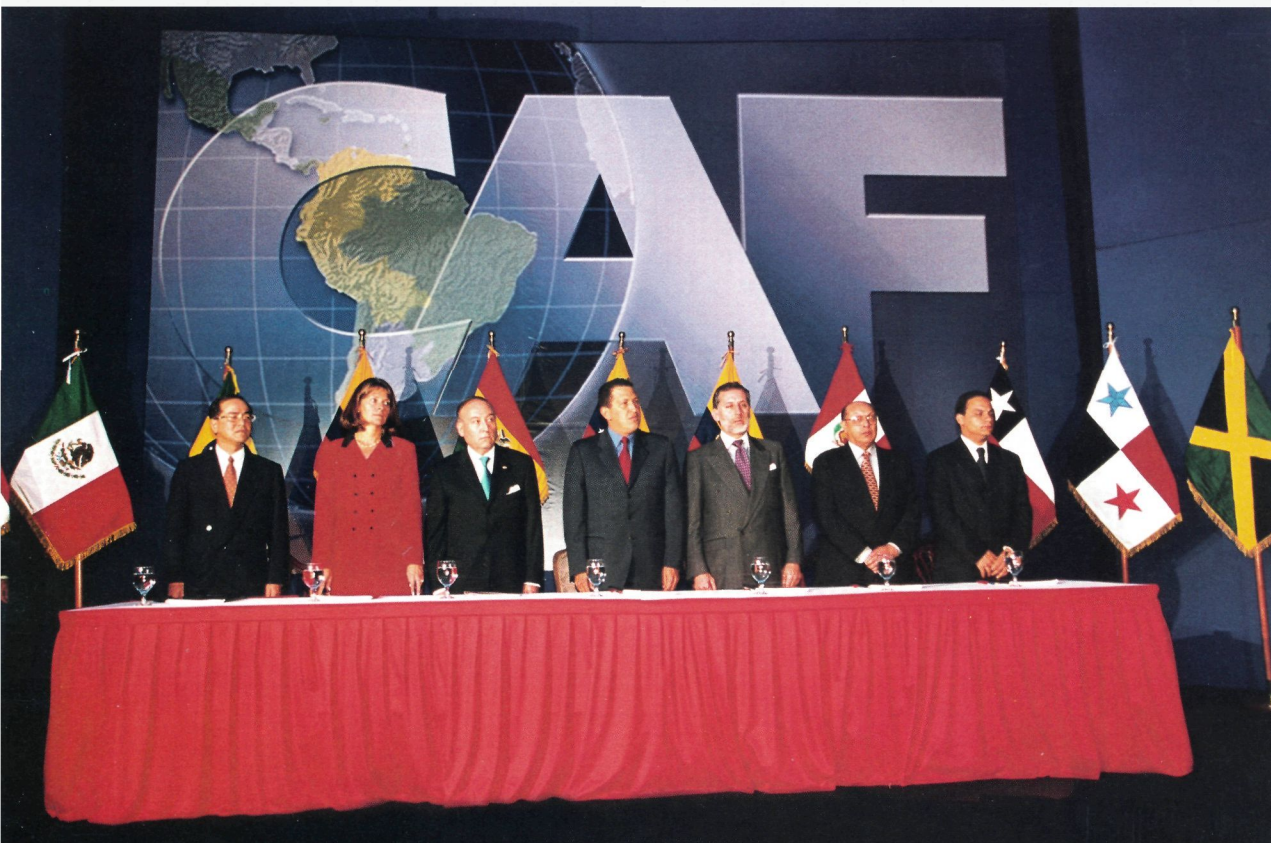
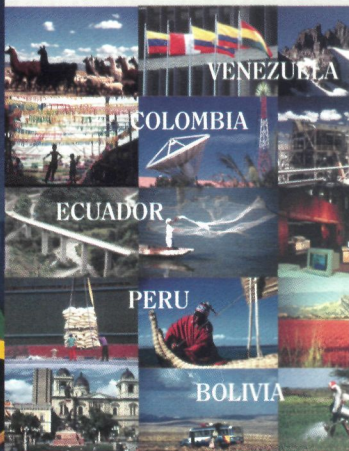
Also on the occasion of its anniversary, CAF sponsored a study on the role played by the communications media in the Andean countries in the process of regional integration and the way in which those responsible for the media and communicators in general perceive this process. Its findings were shared and reviewed in productive workshops held in the capitals of the Andean countries and attended by media directors, journalists, columnists, and academics.



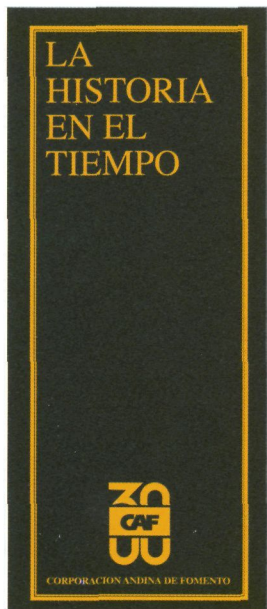
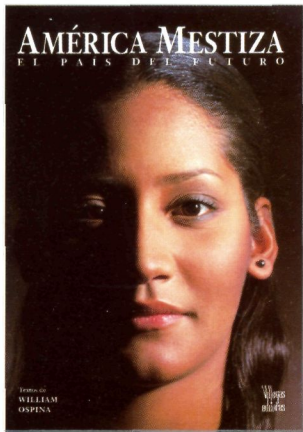


Registros de una regi

Visión integral del desarrollo económico, social, humano y am







Cultural Publications

Another highlight was the publication of two collectors' items, by virtue of their high graphic quality and novel publishing technique: *History through Time* –which weaves together a series of world and regional events that parallel CAF's own history during the last three decades of the 20th century– and *Mestizo America*, a general panorama of our America, with a detailed analysis of its development, transformations, history and defining social forces. The books shows that the countries of Latin America have a common identity strong enough to redefine the destiny of the region sharing an all-embracing culture whose influence is now being felt throughout the world.

In addition to these books, two videos were produced. One of them –against the backdrop of the work carried out by CAF over these past thirty years– guides the viewer through striking images showing the geography and faces of our peoples, well as CAF's projects and activities, underscoring the spirit of integration that has won out over the daunting plurality and potentialities which the Andean territory encompasses. These images formed the basis for the photographic exhibit called: *Sights and Views of a Region*, an intriguing visual tour of the different topographies in which CAF has undertaken initiatives, with insights into their economic, social, human and environmental dimensions. The second video contains the special greetings from the Presidents of the Andean Countries and from the Presidents of Brazil and Mexico, expressing their recognition to CAF over three decades and the Institution's support to regional integration and sustainable development.



ANIVERSARIO

Financial and Operational Analysis

Corporación Andina de Fomento
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Operations:

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Operations 1. Operation Approvals

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With an overall outlook pointing to a recovery in the region's economies, the Andean Development Corporation earned a positive record in 2000, playing an important counter-cyclical role in helping to halt the recessionary trend affecting the region. CAF's constant presence in support of its shareholder countries at times of difficulty was one of the most important features of the fiscal year. During the year 2000, operations totaling US\$2,323 million were approved, most of them in the countries of the Andean Community, an increase of 6.5% over approvals in the preceding year. *Table N° 1* summarizes the breakdown of approvals by country in 2000, as well as their movement over the last five years.

Table N° 1 Approvals by country

Country	US\$ Million					
	1996	1997	1998	1999	2000	1996-00
Bolivia	223.2	353.4	227.0	247.6	342.8	1,394.0
Colombia	361.9	225.7	330.6	735.8	773.2	2,427.2
Ecuador	541.0	628.0	384.1	267.5	398.0	2,218.6
Perú	301.3	530.2	953.1	630.1	451.0	2,865.7
Venezuela	679.4	588.4	564.5	160.8	271.4	2,264.5
Other shareholder countries and regional operations	207.1	574.4	213.5	138.9	87.0	1,220.9
Total	2,313.9	2,900.1	2,672.8	2,180.7	2,323.4	12,390.9

Approvals by term

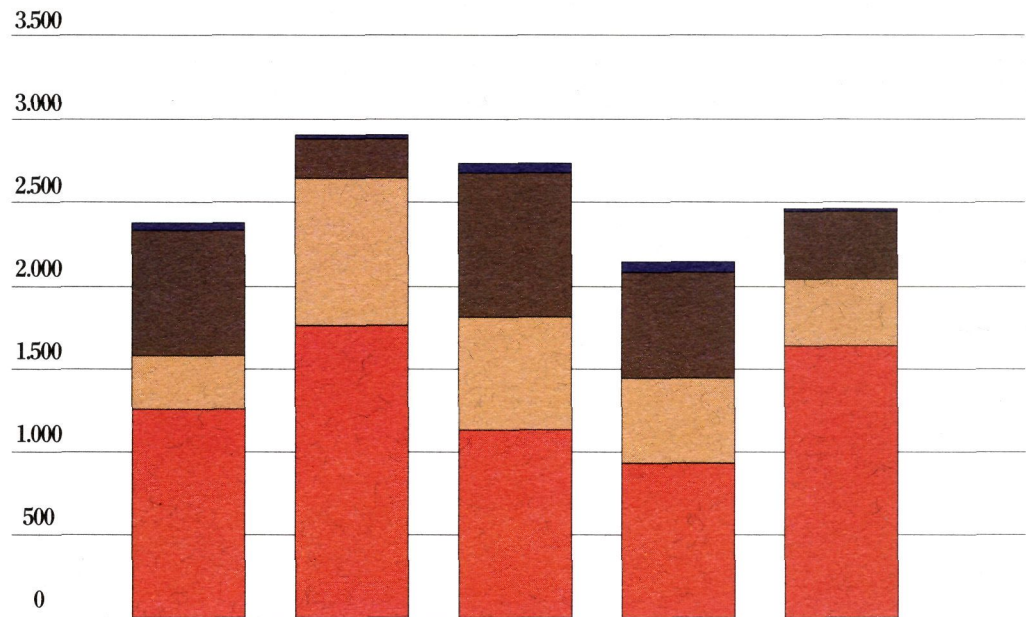
During 2000, the highlight once again was the total amount approved for long-term operations. The thrust of the Corporation's efforts was to assist the countries in moving from economies based on natural resources to those relying on knowledge and technology, strengthen the region's financial markets and systems, support countries' access to international capital markets, promote and finance projects designed to develop and improve sustainable infrastructure and production support, bolster micro-financing services, adopt new initiatives targeted to small and medium-sized enterprises, and continue to exploit its catalytic capacity to finance public and private programs and projects of high priority for its member countries.

Long-term loans thus accounted for more than 66% of total approvals for the year. As can be seen in *Graph N° 1*, the share of this kind of operation in the total approved was substantial throughout the five-year period, reflecting the support that governments are giving to the modernization of the economy as well as to the construction and improvement of road and energy infrastructure in their respective countries and the support lent by the Corporation to this kind of initiatives.

In line with the Corporation's mission to support sustainable development and regional integration, CAF continued to channel resources into physical infrastructure and border integration projects with a view to increasing private-sector participation and investments within the plan of action adopted at the meeting of Heads of State in Brasilia.

Graph N° 1 Approvals by term

US\$ Million



Type of lending operation	1996	1997	1998	1999	2000	1996-2000
■ Long-term loans	1,284.7	1,627.9	1,045.6	988.1	1,539.7	6,486.0
■ Medium-term loans	267.0	1,045.0	660.8	476.3	402.3	2,851.4
■ Short-term loans	718.7	204.0	910.4	656.0	365.2	2,854.3
■ Other transactions	43.5	23.2	56.0	60.3	16.2	199.2
Total	2,313.9	2,900.1	2,672.8	2,180.7	2,323.4	12,390.9

Approvals by institutional sector

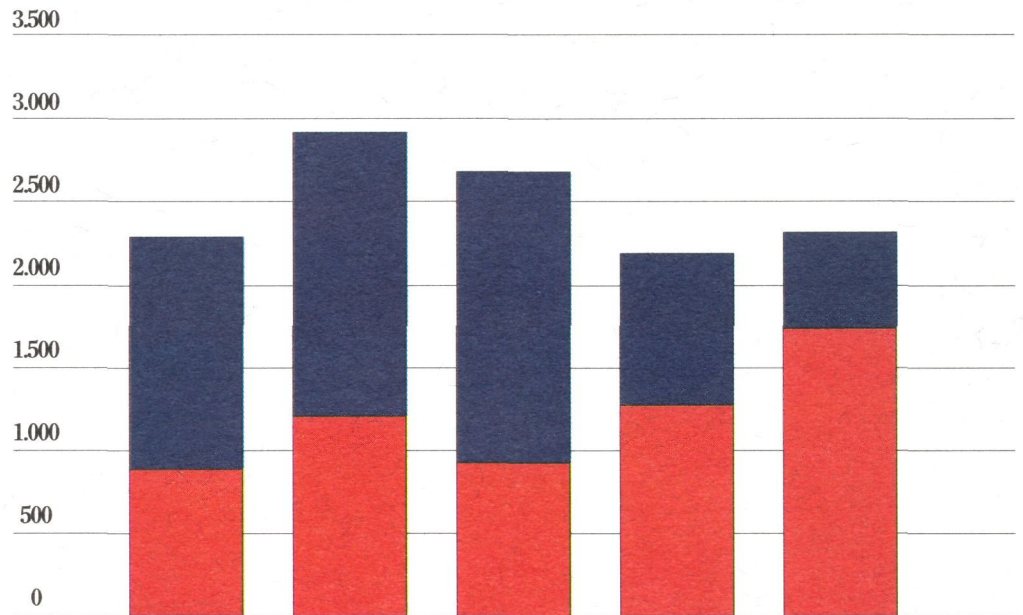
During the fiscal year, operations approved to governments or public sector entities accounted for 73.6% of total lending as shown in *Graph N° 2*.

This high level of approvals to the public sector was driven by the governments' efforts to reverse the recessionary trend threatening the countries in the region by implementing various programs and projects to bolster their economies. Much of the public investment goes directly to private companies and institutions, just as the private sector is the ultimate beneficiary of many of the programs to support the financial system.

The breakdown of approvals in 2000 by institutional sector and term is summarized in *Table No. 2*.

Graph N° 2 Approvals by institutional sector

US\$ Million



Institutional sector	1996	1997	1998	1999	2000	1996-2000
■ Public sector	864.2	1,213.3	967.6	1,268.7	1,710.3	6,024.1
■ Private and mixed sector	1,449.7	1,686.8	1,705.2	912.0	613.1	6,366.8
Total	2,313.9	2,900.1	2,672.8	2,180.7	2,323.4	12,390.9

The breakdown of approvals in 2000 by institutional sector and term is summarized in Table N° 2.

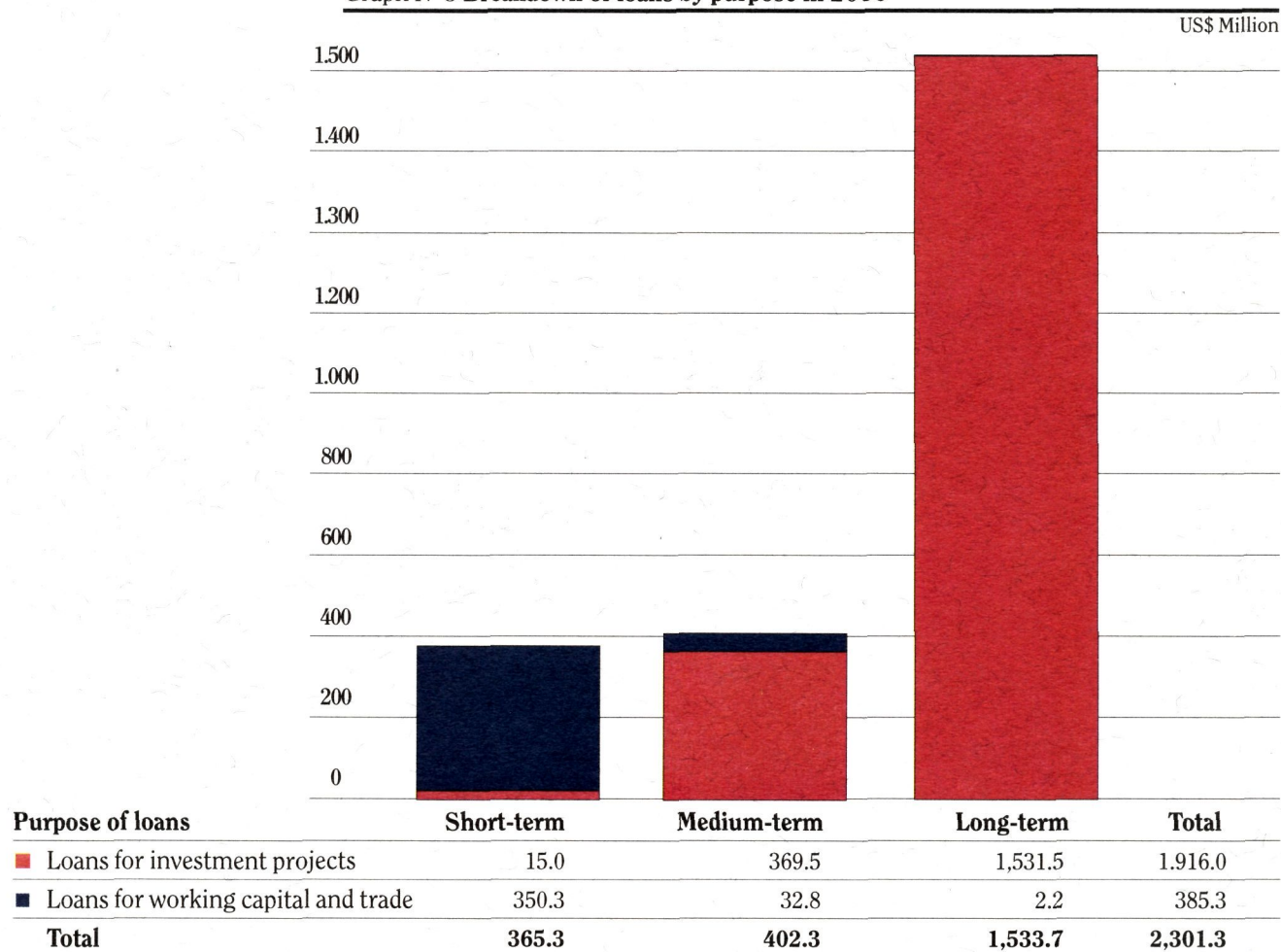
Table N° 2 Operation approvals by term and institutional sector in 2000

Tenor	US\$ Millions			
	Tenor Public	Tenor Private	Tenor Public%	Tenor Private%
Long-term loans	1,234.8	298.9	72.2%	48.7%
Medium-term loans	365.1	37.2	21.4%	6.1%
Short-term loans	100.0	265.2	5.8%	43.3%
Other transactions	10.4	11.8	0.6%	1.9%
Total	1,710.3	613.1	100.0%	100.0%

Purpose of loans

In the course of the year, a total of US\$2.301 million in short, medium and long-term loans was approved. 83% of this amount (US\$1,916 million) was earmarked to finance investment programs and projects and the remaining for corporate loans and international trade operations, as illustrated by Graph N° 3. CAF's assistance to shareholder countries was provided from an overall perspective, as evidenced by the approval of programs and projects aimed at employment-generating investment initiatives, the reconstruction of infrastructure damaged by natural phenomena, support to the region's financial systems, and assistance to regional infrastructure projects as part of a long-term strategic vision intended to strengthen physical integration among countries.

Graph N° 3 Breakdown of loans by purpose in 2000



Loans for execution of investment programs and projects

The loans for investment programs and projects -which totaled US\$1,916 million- are listed in the Table of Approvals (pages 80-91), as are the equity investments (US\$6.0 million).

Distribution by economic sector

Table N°3 shows loan approvals for investment programs and projects, broken down by economic sector and year. A notable feature in 2000 was the financial support, which the Corporation provided to the public investment, and State modernization programs being pursued by several countries in the region, notably the Program for Roads of Peace that the Colombian authorities are executing to benefit the communities affected by the conflict.

The infrastructure sectors –transportation, warehousing and communications– continue to receive priority attention, as do the energy generating, electricity supply, gas, and water sectors. These two sectors of the economy together account for more than 26% of total approvals for project execution in fiscal year 2000.

Also noteworthy is the approval of US\$331 million to be channeled to productive sectors through the commercial and development banking systems, and the support extended to a variety of programs designed to meet requirements in education, health, and community development. The latter includes the resources approved to meet the needs of the Plan Esperanza II being carried out by the Ecuadoran Episcopal Conference and the social components, devoted to education in particular that form part of the Public Investment Programs of Colombia and Peru.

Finally, mention should be made of the approval of US\$195 million, classified under

Mining and Quarrying, which is earmarked primarily to support an increase in Bolivia's gas production capacity with a view to export to the Brazilian market.

Table N° 3 Loan approvals for project investment by economic sector

	US\$ Million				
Economic sector	1996	1997	1998	1999	2000
Agriculture, hunting and forestry	17.1	21.5	62.4	52.5	58.1
Mining and quarrying, oil and natural gas	151.0	246.0			195.0
Manufacturing industries		122.1	23.6	76.7	60.1
Distribution of electricity, gas and water	367.3	412.8	200.0	192.5	179.9
Transport, warehousing and communications	275.4	472.4	940.5	402.0	340.3
Wholesale and retail trade					
Public administration	25.0		55.0	33.0	415.0
Hotels and restaurants	2.0	3.0	2.0	19.9	22.9
Financial intermediation	405.0	261.5	130.5	345.0	331.2
Other community, social, and personal service activities	45.0	116.4	70.5	253.0	144.8
Education	25.0	0.3		26.0	168.7
Total	1,312.8	1,656.0	1,484.5	1,400.6	1,916.0

Financing structure of programs and projects

CAF's active participation in several events designed to promote the region with international investors, coupled with the maintenance of close relationships with other multilateral lending agencies, continues to bear fruit. During 2000, two operations structured as A/B loans were approved for US\$280 million -of which US\$195 million related to the B tranches- while a partial guarantee was furnished for a US\$250 million operation, thereby deepening CAF's role in attracting third-party resources into the region. (*Table N° 4*)

In 2000, after deduction of the syndicated portions (B loans) and the guarantee, the Corporation approved a total of US\$1,471 million to finance long- and medium- term investment programs and projects. Although this figure is 23% higher than that approved the preceding year for operations of this kind, CAF's share in the financing structure of these programs and projects represented only 27% of their total cost, which attests to the Corporation's growing capacity to mobilize external resources on increasingly competitive terms.

Table N° 4 Project financing structure

	US\$ Million				
Source of financing	1996	1997	1998	1999	2000
CAF loans	1,312.8	1,426.6	1,094.3	1,190.6	1,471.0
Clients' contributions	1,303.0	1,755.7	1,230.5	1,436.6	1,232.3
Other local sources	206.3	650.8	61.8	35.0	166.0
Sources outside the region	1,512.1	3,740.8	1,556.5	1,445.0	2,655.5
• Loans from multilateral agencies	1,043.0	1,902.3	519.8	130.0	1,221.5
• Other external sources	469.1	1,838.5	1,036.7	1,315.0	1,434.0
Total cost of projects	4,334.2	7,573.9	3,943.1	4,107.2	5,524.8
Inflow of external funding into the region/dollar of CAF lending	1.2	2.6	1.4	1.2	1.8

By leveraging this share, CAF was able in 2000 to help mobilize external financing resources of about US\$2,655 billion into the region. Highlights in this area include cofinancing of some US\$1,221 million with multilateral agencies and US\$1,534 billion with such other lending agencies as ABN AMRO Bank, Citibank, Dresdner Bank and Santander Investment Bank. Every dollar the Corporation lent in 2000 helped to mobilize 1.8 dollars for the region.

2. Disbursements

During the year, the Corporation disbursed a total of US\$1,818 billion to countries in the region, including tranche B disbursements, of which US\$1,673 billion (92%) was channeled to countries of the Andean Community; approximately 75% went to finance investment projects, while 25% was earmarked to support short-term corporate operations and international trade. In institutional terms, 72% of disbursements went directly to benefit public sector entities, although a sizable share of these funds ultimately helped to support private sector activities through development agencies or intermediate lending institutions (*Table N° 5*).

Table N° 5 **Disbursements by country**

	US\$ Million					
Country	1996	1997	1998	1999	2000	1996-00
Bolivia	207.5	335.7	218.0	263.2	149.6	1,174.0
Colombia	221.9	162.4	311.1	393.4	817.9	1,906.7
Ecuador	556.0	358.0	356.2	212.0	235.0	1,717.2
Peru	267.3	457.6	872.4	405.7	361.8	2,364.8
Venezuela	279.1	336.0	492.1	293.9	108.2	1,509.3
Other shareholder countries and regional operations	104.3	387.3	211.3	245.0	145.9	1,093.8
Total	1,636.1	2,037.0	2,461.1	1,813.2	1,818.4	9,765.8

3. Portfolio

At the end of fiscal year 2000, CAF's total loan and investment portfolio -construed as both its direct loan and investment portfolio and the third-party portfolio it manages and administers- stood at US\$5,121 million, representing a 7% increase over the balance at the close of 1999 (US\$4,766 million) and average year-on-year growth of 17% since 1996 (US\$2,749 million). (*Table N° 6*)

Table N° 6 **Total portfolio***

	US\$ Million				
	1996	1997	1998	1999	2000
CAF loan portfolio	2,678.0	3,223.9	3,656.7	4,188.0	4,478.1
Capital investments	49.1	63.9	82.3	102.5	137.3
Subtotal: CAF direct portfolio	2,727.1	3,287.8	3,739.0	4,290.5	4,615.4
B loans		72.9	332.0	412.1	495.6
Administered portfolio	21.6	40.6	109.0	63.1	9.7
Subtotal: third-party	21.6	113.5	441.0	475.2	505.3
Total CAF portfolio	2,748.7	3,401.3	4,180.0	4,765.7	5,120.7

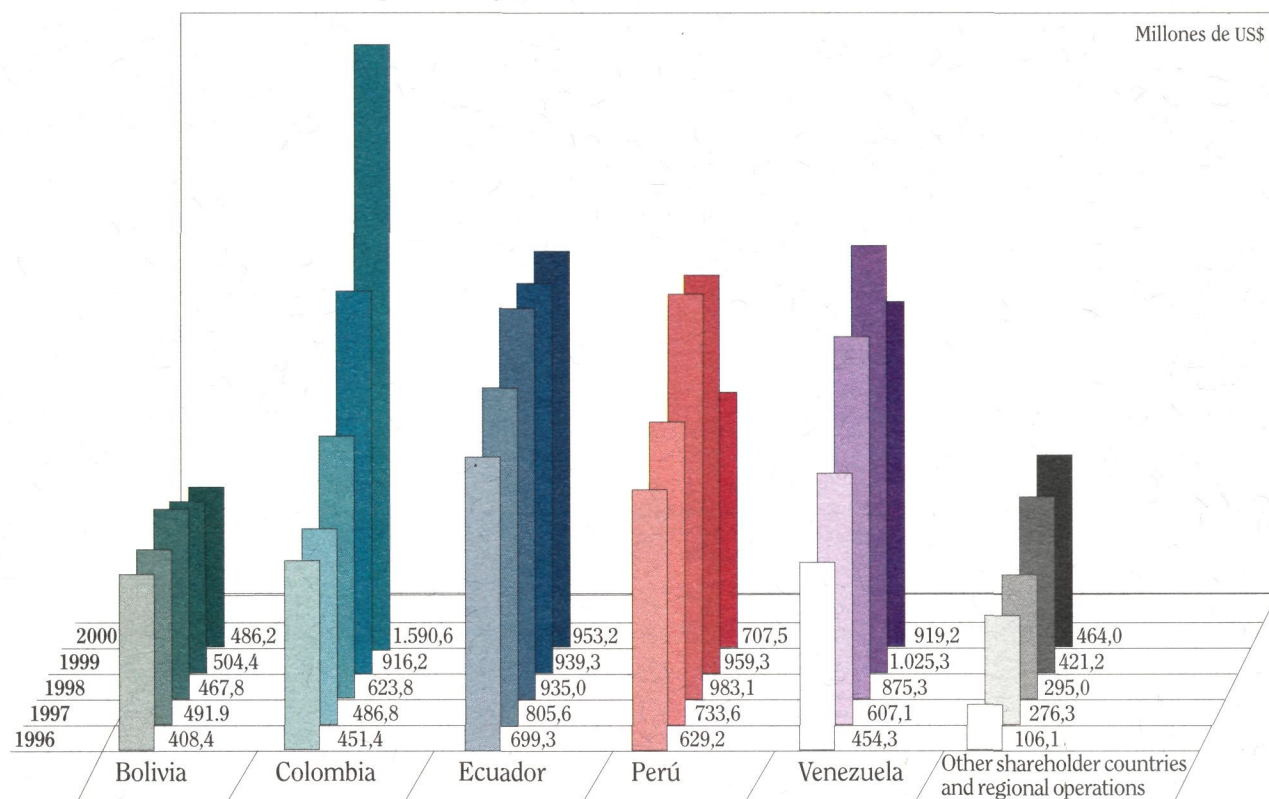
* Includes the third-party portfolio managed and administered by CAF.

As one of its corporate objectives, CAF is constantly deepening, and placing at the disposal of its shareholders, its catalytic capacity and ability to bring external resources into the region. Over the last four years CAF's direct portfolio has accordingly grown more slowly than the third-party portfolio it manages and administers.

Total portfolio by country

Of CAF's total portfolio, more than 91% represents resources channeled to countries of the Andean Community, while the remaining 9% is made up of operations in other shareholder countries and regional operations. *Graph N° 4* summarizes the evolution of the loan portfolio by country over the last five years.

Graph N° 4 **Total portfolio* by country**
Total portfolio by term



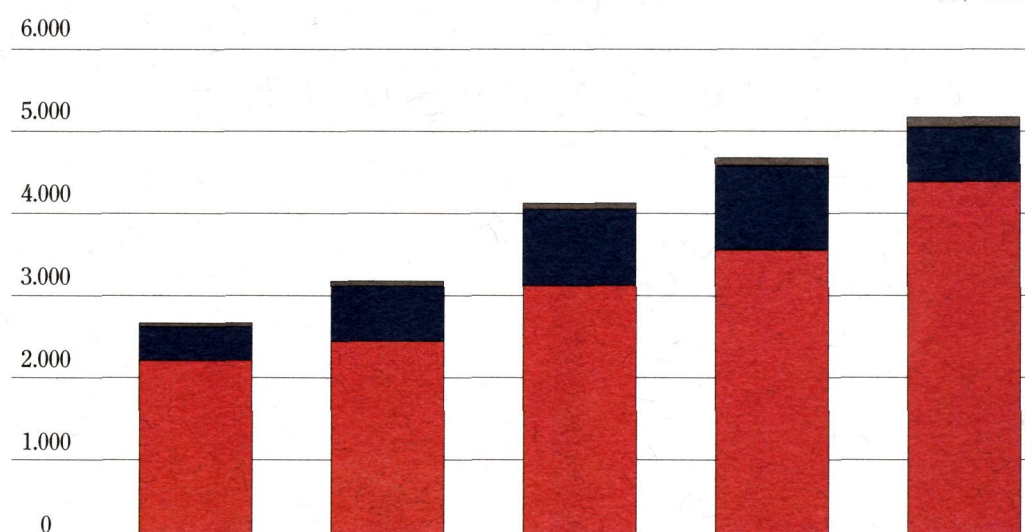
Country	1996	1997	1998	1999	2000
Bolivia	408,4	491,9	467,8	504,4	486,2
Colombia	451,4	486,8	623,8	916,2	1.590,6
Ecuador	699,3	805,6	935,0	939,3	953,2
Peru	629,2	733,6	983,1	959,3	707,5
Venezuela	454,3	607,1	875,3	1,025,3	919,2
Other shareholder countries and regional operations	106,1	276,3	295,0	421,2	464,0
Total	2,748,7	3,401,3	4,180,0	4,765,7	5,120,7

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

As can be seen from *Graph N° 5*, the long-term portfolio -used primarily to finance the execution of programs and projects- continued the upward trend of earlier years (20% average annual growth for the period 1996-2000), rising by 18% over the preceding period. On the other hand, the short and medium-term portfolio, which essentially finances foreign trade operations and working capital, decreased by a 30% over the preceding fiscal year. As a result of these factors, the share of long-term loans in the total portfolio was approximately 82%. If capital investments, which are normally made at long term, are added, this proportion rises up to 85%.

Graph N° 5 Total portfolio* by term

US\$ Million



Term	1996	1997	1998	1999	2000
■ Long-term loans	2,012.0	2,473.2	3,022.4	3,572.8	4,211.9
■ Medium – and short – term loans	687.6	864.2	1,075.3	1,090.3	771.5
■ Capital investments	49.1	63.9	82.3	102.6	137.3
Total	2,748.7	3,401.3	4,180.0	4,765.7	5,120.7

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

Total portfolio by institutional sector

The private sector, including the mixed sector, accounted for a 26% share of the total loan portfolio (10% less than in 1999), while the public sector share was 74%. This shift in the composition of the portfolio results from the effort that governments in the region are making to reverse the recessionary trend and the decline in private-sector economic activity as a result of problems in an economy. (Table N° 6)

Table N° 6 Total loan portfolio* by institutional sector

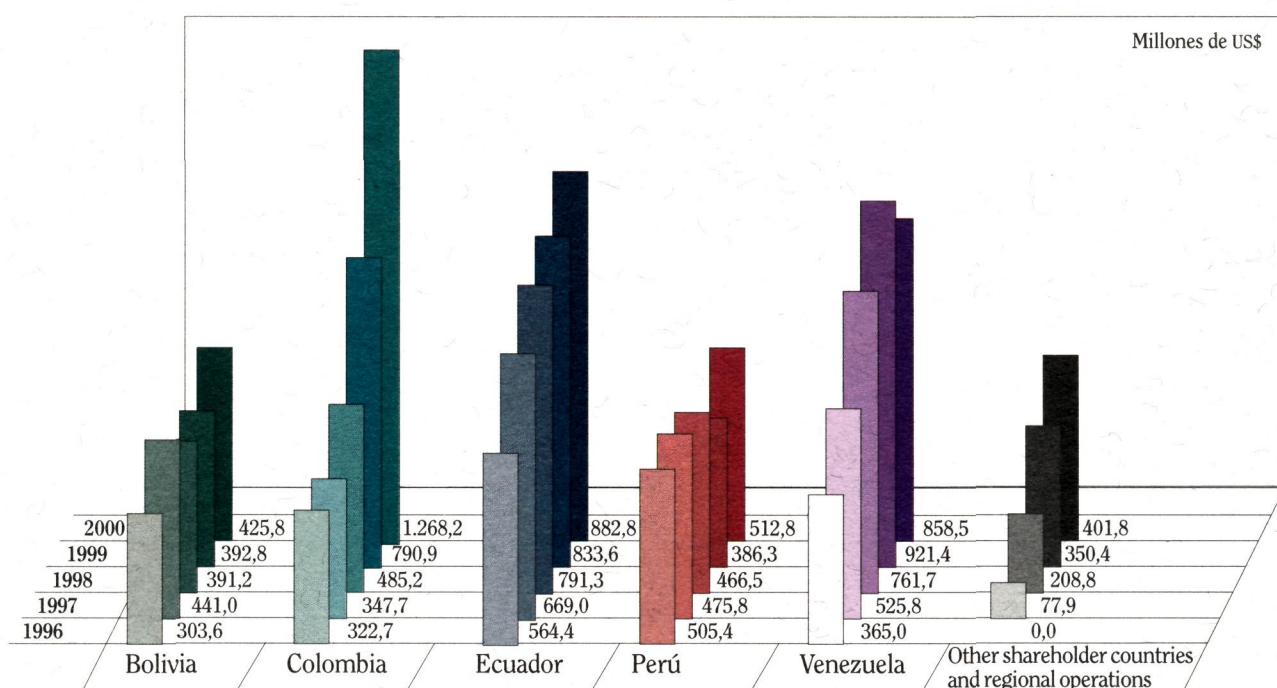
	US\$ Million				
Institutional sector	1996	1997	1998	1999	2000
Public sector	1,675.7	1,942.0	2,506.0	3,064.2	3,803.5
Private and mixed sector	1,073.0	1,459.3	1,674.0	1,701.5	1,317.2
Total	2,748.7	3,401.3	4,180.0	4,765.7	5,120.7

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

Total long-term loan portfolio and investments

The total portfolio of long-term operations -used primarily to finance the execution of investment projects- continued the upward trend observed in recent years, rising by 18% during fiscal 2000. The breakdown of this portfolio shows 29% for Colombia, 20% for Ecuador, 20% for Venezuela, 12% for Peru, and 10% for Bolivia. The portfolio of long-term regional operations and operations in other shareholder countries accounted for 9% of the total. (Graph N° 6)

Graph N° 6 Total long-term loan portfolio and investments*



Country	1996	1997	1998	1999	2000
Bolivia	303,6	441,0	391,2	392,8	425,8
Colombia	322,7	347,7	485,2	790,9	1.268,2
Ecuador	564,4	669,0	791,3	833,6	882,8
Peru	505,4	475,8	466,5	386,3	512,8
Venezuela	365,0	525,8	761,7	921,4	858,5
Other shareholder countries and regional operations	0,0	77,9	208,8	350,4	401,8
Total	2,061,1	2,537,2	3,104,7	3,675,4	4,349,9

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

The share of the long-term portfolio in the total (82%) reflects CAF's ongoing support for the execution of long-term projects and programs, most of them geared to the development and improvement of sustainable infrastructure and production support, which the governments and economic agents are pursuing. This long-term portfolio includes, as well, privatization efforts, programs to finance productive investment and, reconstruction of infrastructure damaged by natural phenomena.

Total short and medium-term loan portfolio

At the close of fiscal 2000, the total medium and short-term loan portfolio -which is essentially earmarked for working capital and foreign trade operations- decreased by about 30% over the year before, chiefly in Bolivia, Ecuador, Peru and Venezuela. This behavior can be attributed to the difficulties through which the region passed during 2000, which affected some countries more deeply than others. (Table N° 7)

Table N° 7 Short and medium-term loan portfolio by country

Country	US\$ Million				
	1996	1997	1998	1999	2000
Bolivia	104.7	50.9	76.5	111.6	60.3
Colombia	128.7	139.0	138.7	125.3	322.6
Ecuador	134.9	136.6	143.7	105.8	71.0
Peru	123.8	257.8	516.6	573.0	194.7
Venezuela	89.3	81.3	113.5	103.9	60.7
Other shareholder countries and regional operations	106.2	198.6	86.3	70.7	62.2
Total	687.6	864.2	1,075.3	1,090.3	771.5

Total portfolio by economic sector

As a result of the Corporation's policy of supporting regional infrastructure and integration, there was a substantial increase in loans to the electricity, gas and water supply sectors, as well as loans to the transportation, warehousing and communications sectors, which combined to close fiscal 2 higher than the portfolio of the financial intermediation sector. These three groupings together accounted for 72% of the portfolio. (Table N° 8).

Table N° 8 Total portfolio* by economic sector

Economic Sector	1999		2000	
	US\$ million	%	US\$ million	%
Agriculture, hunting and forestry	200.5	4%	241.6	5%
Mining and quarrying	71.7	2%	37.6	1%
Manufacturing industry	343.5	7%	291.3	6%
Distribution of electricity, gas and water	976.2	20%	999.0	19%
Transport, warehousing and communications	1,173.5	25%	1,274.9	25%
Commercial banking	591.8	12%	498.1	10%
Development banking	751.0	16%	941.1	18%
Education, social and health services	383.3	8%	585.9	11%
Other activities	274.2	6%	251.2	5%
Total	4,765.7	100%	5,120.7	100.0%

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

Although it is still relatively small, it is worth highlighting the growth recorded by the Education, Social Services and Health portfolio during the past year, reflecting the support provided by the Corporation to the efforts of the countries in the region to improve the social conditions of their peoples.

Equity investment portfolio

This summarizes the equity investments that the Corporation, in line with its institutional policy, started since 1993. At the close of fiscal 2000, this portfolio amounted to US\$137 million, most of it in a number of investment funds with regional coverage, in national development entities, and in institutions specializing in providing support to develop and strengthen microenterprise. (Table N° 9)

Table N° 9 Equity investment portfolio

US\$ Million				
Country	Amount invested in equity investment		Balance as of 31 Dec.00	Percentage breakdown
	1993-99	2000		
Bolivia	9.8	0.3	10.1	7.4%
Colombia	10.3	0.0	10.3	7.5%
Ecuador	1.0	0.0	1.0	0.7%
Peru	26.9	0.0	26.9	19.6%
Venezuela	3.0	0.0	3.0	2.2%
Regional	51.6	34.4	86.0	62.6%
Total	102.6	34.7	137.3	100.0%

Operations Approvals

Bolivia

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Empresa Petrolera Andina, S.A.	Bridge loan to finance start-up of the company's expansion plan.	15.0			15.0	75.0	Bridge loan to support the start-up of the company's plan to expand gas and oil production. Its execution will make it possible to expand gas output to 18.8 million m ³ /day by 2005. With the execution of this project Bolivian gas exports to Brazil are expected to increase significantly.
Empresa Petrolera Andina, S.A	Long-term loan structured under the A/B facility			180.0	180.0	245.5	Loan granted and structured under the A/B facility, with the participation of ABN AMRO Bank and Dresdner Kleinwort Benson. This loan facility will provide partial financing for the plan to expand gas and oil production, which the company will be carrying out in 2001 and 2002. The project will earmark much of its gas output of 18.8 million m ³ /day for export to the Brazilian market. This financial support represents a major contribution to the energy integration and sustainable development of CAF's member countries.
Constructora Queiroz Galvao, S.A.	Medium-term corporate loan		4.9		4.9	11.1	The proceeds have been allocated to financing completion of construction of the Padcaya-Campanario-La Mamora highway, which has a high integration component since it forms part of the overland link between Bolivia and Argentina. Completion of this section will facilitate economic and social integration between the Mercosur countries and those of the Andean Community.
Empresa Ferroviaria Oriental S.A. FCOSA	Medium-term corporate loan		5.0		5.0	10.0	The funding provided will be earmarked by the company for the purchase of rolling stock and equipment. The company plans in this way to improve the quality of service on the Santa Cruz-Puerto Suárez section (at the border with Brazil), which is of high priority for the Bolivian economy in that it will facilitate the export of such products as soybeans and derivatives, and ores, as well as imports. This railroad forms part of the country's export and integration corridors with Mercosur.
Cooperativa de Telefonos de Cochabamba-COMTECO	Medium-term corporate loan		4.0		4.0	60.0	Bridge financing for the nationwide Personal Mobile Communications (PMC) and Data Transmission projects being executed by COMTECO in partnership with Western Wireless International. The operation will conclude with the securitization of a portion of COMTECO's accounts receivable, which will help to diversify the securities market.

Bolivia

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Bolivia, Ministry of Finance	Program to support the Financial Realignment Plan for the Municipalities			45.0	45.0	140.0	The goal of the program is to mobilize public investment quickly, through local governments, to reactivate and dynamize the Bolivian economy. Realignment of finances by the municipalities eligible for the Financial Realignment Plan will enable them to obtain fresh resources to execute their investment plans. This loan will assist in modernizing the country's municipalities, as well as in achieving administrative decentralization and reactivation of public investment by these local governments.
Republic of Bolivia, National Roads Service	Emergency Road Infrastructure Program			15.0	15.0	37.0	The purpose of this program is to execute emergency works to assure travel on the highways affected by the weather phenomena of January 2000. To this end, it is planned to carry out any final design studies needed and execute rehabilitation and maintenance works on the Basic Road Network. It is hoped in this way to improve service levels and lower freight and passenger transport costs throughout this network, thereby enhancing competitiveness and giving Bolivia improved access to international markets.
Republic of Bolivia, Ministry of Finance	Multilateral Debt Reduction Program under the Expanded HIPC Initiative			20.0	20.0	853.0	CAF is participating in the Expanded HIPC Initiative, together with such major international institutions as the Vatican (Jubilee 2000), the IMF and the World Bank. The aim of this initiative to forgive part of Bolivia's debt is to make the impact of debt on the balance of payments more tenable, lessen the vulnerability of its economy to external shocks, speed up structural reforms, and support the strengthening of social programs.
Various Clients	Long-term loans to finance investment in fixed assets			4.2	4.2	4.7	Investment projects aimed at improving Bolivia's hotel infrastructure and expanding its installed capacity.
Total loans for program and project execution		15.0	13.9	264.2	293.1	1,436.3	

Bolivia

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
2. Corporate loans and international trade operations							
		41.1	3.9		45.0	45.0	
3. Technical cooperation and FONDESHU operations							
				4.2	4.2	4.2	
4. Equity participations							
Fondo Financiero Privado ECO-FUTURO S.A.	Equity participation			0.5	0.5	2.1	CAF investment using FONDESHU resources in the authorized capital of the Private Financing Fund ECO-FUTURO, which will provide a variety of financial services to micro and small-scale enterprises in urban and rural areas. This joint participation with international financial institutions and private investors constitutes support for the Government's efforts to spearhead an institutional scheme to promote microenterprise.
Total equity participations		0.0	0.0	0.5	0.5	2.1	
Total Bolivia		56.1	17.8	268.9	342.8	1,487.6	

Colombia

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Colombia, Ministry of Transportation	Long-term loan for execution of the Roads for the Peace Transportation Program			162.0	162.0	206.5	The program is aimed at encouraging the peace process led by the Colombian authorities with the aid of investments that will benefit the poorest rural population in critical areas of conflict, by executing projects to improve road and river transportation, employment generation through large-scale resort to local manpower, and committing the communities to the construction and sustainable maintenance of the works constructed.
Republic of Colombia, Ministry of Finance and Public Credit	Multisectoral Public Investment Program			200.0	200.0	286.0	This operation extends the support provided to the Republic of Colombia for execution of the 1998-2002 Public Investment Plan. A top priority for the government, it will finance projects in the sectors of potable water and basic sanitation, transportation, industry and trade, community development, health, agriculture, agroindustry, and environmental protection. These labor-intensive projects will increase employment, improve the competitiveness of the industry and reduce poverty, while contributing to further progress in the domestic peace-making process.
Republic of Colombia, Ministry of Finance and Public Credit	Partial Loan Guarantee	350.0			350.0	350.0	CAF's unconditional and irrevocable guarantee in the amount of US\$100 million will enable the government to obtain long-term loans of up to US\$250 million from an international banking syndicate. The proceeds of the loan will be used to finance investments in goods and expenditures on services that have been accorded priority within the 2000 Investment Plan. This operation showcases the catalytic role of the Corporation, which opens the way for loans that would not be feasible without the financial support of a sound institution like CAF.
Various Clients	Medium-term loans		3.1	44.6	47.7	47.7	Financial support designed to expand and improve the installed capacity of companies in various sectors of the economy.
1. Total loans for program and project execution		0.0	353.1	406.6	759.7	890.2	
2. Corporate loans and international trade operations		5.6	5.0	1.2	11.8	11.8	
3. Technical cooperation and FONDESHU operations				1.7	1.7	1.7	
Total Colombia		5.6	358.1	409.5	773.2	903.7	

Ecuador

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Ecuador, Banco del Estado-BEDE	Border infrastructure program			25.0	25.0	36.0	The Frontier Infrastructure Program forms part of the Binational Plan to Develop the Peru-Ecuador Border Region and fits within the framework of the support granted by CAF to Ecuador and Peru to develop their frontier areas, building on the peace they have achieved. The program includes works involving roads, airport services, electricity service, potable water and sewerage, as well as reforestation and natural resource management in eight border provinces, foremost among which are rehabilitation of the highway linking the Ecuadoran cities of Cuenca and Loja to Santa María de Nieva and the port of Sarameriza on the river Marañón in Peru.
Republic of Ecuador, Ecuadoran Episcopal Conference	Program for Plan Esperanza II			25.0	25.0	32.5	By implementing permanent solutions that enhance production capacity and create employment, the Esperanza II Plan will contribute effectively toward alleviating poverty in the country. On the strength of the success of the initial phase (Esperanza I), the Corporation made a new loan to finance two joint programs: the first –Production Development– will bolster community projects of micro- and small-scale businesses, while the second –Social Development– will be used to carry out predominantly social infrastructure projects in such sectors as health, environmental sanitation, and education.
Republic of Ecuador, Ministry of Finance and Public Credit	Financial support for the Republic of Ecuador			200.0	200.0	1,194.5	The support granted by CAF will assist in strengthening the financial system and enhance the viability of implementing the reform of the State –revamping and decentralizing the public sector– as part of the processes that Ecuador is pursuing to dollarize and stabilize the economy. This loan is part of the total resources committed by CAF to the Ecuadoran Government through its participation in a US\$2.045 billion loan package to be contributed jointly with other multilateral agencies.
Corporacion Femenina Ecuatoriana	Project loan and technical cooperation			0.3	0.3	0.3	Support for the project ‘Mechanisms for Optimizing the Performance of Microenterprises Managed by Women,’ the goal of which is to encourage the consolidation and productive development of individual, family and community microenterprises managed by women, in order to generate new sources of employment and increase family incomes. The project includes training programs, craft training, loan facilities, and product marketing.

Ecuador

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Various Clients	Medium- and long-term investment loans		2.5	84.0	86.5	86.5	Several investment projects designed to improve Ecuador's tourism infrastructure and expand the installed capacity in other sectors of the economy.
1. Total loans for program and project execution		0.0	2.5	334.3	336.8	1,349.8	
2. Corporate loans and international trade operations		44.3	16.0		60.3	60.3	
3. Technical cooperation and FONDESHU operations				0.9	0.9	0.9	
Total Ecuador		44.3	18.5	335.2	398.0	1,411.0	

Peru

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Peru, Ministry of Economy and Finance	Multisectoral Public Investment Program			250.0	250.0	358.0	Loan intended to finance a portion of the 2000-2001 Public Investment Program being implemented by Peru. The Program will support the start-up of projects with strong social components, to which the national government attaches high priority, such as universal access to health services, improvements in health conditions for those working in agriculture, improvements in and reforms to the quality of education, increased coverage by the services responsible for community sanitation, energy and transportation, as well as better living standards for those segments living in poverty or extreme poverty. Execution of these economic and social development programs will result in sustained improvements in family income and in the quality of basic services in these communities.
Various Clients	Long-term investment loans			31.0	31.0	31.0	Loans approved to support investment projects in various economic sectors, notably fisheries and the manufacture of machinery and equipment.
1. Total loans for program and project execution		0.0	0.0	281.0	281.0	389.0	
2. Corporate loans and international trade operations		168.1			168.1	168.1	
3. Technical cooperation and FONDESHU operations				1.9	1.9	1.9	
Total Peru		168.1	0.0	282.9	451.0	559.0	

Venezuela

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Venezuela, Fondo de Crédito Industrial-FONCREI	Financing program for small and medium-sized enterprises			60.0	60.0	86.0	This loan facility will permit the development and consolidation of small and medium-sized productive companies as important sources of employment, with an eye to helping to revitalize the Venezuelan economy. Using the proceeds of this loan, the contributions of FONCREI, and those of the end-beneficiaries themselves, this sector will be able to count on timely financing that will be administered using selection criteria that take into account such aspects as employment generation, creation of domestic value added, development of domestic technology, and proper environmental management.
Republic of Venezuela, Ministry of Environment and Natural Resources	Wastewater treatment systems in the Lake Valencia watershed			20.0	20.0	167.0	Loan intended to provide partial financing for the Lake Valencia Basin Wastewater Treatment System. The system will improve the quality of the water in Lake Valencia and its tributaries by constructing and operating a system of collectors, cutoff drains and treatment plants. This project, which has been declared a high priority by the national government and is treated as part of the Master Plan for Regulation and Control of Lake Valencia, has been under development since 1990 with a view to treating wastewater from the towns near the lake, reusing it, controlling the rise in the level of the lake, and cleaning up the pollution in it and its tributaries. CAF's financing is targeted in particular at construction of the second phase of the Mariposa Plant, which will provide tertiary treatment for a discharge of 4,000 liters a second of wastewater from the city of Valencia.
Republic of Venezuela, Compañía Anónima Metro de Caracas- CAMETRO	Project for Line 4 of Caracas Metro			45.0	45.0	689.7	This project, viewed as one of high priority by the national government because of its social, economic and environmental impact, comprises the execution of civil works and the procurement of machinery and equipment to bring a new 5.5-km long line into operation between Plaza Venezuela and Capuchinos Station. This line will increase transport capacity without the need to transfer in downtown Caracas. The project complements the support which the Corporation has been giving the city of Caracas and CAMETRO since 1994, now totaling US\$197 million; this support is in line with the quest for appropriate solutions to the city's transportation problems.

Venezuela

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Republic of Venezuela, C.V.G. Electrificación del Caroní-EDELCA	Loan structured under the A/B facility			100.0	100.0	596.4	The project forms part of the Plan for Investments in Transmission which EDELCA has been carrying out to supply electricity to the Oriente, Regional de Guayana, Guayana Centro and Centro Occidente regions, as well as to meet growing demand from the oil sector. CAF's support was structured as an A/B loan, with the participation of Banco Santander Investment as a joint arranger. The proceeds will be earmarked for the construction, equipping, remodeling and expansion of the transmission networks and the substations.
Tamayo Foundation	Loan for projects and technical assistance			0.4	0.4	0.4	The purpose of the project is to improve, in a sustainable manner, the socioeconomic conditions of at least 100 small growers of aloe vera in the area around Tagua, as well as to generate a significant number of industrial jobs, through support for the production, processing and marketing of aloe vera.
Various Clients	Long-term investment loans			20.0	20.0	20.0	Financing of investment projects designed to increase the installed capacity of various companies.
1. Total loans for program and project execution		0.0	0.0	245.4	245.4	1,559.5	
2. Corporate loans and international trade operations		21.8	3.3		25.1	25.1	
3. Technical cooperation and FONDESHU operations				0.9	0.9	0.9	
Total Republic of Venezuela		21.8	3.3	246.3	271.4	1,585.5	

Other Shareholder Countries

Brasil

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
2. Corporate loans and international trade operations		67.8	4.8		72.4	72.4	

Paraguay

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
2. Corporate loans and international trade operations		1.5		1.0	2.5	2.5	
3. Technical cooperation and FONDESHU operations				0.9	0.9	0.9	
Total other Shareholder Countries		69.3	4.6	1.9	75.8	75.8	

Multinationals

4. Equity participations

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Latin American Investment Guarantee Company-LAIGC	Equity participation			5.0	5.0	5.0	Increase in CAF's participation in the authorized capital of this agency, whose mission is to write insurance policies against political risk, to provide investment guarantees, guarantees for external loans, and for foreign trade operations. This is another tool for the Corporation to use its catalytic role by attracting external resources into the region.
Ecoenterprise Fund	Equity participation			0.5	0.5	6.0	The Fund owes its origins to an initiative by The Nature Conservancy and the IDB's Multilateral Investment Fund to offer risk capital and technical support to environmentally responsible small and medium-sized companies that generate revenues for the conservation of biodiversity. Also participating in the Fund are a number of entities interested, like CAF, in promoting sustainable entrepreneurial development.
Total equity participations		0.0	0.0	5.5	5.5	11.0	
3. Technical cooperation and FONDESHU operations				5.7	5.7	5.7	
Total Multinationals		0.0	0.0	11.2	11.2	16.7	
Grand Total CAF		365.3	402.2	1,555.9	2,323.4	5,939.2	

Summary

1. Project Execution and Programs

Country and Client	CAF Product	ST	MT	LT	Total	Total Project Cost	Project description
Participations by term (%)		15.7%	17.3%	67.0%	100.0%		
Total CAF projects and programs		15.0	369.5	1,531.5	1,916.0	5,524.8	
Total CAF corporate loans and international trade operations		350.3	32.8	2.2	385.3	385.3	
Total CAF technical cooperation and FONDESHU operations		0.0	0.0	16.2	16.2	16.2	
Total CAF equity investment		0.0	0.0	6.0	6.0	13.1	

Management's Discussion of Financial Condition 2000

was a year of economic, and in some cases also political, transition for most of the countries in the Andean Region. Overall, the region began to exhibit encouraging signs of economic recovery, following the adverse performance of 1999. CAF's support to its shareholders throughout this period was key by helping them maintain the continuity of high priority projects in their countries. The commitment of CAF's shareholders was once again demonstrated through the full execution of the 1991-2000 US\$500 million capital increase program and the payment of the first of seven installments of the new US\$606 million capital increase approved in 1999.

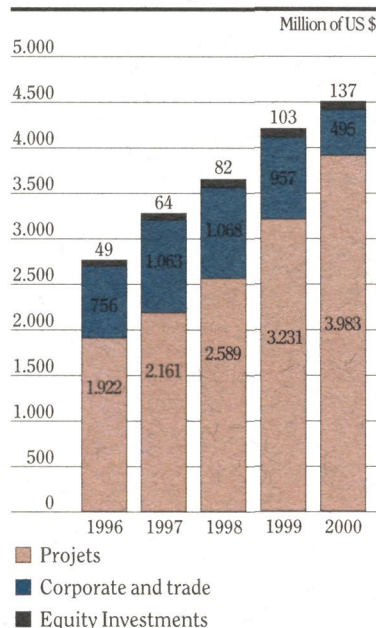
Chart N° 1
Ratings

	Long-term	Short-term
Standard & Poor's	A	A-1
Fitch	A	F1
Moody's	A3	P-2

New loan approvals totaled US\$2,363.3 and disbursements US\$818.5 for the year. The weight of these approvals and disbursements, 64.9% and 80.0% of the respective totals, was on the financing of medium and long-term projects, with special emphasis in infrastructure. CAF's ability to attract new international financing was highlighted by the US\$1,2 billion raised in the international capital markets during 2000 and by the US\$102.1 million in total participations from international banks in the B loan program.

Graph N° 1
Loan and equity securities portfolio

As of December of each year



CAF's position in the international bond markets was consolidated through a US\$225 million five-year offering in the United States, the sixth issue in that market since 1995; and a €200 million five-year offering in the European market, the second Euro denominated issue since 1999. Noteworthy was the establishment of a €500 million short-term note program in Spain ("Programa de Pagarés de Empresa") in November 2000. CAF became the first multilateral and the first Latin American issuer to establish such a program.

Fitch upgraded CAF's long-term rating from "A-" to "A" and its short-term rating from "F2" to "F1" in July 2000 (*Chart N° 1*). This new upgrade is a reflection of CAF's unique relationship with its shareholder countries and of the consistency of its financial and operational performance over the years.

Loans and Equity Investments

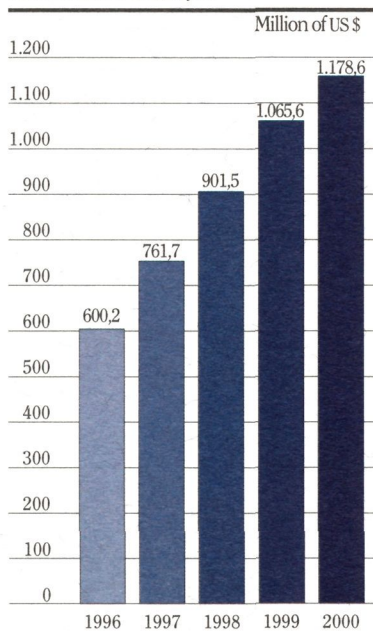
The quality of the loan portfolio remained sound and within the traditionally high standards set by CAF. As of 31 December 2000, the total loan and equity securities portfolio was US\$4,455.5 million (after loss provisions), representing 76.2% of total assets and reflecting a 7.1% growth compared to the end of 1999. The composition of the loan and equity portfolio was as follows: project and corporate loans, 86.3%; trade-finance loans, 10.7%; and equity investments, 3.0% (*Graph N° 1*). In addition, the B loan portfolio amounted to US\$495.6 million. B loans are distributed among international banks, mainly from Europe and the United States.

The average term of the loans was 4.2 years in 2000 compared to 4.0 years in 1999. The longer-term profile of the loan portfolio is an indication of the greater emphasis placed in the financing of infrastructure and integration projects, in response to the region's vast needs in these areas.

As of 31 December 2000, past-due loans were US\$5.3 million and non-performing loans (90-day past-due loans) were US\$36.2 million. Loan and equity securities loss provisions totaled US\$160.0 million or 3.6% of the total loan and equity securities portfolio and 4.4 times non-performing loans. Management considers the level of provisions adequate in view of the high quality of the loan and equity securities portfolio and of CAF's preferred creditor status.

Graph N° 2
Liquid Assets

As of December of each year

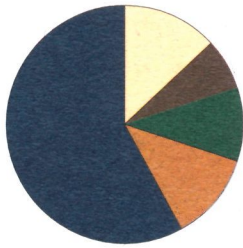


Liquid Investments

CAF's policies and guidelines for the management of liquid investments seek to ensure the servicing of obligations and the funding of loan commitments in a timely manner. They also seek to allow CAF greater funding flexibility at times of volatility in the international

Graph N°3
Liabilities

As of 31 December 2000

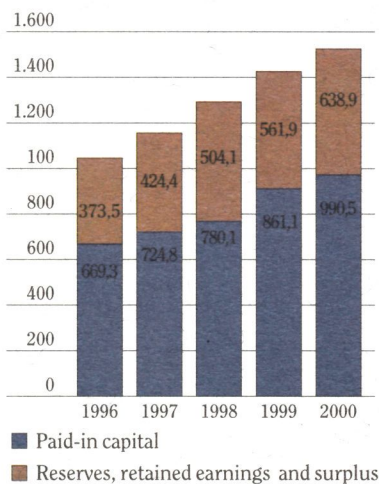


Term deposits	13%
Commercial papers	7%
Advances and short-term loans	10%
Loan and other obligations	12%
Bonds	58%

Graph N°4
Net worth

As of December of each year

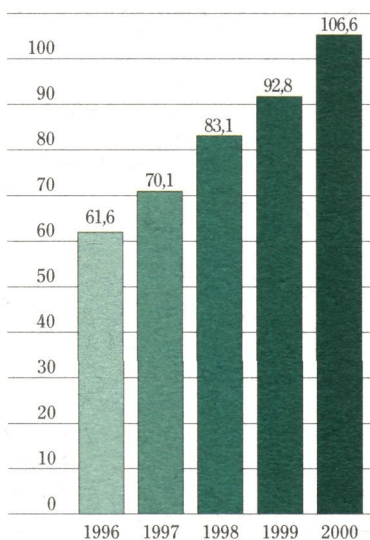
Million of US \$



Graph N°5
Net income

As of December of each year

Million of US \$



capital markets. Therefore, emphasis is given to security and availability over return.

As of 31 December 2000, liquid investments were US\$1,17 billion (*Graph N° 2*), representing 20.2% of total assets. Of this total, 85.8% was placed in investment-grade instruments and in deposits at major international banks. The average term of liquid investments was 1.0 year.

Funded Debt

CAF's funding strategy follows two basic principles: diversifying funding sources and securing competitive terms. These principles are pursued within strict asset-liability management policies and guidelines that seek to closely match assets and liabilities with respect to currency, interest rate, and tenor.

As of 31 December 2000, total liabilities were US\$4,2 billion compared to US\$3,4 billion at the end of 1999. The increase in total liabilities was basically due to the funding of the growth of the loan and equity securities portfolio during 2000. The leverage ratio was 2.5 times total net worth, well within the maximum limit of 3.5:1 established in CAF's Constitutive Agreement.

Funded debt amounted to US\$4,04 billion and was comprised by deposits (12.8%), commercial paper (7.4%), short-term borrowings (9.8%), bonds (57.8%), and long-term borrowings (12.2%) (*Graph N° 3*).

Equity

As of 31 December 2000, total net worth was US\$1,6 billion, reflecting an increase of US\$206.3 million compared to the end of 1999 (*Graph N° 4*). This increase was the result of paid-in capital contributions from the shareholders and of the retention of the year's net profits. During 2000, the shareholders paid the last installment of the 1991-2000 capitalization program and the first installment of the new 2000-2006 program.

Reserves were US\$495.7 million, comprised by US\$337.5 million in the general reserve and US\$158.1 million in the mandatory reserve (Article 42 of the Constitutive Agreement). The general reserve is fully invested in short-term instruments.

CAF is not obligated to follow the guidelines of the Basle Accord on Banking Supervision; nevertheless, it follows a minimum internal policy requirement of risk-adjusted capitalization of 30%. As of 31 December 2000, such capitalization was 31.2%.

Results of Operations

As of 31 December 2000, CAF's net profits were US\$106.6 million, the first time that the figure of US\$100 million has been reached (*Graph N° 5*). This represented an increase of US\$13.8 million or 14.9% with respect to the results of 1999. Total financial income was US\$467.2 million, a growth of 24.6% compared to 1999. Of this total, 86.0% represented revenues from the loan portfolio and 14.0% from the liquid investments. Total financial expenses were US\$274.9 million, representing a 28.9% increase with respect to 1999. The allocation to the loan and equity securities loss provisions was US\$54.0 million.

Non-financial expenses were US\$32.7 million, representing 0.62% of average assets, compared to 0.63% in 1999. The largest component of non-financial expenses was personnel with 65.5% of the total.

Net interest margin was 3.7% as of 31 December 2000, compared to 3.4% for 1999. Profitability indicators remained strong with Return on Assets (ROA) of 2.0% and Return on Equity (ROE) of 7.2% (*Graph N° 6*).

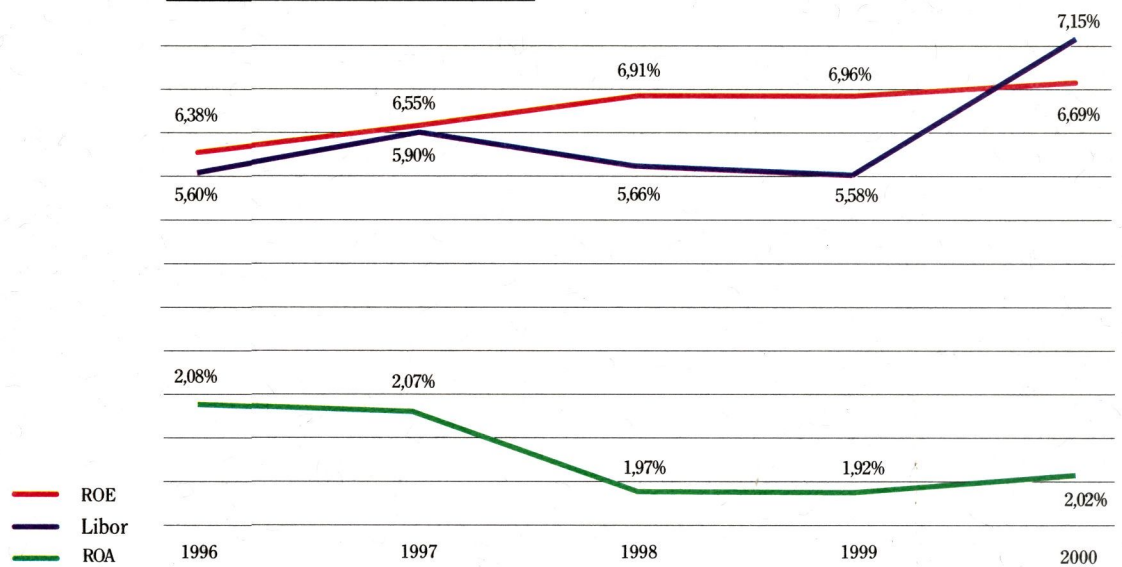
Financial Policies

CAF abides by conservative asset-liability management principles: loans are extended on the same basis, interest rate and currency, as the corresponding borrowings; and, to the extent possible, the maturity of assets is closely matched to the maturity of liabilities. CAF does not trade in derivatives for its own account and swaps are used only to hedge interest rate and currency risks. In this regard, CAF follows strict guidelines for the selection of swap counterparties.

As of 31 December 2000, 99.7% of assets and 99.5% of liabilities, after swaps, were denominated in US\$. Likewise 93.1% of assets and 96.5% of liabilities, after swaps, were based on six month US\$ LIBOR. The average life of financial assets was 3.5 years and of liabilities 2.9 years.

Graph N° 6
Profitability indicators

As of December of each year



Independent Auditors' Report

The Board of Directors and Shareholders

Corporación Andina de Fomento (CAF):

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

We have audited the accompanying balance sheets of Corporación Andina de Fomento (CAF) as of 31 December 2000 and 1999, and the related statements of income, shareholders' 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 International Standards on Auditing. 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 31 December 2000 and 1999, and the results of its operations and cash flows for the years then ended in accordance with International Accounting Standards.

KPMG Klynveld Peat Marwick Goerdeler

29 January 2001

Balance Sheets

Corporación Andina de Fomento
Annual Report 2000

Balance Sheets 31 December 2000 and 1999

(Expressed in thousands of US dollars)			
Assets	Note	2000	1999
Cash and due from banks		1,585	8,997
Deposits with banks	2	428,627	399,817
Marketable securities			
Trading	3	465,202	436,209
Held-to-maturity	3	283,217	220,536
Loans and equity securities			
Loans		4,478,234	4,187,962
Equity securities		137,255	102,605
		<u>4,615,489</u>	<u>4,290,567</u>
Less allowance for losses		160,012	129,082
	4	<u>4,455,477</u>	<u>4,161,485</u>
Interest and commissions receivable		157,782	146,344
Property and equipment	5	9,443	9,734
Other assets		42,405	36,423
Total assets		<u>5,843,738</u>	<u>5,419,545</u>
Liabilities and Shareholders' Equity			
Deposits		517,781	454,369
Securities sold under repurchase agreements		-	19,423
Commercial paper		300,000	248,000
Advances and short-term borrowings		394,672	236,899
Bonds	6	2,339,873	2,238,683
Borrowings and other obligations	7	495,263	632,072
Accrued interest and commissions payable		106,193	115,419
Accrued expenses and other liabilities	8	60,594	51,650
Total liabilities		<u>4,214,376</u>	<u>3,996,515</u>
Subscribed and paid-in capital (authorised capital US\$3,000 million)		990,495	861,124
Capital surplus		36,606	29,155
Reserves		495,658	439,981
Retained earnings		106,603	92,770
Total shareholders' equity	9	<u>1,629,362</u>	<u>1,423,030</u>
Total liabilities and shareholders' equity		<u>5,843,738</u>	<u>5,419,545</u>

Statements of Income

Corporación Andina de Fomento
Annual Report 2000

Statements of Income. Years ended 31 December 2000 and 1999

	(Expressed in thousands of US dollars)		
	Note	2000	1999
Financial income			
Interest			
Project loans		326,755	232,373
Trade-financing and corporate loans		60,351	78,556
Investments and deposits with banks		61,833	44,509
Total interest income		448,939	355,438
Commissions			
Project loans		12,240	13,584
Trade-financing and corporate loans		2,414	2,391
Total commissions income		14,654	15,975
Dividends and capital gains on equity securities sales		3,585	3,561
Total financial income		467,178	374,974
Financial expenses			
Interest			
Deposits		28,058	20,324
Commercial paper		12,031	5,826
Advances and short-term borrowings		12,219	14,918
Bonds		174,282	127,407
Borrowings and other obligations		41,568	39,870
Total interest expense		268,158	208,345
Commissions		6,778	4,985
Total financial expenses		274,936	213,330
Net financial income		192,242	161,644
Allowance for losses	4	54,000	38,700
Net financial income after allowance for losses		138,242	122,944
Net other income		1,109	379
Administrative expenses			
Salaries and employee benefits		21,438	19,142
Professional fees		1,649	1,611
Depreciation and amortisation		2,645	2,912
General and other expenses		7,016	6,888
Total administrative expenses		32,748	30,553
Net income		106,603	92,770

Statement of Shareholders' Equity

Corporación Andina de Fomento
Annual Report 2000

Statement of Shareholders' Equity Years ended 31 December 2000 and 1999

(Expressed in thousands of US dollars)

	Note	Subscribed and paid-in capital	Capital surplus	General reserve	Reserves		Retained earnings	Total shareholders' equity
					Reserve pursuant to Article N° 42 of by-laws	Total reserves		
Balances at 31 December 1998		780,089	22,912	257,608	140,420	398,028	83,134	1,284,163
Capital increase	9	81,035	6,243	–	–	–	(29,181)	58,097
Net income for year	–	–	–	–	–	–	92,770	92,770
Appropriated for general reserve	9	–	–	33,553	–	33,553	(33,553)	–
Appropriated for reserve pursuant to Article N° 42 of by - laws	9	–	–	–	8,400	8,400	(8,400)	–
Transfer to shareholders' special funds	9	–	–	–	–	–	(12,000)	(12,000)
Balances at 31 December 1999		861,124	29,155	291,161	148,820	439,981	92,770	1,423,030
Capital increase	9	129,371	7,451	–	–	–	(22,593)	114,229
Net income for year	–	–	–	–	–	–	106,603	106,603
Appropriated for general reserve	9	–	–	46,377	–	46,377	(46,377)	–
Appropriated for reserve pursuant to Article N° 42 of by - laws	9	–	–	–	9,300	9,300	(9,300)	–
Transfer to shareholders' special funds	9	–	–	–	–	–	(14,500)	(14,500)
Balances at 31 December 2000		990,495	36,606	337,538	158,120	495,658	106,603	1,629,362

Statements of Cash flows

Corporación Andina de Fomento
Annual Report 2000

Statements of Cash flows. Years ended 31 December 2000 and 1999

		(Expressed in thousands of US dollars)	
	Note	2000	1999
Cash flows from operating activities			
Net income		106,603	92,770
Adjustments to reconcile net income to net cash provided by (used in) operating activities			
Allowance for losses	4	54,000	38,700
Amortisation of deferred charges		1,094	939
Depreciation of property and equipment	5	1,551	1,973
Accrual for employees' severance indemnities	8	3,023	2,576
Severance indemnities paid or advanced	8	1,488	(2,622)
Employees' savings plan	8	992	600
Net changes in operating assets and liabilities			
Net loss on sale of trading securities	3	(1,773)	(324)
Interest and commissions receivable		(11,438)	(29,411)
Other assets		(7,076)	(11,573)
Accrued interest and commissions payable		(9,226)	28,912
Accrued expenses and other liabilities		3,441	16,357
Total adjustments		36,076	46,127
Net cash provided by operating activities		142,679	138,897
Cash flows from investing activities			
Decrease (increase) in			
Trading securities	3	(27,220)	(182,686)
Held-to-maturity securities	3	(62,681)	(26,200)
Loans, net of charge-offs and recoveries of US\$23,070 and US\$19,129 in 2000 and 1999, respectively	4	(313,342)	(550,345)
Equity securities	4	(34,650)	(20,299)
Net disposals (purchases) of property and equipment	5	(1,260)	98
Net cash used in investing activities		(439,153)	(779,432)
Carried forward		(296,474)	(640,535)

Statements of Cash flows

Corporación Andina de Fomento
Annual Report 2000

Statements of Cash flows. Years ended 31 December 2000 and 1999

	(Expressed in thousands of US dollars)		
	Note	2000	1999
Brought forward		(296,474)	(640,535)
Cash flows from financing activities			
Increase (decrease) in			
Deposits		63,412	180,326
Securities sold under repurchase agreements		(19,423)	(61,479)
Commercial paper		52,000	(102,000)
Advances and short-term borrowings		157,773	(106,552)
Bonds	6	101,190	692,734
Borrowings and other obligations	7	(136,809)	(53,703)
Transfer to shareholders' special funds	9	(14,500)	(12,000)
Capital increase	9	104,846	56,110
Capital surplus	9	9,383	1,987
Net cash provided by financing activities		317,872	595,423
Net increase (decrease) in cash and cash equivalents		21,398	(45,112)
Cash and cash equivalents at beginning of year		408,814	453,926
Cash and cash equivalents at end of year		430,212	408,814
Represented by:			
Cash and due from banks		1,585	8,997
Deposits with banks		428,627	399,817
		430,212	408,814

Notes to Financial Statements

as 31 December 2000 and 1999

Corporación Andina de Fomento
Annual Report 2000

(1) Significant Accounting Policies

Corporación Andina de Fomento (“CAF” or the “Corporation”) commenced operations on 8 June 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.

The following are significant accounting policies of the Corporation:

(a) Statement of Compliance

The financial statements have been prepared in accordance with the accounting standards issued by the International Accounting Standards Committee (“IASC”) and interpretations issued by the Standing Interpretations Committee of the IASC.

(b) Basis of Preparation

The financial statements are presented in US dollars, rounded to the nearest thousand.

The financial statements are prepared on the historical cost basis or using amounts which approximate fair value in the case of deposits with banks, marketable securities, loans and equity securities and interest - bearing liabilities (see note 11). The accounting policies have been consistently applied.

(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

Cash and cash equivalents are defined as those amounts included in cash and due from banks and deposits with banks.

(e) Marketable Securities

Marketable securities are classified as trading securities or held-to-maturity securities. Trading securities are recorded at market value, and unrealised gains or losses are included in the results of operations. Held-to-maturity securities are recorded at amortised cost.

(f) Loans and Equity Securities

Loans and equity securities commitments are recorded when contracts are signed, and are reflected as assets when disbursed. Loans include the amount of principal pending payment. Equity securities are recorded at the lower of cost or market value.

The Corporation classifies loans as non-accrual when collection or recovery is doubtful, or when the payment of principal, interest, commissions or any other charge stipula-

ted in the loan agreements when a private sector client is 90 days or more overdue, or when such payments for a public sector client are 180 days or more overdue. At this time interest accrued to date is reversed. Interest, commissions or other charges stipulated in these non-accrual loan agreements are taken to income upon collection.

(g) Allowance for Losses

The allowance for loans and equity securities losses is maintained at a level considered sufficient to cover inherent losses. This allowance takes into account the risks related to loans and equity securities, current economic conditions and other relevant factors. The allowance is increased by charging the results of operations and decreased by charge-offs for amounts considered uncollectible. Recoveries of amounts previously charged-off are credited to this allowance.

(h) 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.

(i) Accounting for Income and Disbursements

Interest income, mainly from loans, deposits and marketable securities, is recorded monthly as earned. Income from inspection and supervision fees, financing fees and commitment fees, based on the loan contracts is recorded as income on an accrual basis. Dividends and capital gains on equity securities sales are recorded as income upon collection. Interest expense on borrowings and on CAF bonds is accrued monthly.

(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) Off-Balance-Sheet Financial Instruments

Interest rate and currency swap agreements are recorded in contingent accounts at their face value. Amounts payable and receivable on these swaps are accrued according to the contractual terms and included currently in the related income and interest expense category as an element of the yield on the associated hedged asset or liability.

In the ordinary course of business the Corporation has entered into off-balance-sheet financial instruments consisting of 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 utilised, no additional cost is incurred by the Corporation.

(1) Hedging

The majority of assets and liabilities are either short-term, subject to variable interest rates or hedged with interest rate swaps to convert them from fixed to variable rates. The Corporation seeks to match the maturities of its liabilities to the maturities of its loan portfolio.

Swap agreements are entered into solely for purposes of covering interest rate and foreign exchange exposures and are effective until the maturity of the underlying transactions and the counterparties are normally of high credit rating.

(2) Deposits with Banks

Deposits with banks mature in less than one year and include the following (in thousands of U.S. dollars):

	31 December	
	2000	1999
U.S. dollars	420,674	391,109
Other currencies	7,953	8,708
	<u>428,627</u>	<u>399,817</u>

(3) Marketable Securities

Trading securities

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

	31 December	
	2000	1999
U.S. Treasury Notes	35,686	34,615
Bonds of other governments and entities	286,080	233,712
Other securities	143,436	167,882
	<u>465,202</u>	<u>436,209</u>

Held-to-maturity securities

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

	31 December	
	2000	1999
Bonds of other governments and entities	73,941	51,402
Other securities	209,276	169,134
	<u>283,217</u>	<u>220,536</u>

At 31 December 2000 and 1999, interest rate swap agreements amounted to US\$ 13,000,000.

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

	31 December	
	2000	1999
Remaining Maturities		
Less than one year	248,898	186,671
From one to two years	34,319	24,884
From two to three years	–	8,981
	<u>283,217</u>	<u>220,536</u>

The funds received from securities sold under repurchase agreements are guaranteed by marketable securities and are reflected as liabilities in the balance sheet.

(4) Loans and Equity Securities

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

At 31 December 2000

	Bolivia	Colombia	Ecuador	Peru	Venezuela	Other	Total
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
	<u>411,110</u>	<u>1,215,122</u>	<u>948,758</u>	<u>642,805</u>	<u>882,946</u>	<u>377,493</u>	<u>4,478,234</u>

At 31 December 1999

	Bolivia	Colombia	Ecuador	Peru	Venezuela	Other	Total
Project	268,076	712,937	800,287	291,719	861,686	296,622	3,231,327
Trade-financing and corporate	132,159	150,421	133,560	350,488	117,033	72,974	956,635
	<u>400,235</u>	<u>863,358</u>	<u>933,847</u>	<u>642,207</u>	<u>978,719</u>	<u>369,596</u>	<u>4,187,962</u>

At 31 December 2000 and 1999, loans in other currencies were granted for an equivalent of US\$12,048,000 and US\$15,058,000, respectively, principally in deutschemark, yen and belgian francs. At 31 December 2000 and 1999, loans include fixed interest rate loans of US\$140,248,000 and US\$117,435,000, respectively. At 31 December 2000 and 1999, interest rate swap agreements amounted to US\$77,967,000 and US\$78,333,000, respectively.

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

	2000	%	1999	%
Agriculture, hunting and forestry	241,626	5	200,543	5
Exploitation of mines and quarries	37,630	1	57,685	1
Manufacturing industry	264,376	6	310,596	7
Supply of electricity, gas and water	890,064	20	923,623	22
Transport, warehousing and communications	1,208,857	27	918,477	22
Commercial banks	360,764	8	452,492	11
Development banks	638,426	14	667,497	16
Other activities	836,491	19	657,049	16
	<u>4,478,234</u>	<u>100</u>	<u>4,187,962</u>	<u>100</u>

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

Remaining Maturities	31 December	
	2000	1999
Less than one year	775,584	855,897
From one to two years	615,749	620,324
From two to three years	586,514	587,238
From three to four years	657,167	545,254
From four to five years	636,525	503,572
Over five years	1,206,695	1,075,677
	<u>4,478,234</u>	<u>4,187,962</u>

Non-accrual loans (see *note 1(f)*) at 31 December 2000 and 1999 amounted to US\$ 36,166,000 and US\$40,786,000, respectively. Had these loans not been in non-accrual status, income for the years ended 31 December 2000 and 1999 would have increased by US\$ 4,596,000 and US\$3,502,000, respectively. During the years ended 31 December 2000 and 1999, there were interest collections against non-accrual loans amounting to US\$3,378,000 and US \$1,851,000, respectively.

Loan Participations and A/B Loans

During 2000 and 1999, the Corporation received funds from commercial banks amounting to US\$20,767,000 and US\$49,676,000, respectively, for loan participations 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 loans provided to clients, and assumes the credit risk only for that portion of the loan corresponding to the Corporation. During 2000 and 1999, the Corporation administered loans of this nature whereby other financial institutions provided funds amounting to US\$102,063,000 and US\$102,533,000, respectively.

Equity securities

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

	31 December	
	2000	1999
Investments in companies shares	34,891	34,891
Investment funds	102,364	67,714
	<u>137,255</u>	<u>102,605</u>

Allowance for Losses

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

	31 December	
	2000	1999
Balances at beginning of year	129,082	109,421
Provision charged to results of operations	54,000	38,700
Recoveries	493	1
Reclassification from allowance for interest and commissions	—	90
Loans charged off	(23,563)	(19,130)
Balances at end of year	<u>160,012</u>	<u>129,082</u>

(5) Property and Equipment

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

	31 December	
	2000	1999
Buildings and improvements	21,530	20,772
Furniture and equipment	4,852	4,507
Vehicles	364	403
	<u>26,746</u>	<u>25,682</u>
Less accumulated depreciation	17,303	15,948
	<u>9,443</u>	<u>9,734</u>

(6) Bonds

The Corporation has placed in the international capital markets, bond issues of US\$3,094,098,000 maturing between 2000 and 2017. Of this amount, US\$520,100,000 was issued under a Medium Term Note Programme (MTN) of which US\$114,216,000 were outstanding at 31 December 2000.

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

	31 December	
	2000	1999
U.S. dollars	1,399,528	1,424,898
Yen	224,848	271,548
Deutschemark	109,709	109,709
Italian Lire	114,528	114,528
Euros	491,260	318,000
	<u>2,339,873</u>	<u>2,238,683</u>

At 31 December 2000 and 1999, fixed interest rate bonds amounted to US\$1,953,109,000 and US\$1,894,449,000, respectively, of which US\$779,000,000 and US\$652,441,000, respectively are denominated in yen, deutschemark and euros in 2000 and 1999.

At 31 December 2000 and 1999, interest rate swap agreements amounted to US\$ 1,243,275,000 and US\$1,250,000,000, respectively, and currency and interest rate swap agreements amounted to US\$940,344,000 and US\$813,781,000, respectively.

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

Remaining Maturities	Fixed interest rate bonds		Total bonds	
	31 December		31 December	
	2000	1999	2000	1999
Less than one year	100,000	296,700	302,854	310,110
From one to two years	178,032	100,000	315,992	302,904
From two to three years	463,927	178,032	489,877	285,952
From three to four years	518,000	496,827	518,000	496,827
From four to five years	521,425	518,000	541,425	518,000
Over five years	171,725	304,890	171,725	324,890
	<u>1,953,109</u>	<u>1,894,449</u>	<u>2,339,873</u>	<u>2,238,683</u>

Interest rates on fixed interest rate bonds, at 31 December 2000 and 1999, ranged from:

	31 December			
	2000		1999	
	Minimum	Maximum	Minimum	Maximum
U.S. dollars	6.375%	8.875%	6.375%	7.79%
Deutschemark	5.375%	5.375%	5.375%	5.375%
Yen	1.85%	1.95%	0.4%	1.95%
Euros	4.75%	6.50%	4.75%	4.75%

(7) Borrowings and Other Obligations

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

	31 December	
	2000	1999
U.S. dollars	430,995	552,982
Deutschemark	2,264	8,836
Yen	42,220	51,666
Units of account - Inter-American Development		
Bank	301	950
Other currencies	19,483	17,638
	<u>495,263</u>	<u>632,072</u>

At 31 December 2000 and 1999, there are fixed interest - bearing borrowings and other obligations amounting to US\$86,965,000 and US\$134,326,000, respectively.

At 31 December 2000 and 1999, currency and interest rate swap agreements amounted to US\$43,821,000 and US\$54,082,000, respectively.

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

	31 December	
	2000	1999
Less than one year	110,952	177,402
From one to two years	104,427	101,558
From two to three years	79,728	88,401
From three to four years	49,237	66,480
From four to five years	30,665	48,722
Over five years	120,254	149,509
	<u>495,263</u>	<u>632,072</u>

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

(8) Accrued Expenses and Other Liabilities

At 31 December 2000 and 1999, the accrual for employees' savings plan funds amounts to US\$6,917,000 and US\$5,925,000, net of advances of US\$3,639,000 and US\$2,212,000, 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\$1,255,000 and US\$1,133,000, for the years ended 31 December 2000 and 1999, respectively.

At 31 December 2000 and 1999, the accrual for employees' benefits amounted to US\$4,914,000 and US\$4,388,000, net of advances of US\$3,368,000 and US\$2,061,000, respectively.

The expense for employees' severance indemnities was US\$2,711,000 and US\$2,362,000 for the years ended 31 December 2000 and 1999, respectively.

During 2000 the Corporation, complying with its own Personnel Regulations decided to compensate its employees for contributions pertaining to social security. An amount

corresponding to previous periods of US\$4,006,203 has been deferred at 31 December 2000 to be amortised over a five year period commencing in January 2001.

During the period July to December 2000, the Corporation expensed US\$340,000 relating to social security compensation.

At 31 December 2000 and 1999 total employees were 252 and 261, respectively.

(9) Shareholders' Equity

Authorised Capital

The authorised capital of the Corporation at 31 December 2000 and 1999 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 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 31 December 2000 and 1999 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 31 December 1998	5	149,024	5,793	6,000	745,124	28,965	780,089
Dividends in shares	–	4,803	182	–	24,015	910	24,925
Issued for cash	–	10,808	414	–	54,040	2,070	56,110
At 31 December 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 31 December 2000	5	189,894	7,005	6,000	949,470	35,025	990,495

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

Shareholder	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
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 31 December 2000, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below (amounts in thousands of U.S. dollars):

Shareholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	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

Subscribed and paid-in capital is held as follows at 31 December 1999 (amounts in thousands of U.S. dollars):

Shareholder	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Bolivia	1	13,344	–	1,200	66,720	–	67,920
Colombia	1	45,907	–	1,200	229,535	–	230,735
Ecuador	1	13,344	–	1,200	66,720	–	67,920
Peru	1	45,905	–	1,200	229,525	–	230,725
Venezuela	1	45,909	–	1,200	229,549	–	230,749
Brazil	–	–	2,786	–	–	13,930	13,930
Chile	–	–	232	–	–	1,160	1,160
Jamaica	–	–	53	–	–	265	265
Mexico	–	–	2,476	–	–	12,380	12,380
Paraguay	–	–	313	–	–	1,565	1,565
Panama	–	–	418	–	–	2,090	2,090
Trinidad & Tobago	–	–	111	–	–	555	555
Commercial banks	–	226	–	–	1,130	–	1,130
	5	164,635	6,389	6,000	823,179	31,945	861,124

At 31 December 1999, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below (amounts in thousands of U.S. dollars):

Shareholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Amount of shares	Number of shares	Amount of shares	Number of shares	Amount of shares	Number of shares	Amount
Bolivia	5,603	28,015	–	–	14,400	72,000	–	–
Colombia	21,198	105,990	–	–	50,400	252,000	–	–
Ecuador	5,603	28,015	–	–	14,400	72,000	–	–
Peru	21,200	106,000	–	–	50,400	252,000	–	–
Venezuela	21,196	105,976	–	–	50,400	252,000	–	–
Brazil	–	–	2,512	12,560	–	–	–	–
Chile	–	–	–	–	–	–	800	4,000
Jamaica	–	–	53	265	–	–	–	–
Paraguay	–	–	588	2,940	–	–	–	–
Panama	–	–	691	3,455	–	–	–	–
Mexico	–	–	–	–	–	–	1,600	8,000
	74,800	373,996	3,844	19,220	180,000	900,000	2,400	12,000

General Reserve

The general reserve was set-up to cover possible contingencies. The shareholders decided to increase the reserve by US\$46,377,000 and US\$33,553,000 during the years ended 31 December 2000 and 1999, respectively, by appropriations from net income for the years ended 31 December 1999 and 1998, respectively.

Reserve Pursuant to Article N° 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 shareholders. At the shareholders meetings in March 2000 and 1999, it was authorised to increase the reserve by US\$9,300,000 and US\$8,400,000, from net income for the years ended 31 December 1999 and 1998, respectively.

Transfer to Shareholders' Special Funds

In March 2000 and 1999, the shareholders agreed to transfer US\$14,500,000 and US\$12,000,000, respectively, from net income for the years ended 31 December 1999 and 1998, respectively, to shareholders' special funds, as follows (expressed in thousands of U.S. dollars):

	31 December	
	2000	1999
Technical assistance fund	9,000	8,000
Special funds	1,500	1,500
Human Development Fund (FONDESHU)	3,000	2,500
Latin-American Carbon Program Fund	1,000	-
	<u>14,500</u>	<u>12,000</u>

These funds are invested and administered by the Corporation. The operations of the funds are not included in the financial statements of the Corporation.

(10) 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.

(11) Fair Value

The relationship of carrying amounts of financial instruments to fair values is described below:

Deposits with banks: The amounts presented in the balance sheet as deposits with banks approximate their fair value, because of their short-term nature and minimal credit risk.

Marketable securities: The fair value of marketable securities is determined based on market values, when available. When market values are not available, quotations for similar instruments in the market are used. The amounts recorded for marketable securities do not vary significantly from their fair value.

Loans: The Corporation is one of the few institutions that offer loans for development in the shareholder 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.

Bonds: The fair value of bonds has not been determined in the absence of an active secondary market and few similar transactions. Investors who acquire the bonds generally hold them until maturity.

The Corporation's management has made estimates of the fair value of the bonds based on indications for some of the bonds, provided by financial institutions that are participants

in the international bonds markets. Based on these estimates, management considers that the weighted average of the fair values of the bonds is near or above carrying values.

Interest - bearing liabilities: The carrying amount for interest - bearing liabilities approximates fair value.

Swap agreements: The Corporation's management has made estimates of the fair value of the swap agreements based on information provided by the financial institutions that act as counterparties in these agreements. Based on these estimates, management considers that the weighted average of the fair values of the swap agreements is near or above their cost.

(12) Commitments and Contingencies

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

	31 December	
	2000	1999
Agreements subscribed pending disbursement	871,641	819,554
Agreements subscribed not yet eligible	208,000	104,412
Lines of credit for foreign trade	1,408,879	1,111,238
Letters of credit for foreign trade	22,681	49,917
Other	37,370	47,695

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.

(13) Subsequent Event

On 10 January 2001, the Corporation issued bonds in the United States securities market for US\$300,000,000, which mature in 2011.

Governing Bodies

Corporación Andina de Fomento
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Shareholders Assembly¹

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 subscribed by the governments of the five member countries or by public, semi-public or private institutions. Series “C” shares can be subscribed 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 Directors²

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 Committee

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.

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 entrusted 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 autho-

¹ The 31th meeting of the Shareholders’ Regular Assembly was held on the 16th of March of 2000.

² During 2000, the Board of Directors held three meetings: 15th of March, 7th of June and 7th of December.

rized 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.

Board of Directors

(as of December 31, 2000)

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*President of the Board of Directors (2000-2001)**

José Luis Lupo

Minister of Finance, Bolivia

Series A Shareholders

Bolivia

Principal: José Luis Lupo

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 Financiera
Nacional

Alternate: Roberto Peña Durini

Minister of External Trade,
Industrialization and Fisheries,

Peru

Principal: Emilio Navarro

Minister of Industry, Tourism, Integration and
International Trade

Alternate: Javier Silva Ruete

Minister of Economy and Finance

Venezuela

Principal: José Rojas

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: Humberto Böhr

Viceminister of External Trade and Investment

Colombia

Principal: Miguel Urrutia

General Manager of Banco de la República

Alternate: Augusto Ramírez O.

Minister of Economic Development

Ecuador

Principal: Luis G. Iturralde

Minister of External Trade,
Industrialization and Fisheries

Alternate: José Luis Ycaza

Manager of Operations for the Banco
Central de Ecuador

Peru

Principal: Luis Baba Nakao

President of Corporación Financiera de Desarrollo
(COFIDE)

Alternate: Alfredo Jalilie Awapara

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: Paulo Donizeti de Araújo

Senior Advisor to Banco Central Do Brazil

Alternate: Eduardo Mapes

Manager for Investment Promotion
of Nafín, S.N.C.

Private Banks

Principal: Dionisio Romero

President of Banco Crédito del Perú

Alternate: Diego Arnal

Manager, International Banking,
Banco Mercantil Venezuela

** José Rojas*

*Minister of Finance of Venezuela
Through March 1999.*

Management

Corporación Andina de Fomento
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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	Bruce Nichols
Director, Practices and Procedures	Renny López
Director, Special Assets	Ricardo Campins
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
Corporate Vice President, Country Programs	Liliana Canale
Director, Country Programs	Alexis Gómez
Director, Technical Cooperation	Seyril Siegel
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, Corporate Banking	Rodrigo Navarro
Director, Investment Banking and Capital Markets	Fernando Prado
Director, Development Financial Institutions	
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	Ricardo Valdés
Director, Information Technology	Esteban Cover
Director, General Services	Jaime Caycedo

CAF Offices

Corporación Andina de Fomento
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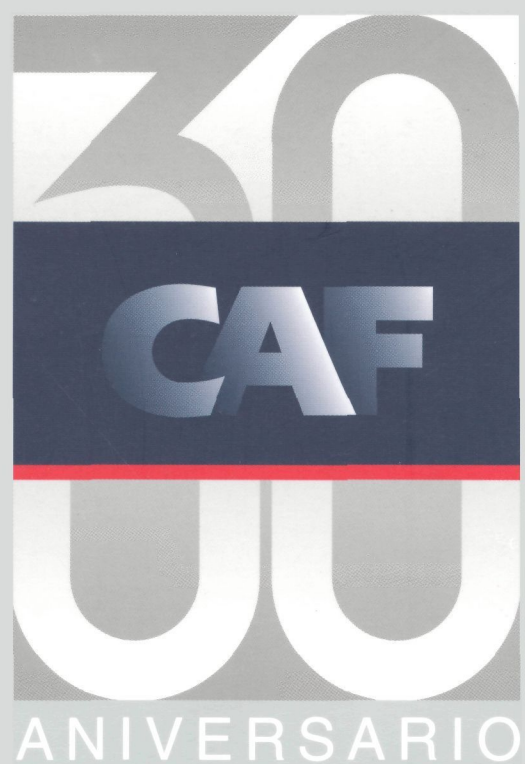
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*“We promote sustainable development
and regional integration
by efficiently attracting capital resources
for the provision of multiple financial services
to the public and private sectors
of the shareholders countries.
We are a competitive and client-oriented
financial institution sensible to social needs
and supported by a highly skilled staff”.*