



# FONPLATA

ANNUAL REPORT  
**2014**

FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA





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**FONPLATA'S AUTHORITIES**  
as at 31 December 2014

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HEAD GOVERNOR  
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ALTERNATE GOVERNOR  
Alejandro Vanoli

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HEAD GOVERNOR  
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Luis Alberto Arce Catacora

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## EXECUTIVE DIRECTORS

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HEAD EXECUTIVE DIRECTOR  
Fernando Luis Scelza Martínez

ALTERNATE EXECUTIVE DIRECTOR  
Mariella Maglia Mazzilli





## ANNUAL REPORT 2014<sup>1</sup>

### Letter from the Executive President

In the Annual Report 2013 two major objectives were set out for 2014. First, to align the institution's approvals with the annual lending capacity target, a result of the process of capital subscription and contribution. Second, and simultaneously, the modernization of the financial architecture in accordance with international standards was consolidated in order to position FONPLATA positively for receiving favorable risk and credit rating.

In 2014, US\$ 227 million were approved for new operations; a figure close to the annual US\$ 250 million target provided for by the Board of Governors when capital increase was approved in 2013. Operations were aligned with the new strategic vision of the institution regarding the financing of small and medium sized projects. Most of these projects have been complementary to national development programs already in place, giving priority to less favored areas, such as rural and border areas, where investment ratios and access to this kind of financing tends to be lower on average, and where solutions with significant impact on social and economic inclusion can be achieved through small and medium amount projects. This highlights FONPLATA's role in the contribution to reduce poverty and ensure equal opportunities.

The countries' growing investment demand met by FONPLATA fully responded to the observance of the triennial business program to conduct the institution's management-by-objectives, within the framework of its long-term strategic program (PEI). The businesses growth with equity not only confirmed the achievement of approval goals as provided by the increase of capital approved in 2013, but also fully complied with the strategic goals to be reached in 2014 according to the PEI. Particular attention should be drawn to the setting up of a preferential system of sustainable financial conditions for the relatively less-developed countries (FOCOM), sustained by the higher-income member countries in the sub-region.

The extraordinary advance on the schedule of the subscription of callable capital by two of the member countries (Brazil and Uruguay) facilitated to reach the lending capacity required to respond to a reality marked by a significant member countries' demand for financing investments. This increasing demand also required FONPLATA to get external borrowing for the first time contracted to supplement liquidity requirements, which was approved by CAF in December 2014, while gradual contribution of capital in cash is received throughout the five-year period.

FONPLATA has also made substantial progress in streamlining financial structures aligned to international standards and medium and long term strategic management. This institutional perspective allows transferring resources to member countries in a more balanced manner, operating under competitive financial conditions with lower transaction costs by increasing speed and efficiency on the project cycle. Currently, FONPLATA is able to provide steady, long-term financing in line with the agendas of borrowing member countries, basing its management security on a proper risk management. The level of performance achieved this year confirmed compliance with the limits laid down by financial and operational policies, which highlights a prudent institution's management thus generating a good credit history for its credit risk rating.

Considering the institutional reforms implemented to date, it can be said that FONPLATA is reaching a highly-efficient performance with low transaction costs, a remarkable operational proximity and processing application deadlines in line with the countries' agendas. There has also been a noticeable renewal and reinforcement of the technical and professional qualification in the different areas of the institution, which have been pillars for the progress achieved.

In the financial field, through a well-balanced management of assets, liabilities, equity and income in the medium and long term, in a context of economic growth and strategic complementarity with other agencies, FONPLATA has been duly administering and controlling institutional risks. Therefore, sound progress was made in consolidating the financial strength and business results required by this kind of development finance institutions.

Looking ahead to 2015, the main objective to accomplish is that FONPLATA's institutional transformation continues to enhance credibility, recognition and trust in the institutional management by both the countries and the markets in which FONPLATA operates. For such purpose, the strategic priority of this year shall be focused on the creation of the necessary conditions to achieve the best possible credit rating, as a way to ensure favorable conditions to our member countries and, at the same time, to strengthen the new regional financial architecture contributing to a more diversified development financing. Additionally, a special emphasis shall be given to institutional priorities in order to consolidate FONPLATA's profile, pursuing to broaden strategic alliances, incorporating the trust fund management and the potential accession of new member countries.

To conclude, I reaffirm that the best way to contribute to the integration, social inclusion and poverty reduction is to support the region with an institution of its own, financially sound and consistent with the development requirements of our people.

<sup>1</sup> In general, information reported is of years 2013 and 2014; exceptionally, for reasons of clarity, previous years may be considered.





## I. BACKGROUND AND GENERAL CONTEXT

### **Economic and social context**

The macroeconomic setting of the River Plate Basin sub-region has been favorable over the last years, allowing a sustained growth and important progress in reducing poverty and in achieving social inclusion. The medium-term change faced by the region countries mainly as a consequence of a decrease in commodity prices shall present new challenges, as growth declines causing less favorable economic and social conditions. Nevertheless, our countries have been engaged in great transformations, not yet completed in many cases, and which may continue as they were undertaken in an economic cycle which has been modified. This will require the implementation of prudent corrective policies aimed at mitigating the unfavorable external conditions of the new state of affairs.







## International Context<sup>2</sup>

The global economic activity shows an increase of the global product in 2014 of an estimated 3.3 percent. This growth is similar to that reached in the previous year, and is mainly boosted by the growth of emerging and developing economies (4.4%), slightly lower than the growth reached in the previous year (4.7%). In addition, better results were reached by advanced economies (1.8%) as a consequence of the recovery of the European economy which grew from -0.5% to 0.8%, and of the United States economy (2.4%), which reflects the divergence between the growth of these economies.

Divergences in growth of advanced economies have resulted in an appreciation of the U.S. dollar (6% in real terms), while the Euro and Yen have depreciated. These imbalances alongside the inflation below target (it reached 1.4% in 2014 and might drop to 1% in 2015) resulted in limited possibilities to change the path of the U.S. monetary policy. Such imbalances also resulted in a deterrent to the increase of real interest rates, which in the United States remained in an average 0.3 percent for six-month deposits during 2014 (the estimated level in 2015 is 0.7 percent).

Currencies of several emerging markets have weakened, especially those heavily dependent on the export of commodities which currently face greater weaknesses caused by the slowdown in the demand and the fall in prices. It is expected that exchange rate depreciation help reduce the current inequalities between tradable and non-tradable sectors, shifting output and employment from the non-tradable sector to the tradable sector, making the latter a skilled labor-intensive sector.

In addition, interest rates and risk spreads have widened in most emerging economies, as well as the risk spreads of high-yield bonds and bonds related to energy prices. Long-term yields on government bonds in large advanced economies have dropped given their status as safe haven and the weakness of some of these economies. Stock indices remained largely unchanged.

The recent sharp fall in oil price will boost growth due to the recovery of purchasing power and private demand in importing countries. This impact is deeper on the advanced economies because the transfer of prices is greater than in emerging and developing economies. The main beneficiaries of the net oil importing countries of these emerging economies shall be governments which may take benefits from this scenario to shore up public finances, opening a fiscal space to correct externalities in unfavorable relative prices.

In emerging and developing economies which are commodity exporters, a weaker perspective of current and projected growth shall be faced. The fall in oil prices (above 50%) which follows an uncertain path, as well as the more moderate drop in raw material prices (4% on average in 2014 and a further estimated fall of 9.3% in 2015) shall negatively affect the terms of trade. This will result in lower real income and will inhibit growth in the medium term, thus increasing fragility and exposure of these economies which may lead to a reversion or decline of the positive net capital flows.

By 2015, a moderate recovery of the global product growth (3.5 %) is expected, as well as a continued recovery of advanced economies (2.4%) with increased idle capacity, and the slowdown of the growth rate of the emerging and developing world (4.3%). Stagflation – productive stagnation and low inflation – will remain a key concern in the Euro zone and Japan. Regarding the global trade of goods and services, a 3.8 percent recovery is estimated, higher than in 2014 (3.1%).

<sup>2</sup> IMF "World Economic Outlook, Update of central prospects", 01/20/2015





## II. REGIONAL CONTEXT AND OPERATIONS





## River Plate Basin Region and Sub-Region Context

In 2014 Latin America and the Caribbean made limited contribution to global growth (1.2%); while their slow-down process which had started in 2010 continued (contribution in 2013 was 2.8% and in 2012 reached 2.9%). The regional economic growth slowed down faster than expected due to the lack of dynamism of the major Latin-American economies: the weak performance of Brazil stands out (0.1%) and a slight decline of the Argentine output (-0.8%) is partly offset by the incipient recovery of Mexico (2.1%) and the Pacific countries.

The low growth of Latin-American economies may be explained by a combination of unfavorable factors: a lower-than-expected external demand for commodities; less favorable terms of trade as commodity prices continued to fall because of China's economic slowdown; lower domestic consumption of household and enterprises; bottlenecks in the supply as a consequence of a more limited idle capacity and sluggish productivity.

In spite of impaired economic conditions, stock markets remained firm. A strong issuance of bonds and net capital inflow was upheld, but the situation differed in the exchange markets due to the devaluation of many national currencies while the dollar strengthened. Domestic credit

slowed its growth, but bank reserves remained strong, while the NPL ratio does not result in an impairment of assets.

Increasing difficulties arise to provide a sufficient margin that helps boost growth. This margin has been tempered in some regional economies due to a lower inflationary pressure which, together with a substantial although uncertain fall in the oil price allow for limited external vulnerabilities and increased fiscal space so that monetary and subsidy policies can be maintained, though more cautiously.

However, the situation in the oil market has asymmetric effects on the region. Oil exporters will face more profound impacts, especially if they lack enough fiscal spaces. In general, countries that do not have such spaces must allow for greater exchange flexibility in order to avoid acceleration of inflation, which remains as a persistent problem in some countries in the region.

Monetary policy and exchange flexibility are increasingly being used as the first line of defense to external shocks faced by the countries in the region. The greatest risk of the financial sector comes from a weaker growth and a moderate growth of international interest rates.

By 2015, a 1.3 percent growth of regional product is expected, similar to levels in 2014.

Within the sub-region results were different from country to country. The economic growth in Bolivia, Paraguay and Uruguay contrasts with the low growth or contraction in the major economies, such as Argentina and Brazil. Yet, the growth of the relatively less-developed economies could not compensate the slowdown in economic activity in the larger economies. In recent times, consumption has been the support for growth in these economies. A gradual downswing of economies will be faced, a trend that has been observed since 2010: the value of national currencies will be reduced, keeping low interest rates and indebtedness as factors in the expansion of consumption.

Support to the long-term growth in the sub-region within the current context demands for keeping public accounts balanced and increasing investment in infrastructure to enable potential growth. This will require greater predictability, addressing and discipline of public expenses financed with genuine resources. One of the major sub-region challenges will be to maintain the relevance that financing had in the previous decade (characterized by increased fiscal income and redistribution policies focused on social transfers and public spending on education and health as main driving forces for poverty reduction, income inequalities and polarization of societies). In order to consolidate what has been achieved and continue making efficient progress in this direction, the reforms required by the current growth cycle shall be adopted. The current growth cycle will be less favorable if we consider the regional product growth and the possibilities for keeping public spending the same in social sectors, in a period in which international prices will not rise and net capital inflows will not increase with the same momentum<sup>3</sup>.

In order to keep and deepen the achievements made in this new context, subregional economies shall face different challenges. There are many points of agreement among development agencies in the region (IDB, ECLAC, CAF, OECD) in connection with the fact that whichever option is chosen one of the priorities is the reduction of disparities in productivity between economic sectors and geographic areas, working skills and innovation (dissemination of technology, R&D and further business development). Productivity and competitiveness levels are still low internationally compared to middle-income countries to which regional countries aim to be aligned with<sup>4</sup>.

<sup>3</sup> Recent studies (IMF, WP/14/124) estimate that almost 2/3 of the recent decrease in levels of income inequality of Latin-America is explained by well-designed redistribution policies (tax policies associated to social transfers and public spending focused on education and health) and the strong growth of the region's gross domestic product in the last decade. Also, almost half the drop in inequality levels in the sub-region is explained by redistribution policies.

<sup>4</sup> Approximately 30% of Latin-American population is now being considered middle class (compared with 20 percent just a decade ago) in accordance with IMF's documents. Middle class is defined as a population with a per capita income between \$ 10 - \$ 50 dollars per day (PPP 2005). The vulnerable sector accounts for about 40 percent of the population with an income between US\$ 4-10 dollars. Finally, 30% of the population is living below poverty line: US\$ 2.5 per day/per person.

Sustaining growth and continuing consolidating major advances in the reduction of poverty, inequality and unemployment in the past decade will require an increase in productivity gains and enhanced combination of natural resource extraction, technology and workforce. Formal incorporation to modern labor market and the reduction of asymmetries between sectors and regions shall be encouraged. Likewise, as a major goal, a more balanced productive diversification needs to be achieved in order to expand potential growth with improved quality products.

Efforts to sustain inclusive growth require giving priority to improve the effectiveness of policies aiming at bridging the gap in education and innovation for development, and to strengthen workers' skills to build a qualified human capital. In this context, there is also the need of boosting active policies and investment and incentive programs which may contribute to a better qualified labor insertion in order to reduce levels of informality, which are still high. In addition, it is necessary to attract an appropriately-skilled labor force to achieve sustainable growth and reduce fragmentation of regional and economic activities, as a way of carrying out integration efforts and a more dynamic complementation with value chains in regional and global markets. Isolated geographic sectors and areas are more vulnerable. For this reason, associating and bringing them closer to market preserve them from external context changes, in addition to helping them improve their relative position.





## Country operations

In 2014, operations approved had a satisfactory outcome according to country financing demand and the goals set by the institution. Once again, FONPLATA has given priority to financing integration and socio-economic development initiatives in geographic areas involving border populations of the member countries, seeking to underscore the institution's functional specialization in a strategic complementarity environment. The following overview of operations proves that.







In 2014, FONPLATA approved operations in Argentina for US\$ 69.1 million for productive and socio-economic development projects, giving preference to the financing of integration and socio-economic development actions in most vulnerable geographic areas, especially on border areas.

In the northern provinces of the country, two important projects for US\$ 55.8 million were approved that year. One provided the rural electrification in Misiones and Salta and the construction of a loading dock in the Port of Las Palmas, in Chaco. This project aimed at optimizing the efficient use of available resources, rooting inhabitants and increasing the region's economic and social development. In the second one, FONPLATA provided funding for drinking water equipment and sanitation in several towns. Provinces involved are Catamarca, Chaco, Corrientes, Formosa, Jujuy, Misiones, Salta, Santiago del Estero and Tucumán. In this way, the coverage and quality of water services shall be increased as well as basic social infrastructure in small urban towns, rural settlements and agricultural colonies in these nine provinces of northern Argentina.

With a view to diversifying the business portfolio, FONPLATA focused on a project closely linked to the Argentine cultural activities by funding the establishment of a National Programming Agency on regional film footage and digitalization of cinemas at a national level. Through this project, the market for audiovisual content producers in Argentina and other countries in the region shall be preserved and expanded. In addition, the access of new audiences to regional contents shall be promoted, and distribution and exhibition costs of audiovisual content shall be diminished through technological overhaul.







In 2014, FONPLATA approved operations for US\$ 120.5 million for infrastructure in Bolivia.

Due to the prioritization of Bolivia projects, FONPLATA focused on financing roads and bridges of the Bioceanic East-West integration corridor that links Bolivia and Brazil, Chile and Peru. As of 2014, flood defenses were built to protect the agricultural production and population surrounding river banks (about 13 municipalities were benefited).

Most of FONPLATA's projects have been focused on Santa Cruz Department. However, by financing stretches connecting Montero - Ivirgarzama and Nazacara - San Andres de Machaca, FONPLATA has broadened its presence in the Departments of Cochabamba and La Paz.







In 2014, FONPLATA approved operations in Brazil for US\$ 80 million in infrastructure and socio-economic development, in the southern State of Mato Grosso do Sul.

Road infrastructure, drainage and historic heritage of Corumba city shall be improved. About 50 families living in risk areas shall be relocated, improving their environment and life quality. Conditions for the sustainable development of areas involved shall be created through the construction of housing, recreational areas, public services and linear parks.

The most important port of the State of Mato Grosso do Sul and one of the most important fluvial ports in Brazil is located in the Municipality of Corumba. The primary economic activities include commerce, livestock, tourism and mineral extraction. The Municipality is also a staging point of the railroad connection between Brazil and Bolivia, and the last Brazilian city before the Bolivian border.

The city presents a number of challenges due to the population growth and the poorly planned urban growth. It is believed that this is the time to implement a series of measures and investments to stop the city environmental and heritage deterioration process. The project financed by FONPLATA is aimed at recovering and extending local urban infrastructure and the port logistics. The Municipality, through the Integrated Development Program of Corumba, has given priority to the implementation of actions tending to solve the population's most urgent issues, caused primarily by inadequacy of urban, social and environmental infrastructure.







FONPLATA did not approve projects for Paraguay in 2014. However, efforts have been made regarding a project to be launched in 2015: a road infrastructure program of South-West integration corridors in Paraguay, which comprises six projects.

The operation amounts to US\$ 185.98 million in infrastructure and shall improve the regional and international integration of the country by improving the paved road network.

The program comprises six road projects, five of which account for the construction of new paved roads. For such purpose, land clearing work, land movement, drainages, bridges, paving and additional works will be carried out. Road network is vital for the socio-economic growth of Paraguay as it is a landlocked country, especially roads to carry freight to/from inland ports.







In 2014, FONPLATA approved two operations in Uruguay for US\$ 117.3 million in productive and socio-economic development.

In this country, FONPLATA helped finance socio-productive development initiatives in water- and electric power related issues.

One of the projects aiming at improving the environmental quality of the Santa Lucia River Basin includes the building of sewage treatment plants in the towns of Canelones and Florida. In this way, health hazard and threats to the quality of ecosystems will be mitigated.

This basin is the largest source of water for human consumption in Uruguay, supplying 60 percent of the country population through OSE water purification plant located in Aguas Corrientes town. The Santa Lucia basin is found in southern Uruguay and forms the border between the departments of Florida and Canelones, Canelones and San Jose, and further south, between San Jose and Montevideo. About 32 percent of Uruguay's rural population lives there.

The second project approved will improve the electric power capacity of the national interconnected system and will help diversify the energy matrix and the regional integration.

The electrification rate in Uruguay is of 98.7 percent as a result of the building of rural networks during the past decades. Plans to change Uruguay's energy matrix were designed to meet an ever-growing demand. Focus is given to the generation of non-conventional renewable energy sources such as wind power.

The towns of Rincon del Bonete, E. Martinez, Melo and Tacuarembó, situated to the north and northeast of the country on the border with Brazil are the area of influence for this project.

A large scale interconnection with Brazilian transmission system is being developed in this region, which requires strengthening the local power system.



All the above-mentioned operations which were approved in 2014 have been guided by the requirements of the member countries and aligned with their development agendas. These countries have undertaken deep transformations to achieve a sustained growth and reduce poverty and social exclusion. FONPLATA has accompanied member countries throughout this way, adapting itself to their requirements and being flexible in each specific situation while financially and strategically supporting their decisions.





### III. MANAGEMENT PERFORMANCE IN FISCAL YEAR 2014





## Executive Summary

In 2014 a management-by-objectives approach is adopted by FONPLATA through the application of the 2013-2022 Institutional Strategic Plan (PEI).

This entailed the approval of a medium-term triennial business and resource program, with goals and indicators for regular monitoring of progress. That is shown in a Results Matrix approved by the Executive Board of Directors, where management targets organized by strategic prospects defined in the PEI are introduced, with indicators metrics for each target. This has provided a risk-adjusted accountability and transparency of information tool for member countries, financing agencies, credit rating agencies and capital markets the institution may be related to when fulfilling its institutional role.

The fiscal year performance confirms the alignment of the institution with the fulfillment of the annual approvals target set by the Board of Governors at the time of approving the capital increase in 2013, consolidating thus a faster way to support and accelerate the member countries investment agenda. The outstanding support made by Brazil and Uruguay by advancing 100 percent of their callable capital commitment was crucial, scheduled for five annual installments. This made it possible to achieve an appropriate lending capacity to meet the operation approval program agreed with the countries.

The loans approved during the year confirm that FONPLATA took on the new role given by the Mission and Vision statements as the new portfolio approved was focused on small and medium-sized projects consistent with the organization's financial dimension. In that way, resources were directed in a diversified way within their areas of expertise. The portfolio approved was consistent with impetus to subregional geo-integration, with impact on more than one country, focusing a high proportion of the new loan portfolio on rural and border areas which are usually the most disadvantaged areas, seeking to maximize the contribution of resources to reduce socioeconomic gaps in priority geographic areas.

In connection with equity in the allocation of businesses (approvals and disbursements) among borrowing member countries, in 2014 resources were transferred in a more balanced way. This provided for diversification of the portfolio by country and sector, in accordance with the policy of ensuring proportionality between the countries, as established by the financial policies. The performance of the fiscal year shows an efficient use of the available lending capacity, in addition to a reduction in FONPLATA transaction costs. Significant progress was made in setup times for operations approved and in execution times for new operations up to the last disbursement, although not significant results have yet materialized to reduce deadlines for the entry into force of loans.

Net income increased, with return on productive assets to cover all operating and investment costs, and a profitability margin in line with the requirements defined by the financial policies. The performance of the fiscal year reflects the compliance with the Board of Governors mandate regarding the annual approval target (US\$ 250 million), with decreasing costs in relation to the portfolio growth.

Member countries rely on FONPLATA as a source for long-term financing to the extent that they are able to benefit from convenient and more stable financial and transaction conditions than those they may get in capital markets and comparable with those of other subregional development financing agencies. Besides, least developed member countries are benefited by an interest rate equalization system (FOCOM) comprising a significant proportion of the annual approvals.

FONPLATA's key strengths lie in the support of the countries and the compliance with financial and operational policies and practices. On the first point, in addition to a track record of strict compliance with the financial commitments undertaken, the support of member countries in capitalizing and speeding up the contributions due must be highlighted, as well as the authorization to carry out the first borrowing of its institutional life. This loan was approved by CAF through a medium-term credit line of US\$ 75 million to meet liquidity requirements on the basis of the disbursements of current operations and approvals aligned with the annual target, until the agreed gradual cash contribution takes place throughout the five-year term.

Regarding policies limits and requirements, FONPLATA kept a careful handling within the limits set out, as a result of a risk management that made it possible to avoid or limit excessive risk exposure and position the institution towards the achievement of appropriate results from the point of view of its asset and financial soundness.

It can therefore be concluded that even though the management by objectives approach has recently been launched, it had already made a significant institutional impact and allows highlighting the long-term significance for the integration of our countries. Mainstreaming such strategic objectives into a financial institution emphasizes the far-reaching alignment with the development and prudence required by a sound risk management.



1. Sources of lending resources

a. Capitalization in 2014

The first contribution installment required by the capital increase approved by the Board of Governors in August 2013 was paid off in 2014. The amount agreed was US\$ 1,150 million, of which US\$ 350 is paid in cash and US\$ 800 million as callable capital. This enabled the maintenance of capital structure resulting from the original participation of the countries set out in the Articles of Agreement<sup>5</sup>.

During 2014 all member countries deposited the appropriate underwriting instruments in accordance with the ratification legislation of each country. As at 31 December 2014, member countries had contributed US\$ 46,666,700 in cash<sup>6</sup> corresponding to the first annual installment, and US\$ 444,448,000 in callable capital, reflecting the advance payment of Brazil and Uruguay for the entire five-year-term contribution, and the annual installment corresponding to the other three countries.

As at 31 December 2014 FONPLATA’s lending capital reached US\$ 980.3 million<sup>7</sup> - US\$ 495.9 million in paid-in cash capital and US\$ 484.4 million in committed callable capital. At year-end, FONPLATA had no loan contracted guaranteed by callable capital.

As at 31 December 2018, when capitalization ends, the total lending capital will be of US\$ 1,639.2 million, US\$ 799.2 million in paid-in cash and US\$ 840 million in callable capital.

b. Assets and Liabilities Composition

As at 31 December 2014, Net Assets were US\$ 562.5 million, comprised of US\$ 495.9 million of paid-in capital in cash; US\$ 40.1 million of Capital Reserves; US\$ 17.8 million of reserves for contingencies, which may be used as provisioning for loans granted by the Fund or other contingent liabilities from results, assets or liabilities, and Other reserves and Unallocated Retained Earnings for US\$ 8.7 million that include 7.7 million of the fiscal year surplus.

An allocation of General Reserves for US\$ 40,055 million was approved by the Board of Governors on May 2014 in order to constitute reserves that enable the Organization to comply with the rules of capital accumulation and preservation over time. An amount of US\$ 5.5 million was also assigned to unallocated retained earnings, as contribution for reserves for the Fund for Equalization of Operating Rates (FOCOM), and US\$ 4.9 million to the Technical Cooperation Program from the available balance of the former Fund for the Development of Regional Integration Projects (FONDEPRO).

c. Use of Lending Capacity and Capital Adequacy

The increase of Net Assets as at 31 December 2014 primarily reflect an increase of the cash paid-in contribution, resulting from the payment of the first installment of capital increase. On the other hand, the outstanding loan portfolio shows a significant growth (19%). The Net Assets ratio with respect to the Outstanding Loan Portfolio (TELR), as capital adequacy indicator, presents at year-end a level close to the level of the previous year, with Net Assets one and one-half times the total of the Loan Portfolio, keeping the portfolio at a very low risk exposure.

The support from the member countries by speeding up payment of callable capital made possible an increase of the lending capital and was essential to justify the business growth in 2014 and to reach a good level of lending capacity (88%).

5 The quota share for the two larger member countries (Argentina and Brazil) is 33.3%; and the quota share for the three smaller member countries (Bolivia, Paraguay and Uruguay) is 11.1%. Notwithstanding such quota shares, all member countries have equal voting power.

6 As at 12/31/2014 Brazil had not yet paid its annual cash installment.

7 This figure almost doubles the current lending capital as at 12/31/2013 (US\$ 489.2 million, of which US\$ 449.2 million were in cash).



Capital Structure  
(in million dollars)

Issue	as of 31 Dec 2014	as of 31 Dec 2013
Authorized Capital	1.639.200	1.639.200
Suscribed Capital	1.639.200	489.200
Paid-in capital in cash	495.868	449.200
Committed callable capital	484.448	40.000
Lending capital	980.316	489.200

Net-Worth  
Composition  
(in million dollars)

Issue	as of 31 Dec 2014	as of 31 Dec 2013
Paid-up capital	495.867	449.200
General Reserves	40.055	55
Reserve Coverage of Contingencies	17.843	17.843
Other reserves	933	1.129
Not allocated accumulated results	25	37.943
Surplus of the fiscal year	7.731	7.567
Net-Worth	562.454	513.737

Capitalization and  
Capital Adequacy  
(in million dollars)

Issue	as of 31 Dec 2014	as of 31 Dec 2013
Net-Worth	562,5	513,7
Outstanding loan portfolio	366,6	308,8
Portfolio exposure to risk	153,4%	166,4%
Total Liabilities and Net-Worth	573,2	519,5
Loan Portfolio in force	857,7	562,8
Loanable Capital	980,3	...
% Use of Lending Capacity	87,5%	... 1/

1/ as if 31 Dec 2013, the new Financing Policies were not in force



2. Credit Operations Management

a. Business and Loan Portfolio Performance

The nine loans approved in 2014 totaled US\$ 227 million which, compared to the US\$ 94.8 million of the three loans approved in 2013, meant an increase of US\$ 132.2 million. The figure of all loans approved in 2014, the first year for capital increase, was near the target number of US\$ 250 million set by the Board of Governors when approving the capital replenishment, which is consistent with the path laid down to implement the investment agendas agreed with the countries.

In 2014, disbursements totaled US\$ 89.9 million, compared to US\$ 80.2 million reached in 2013, which means an increase of US\$ 9.7 million over the year. Net disbursements of capital repayments made by the countries led to a positive balance of US\$ 58 million, US\$ 13 million higher than the year-end balance, which was also positive.

The turnover growth (approvals and disbursements) in 2014 compared to year 2013 led to a more balanced transfer of resources between the countries and finance priority set out in the strategic guidelines of the Organization.

Loans approved during the year, on average, amount to US\$ 25.2 million, as per the guidelines set out in the mission statement regarding the focus on small and medium-sized projects, consistent with the financial dimension of the institution.

In 2014 the new interest rate equalization system (FOCOM)<sup>8</sup> came into force. The amounts benefited by this Fund reached US\$ 80.2 million of the total approved over the year.

In 2014, FONPLATA’s loan portfolio increased to US\$ 858 million (34 loans), all approved with the sovereign guarantee of the member countries. That amount was US\$ 194 million higher than the loan portfolio at the end of 2013 (27 loans). The amount of the non-disbursed loan portfolio was increased in US\$ 491 million as at 31 December 2014 compared to US\$ 354 million by the end of 2013. On the other hand, the outstanding loan portfolio reached US\$ 367 million, US\$ 57 million over the value as at 31 December 2013.

The widening gap between the loan portfolio to be disbursed and the outstanding loan portfolio was influenced by the growth of approvals in the current year, as a result of the lending capacity increase. This is in contrast to the rate of disbursements that, because of the nature of the loan portfolio, have more extended deadlines. Six loans approved within the fiscal year for an amount of US\$ 167 million have not been signed by the member country yet.

Diversification of the loan portfolio by country showed an appropriate level of exposure in 2014, within the limits set out in the financial policies. Argentina (23%) and Bolivia (25%) continue accounting for the greatest proportion of the loan portfolio, followed by Uruguay (21%), Brazil (18%) and Paraguay (13%).

<sup>8</sup> FOCOM is made up by the allocation of net income approved by the Board of Governors, the benefit of which is only attributable to Bolivia, Paraguay and Uruguay loans.

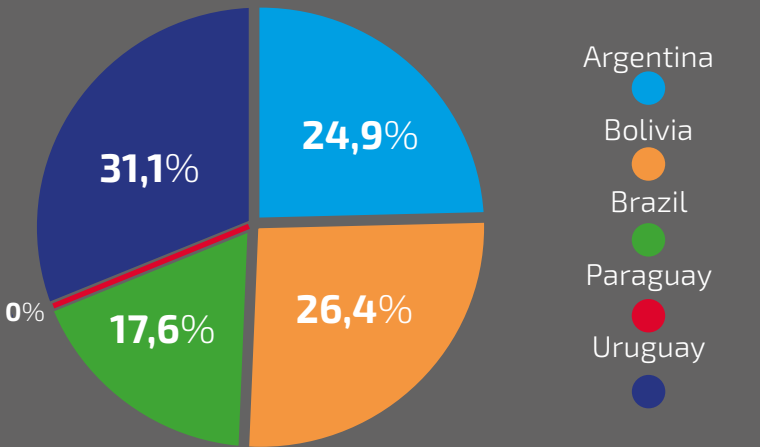


Operations and Loan Portfolio  
(in million dollars)

Issue	2014	2013
Approved loans	227,0	94,8
Disbursement of loans	89,9	80,2
Net disbursement of amortizaion	57,9	45,0
Loans reciavalbe portfolio	366,6	309,5
Loans payable portolio	491,1	354,0
Loan portfolio	858	664

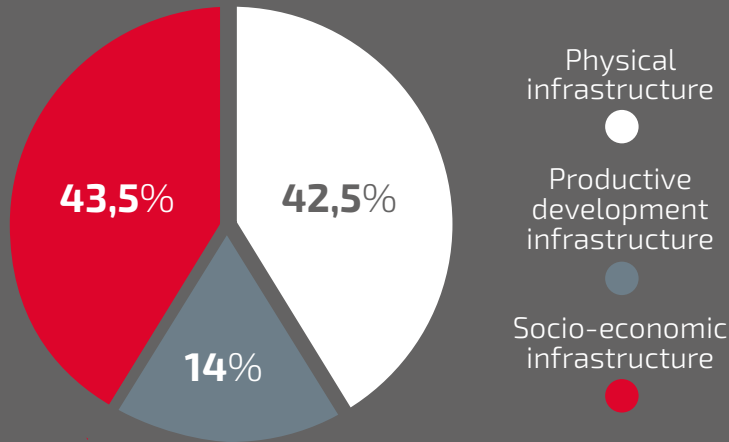
Approvals by country  
2014

Total: 227 million USD



Allocation of approval portfolio  
2014

Total: 227 million USD

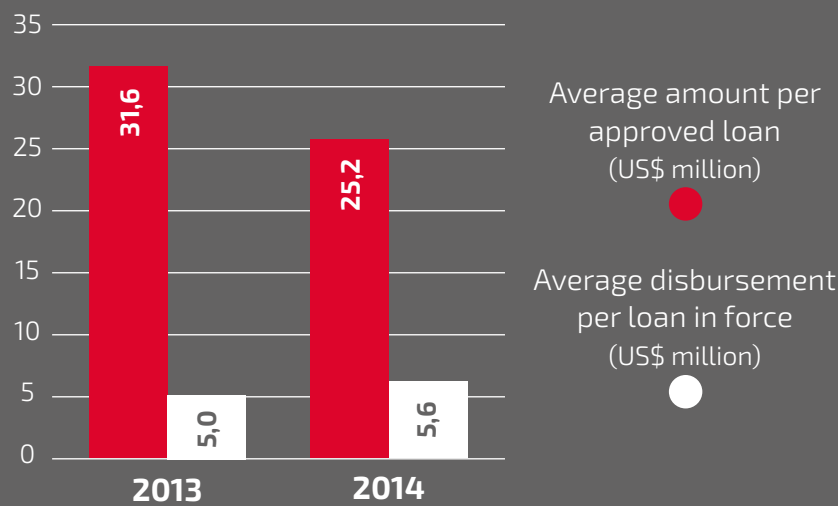




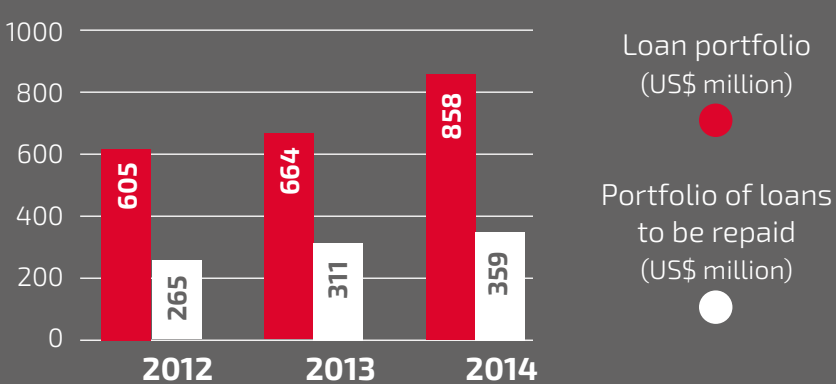
The loan portfolio approved in 2014 was consistent with the impetus to geo-integration of the River Plate Basin subregion. With an impact on more than one country (82% of the amounts approved), it was also highly focused on border areas; therefore, financing helped reduce socio-economic gaps in the geographic areas of influence.



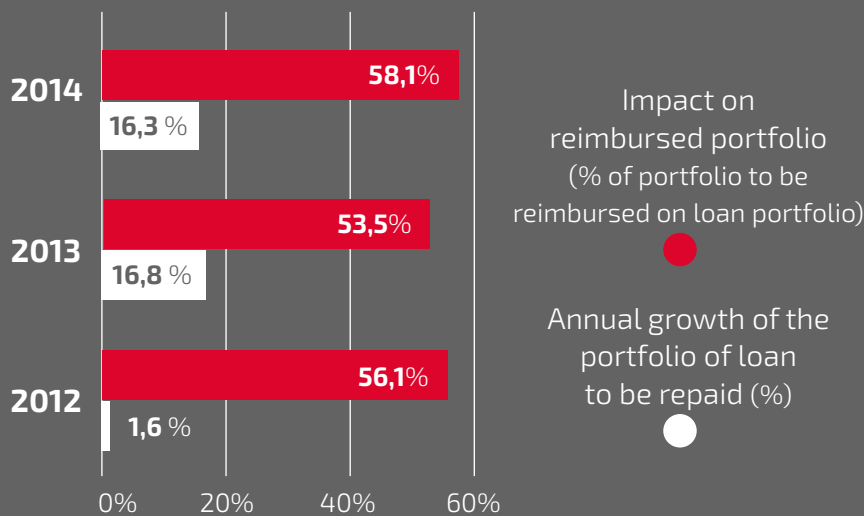
Average size of approved loans



Loan portfolio growth

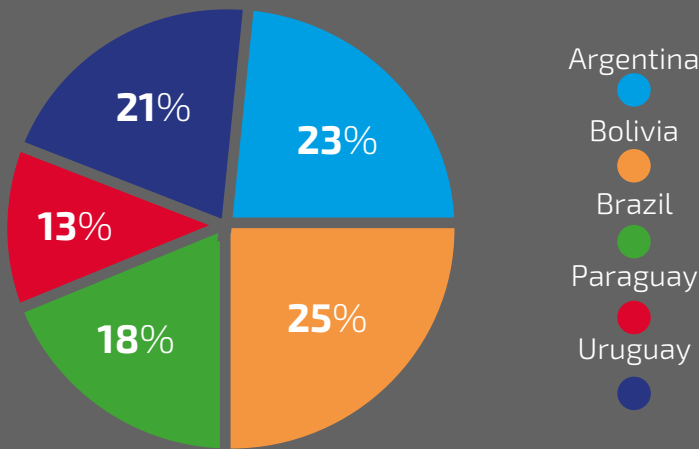


Growth of portfolio of loans to be repaid

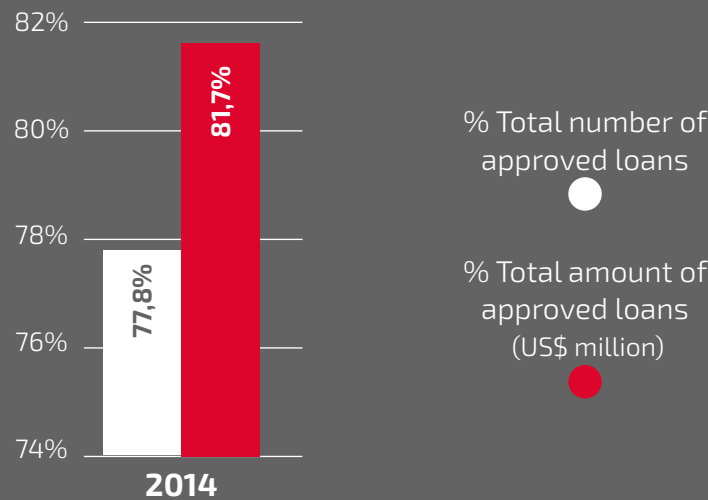


Diversification of portfolio by country

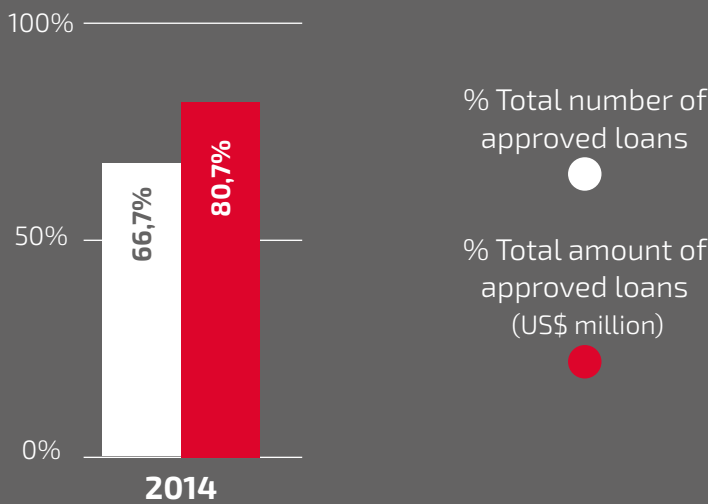
Total: 858 million USD



Expected loan impact on different countries



Loans focused on border areas





b. Operational efficiency

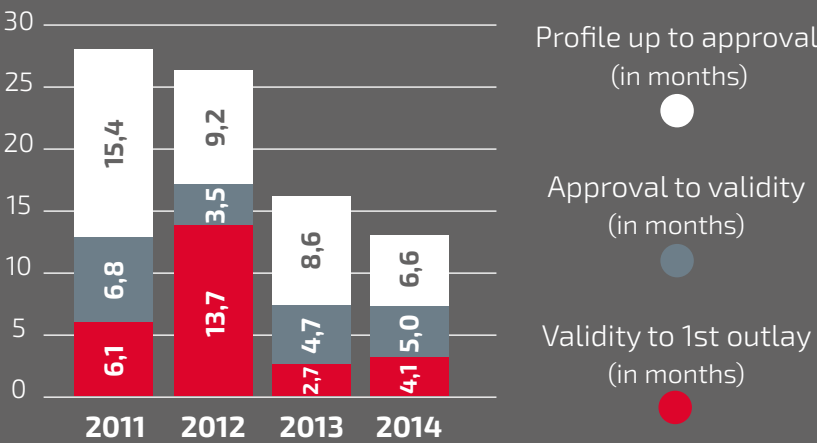
Operational efficiency is analyzed by the evolution of the average duration by process stage for each loan. This evolution of the loans duration is an estimate in order to assess current and expected transaction costs. Additionally, another factor assess that weighted average life of the loan portfolio to be repaid is slightly below 9 years.

Year-end results show a reduction in operation setup and approval times (around 4 months). However, they contrast with longer times between the approval and the moment in which the first disbursement is made, estimated in almost one year (after the entry into force of the operation and eligibility, so that the first disbursement is made once pre-conditions have been met). For future loans a further reduction of average times is expected, from the date of approval until the date of the last disbursement. This shall be the result of the implementation of an improvement program for the design and planning of operations and adjustments in the respective operating regulations.

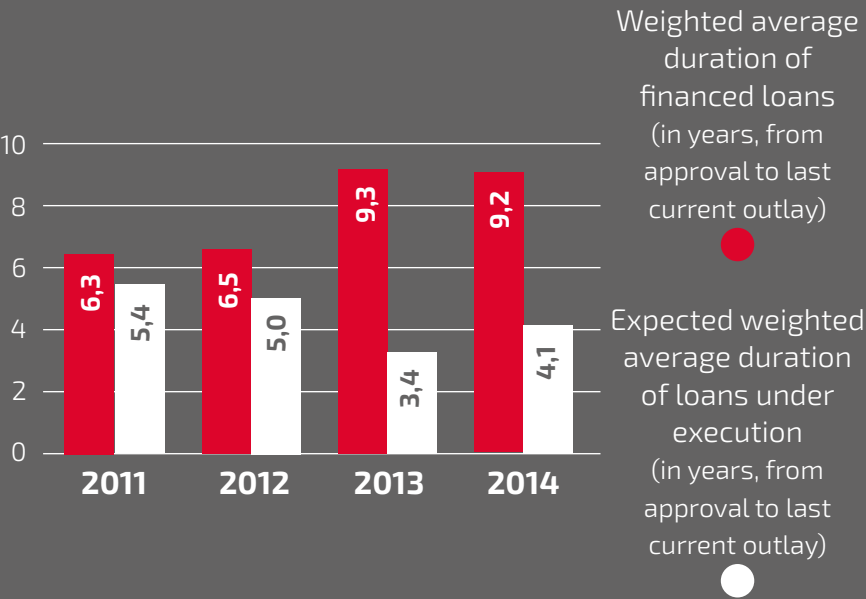
Regarding administrative efficiency (relation between current expenses and loan portfolio), in 2014 there was a visible improvement compared to the end of the previous year. Following capital increase approved in 2013, FONPLATA tripled its lending capacity, immediately increasing the historical administrative expenditure to face the new challenge of the efficient use thereof.



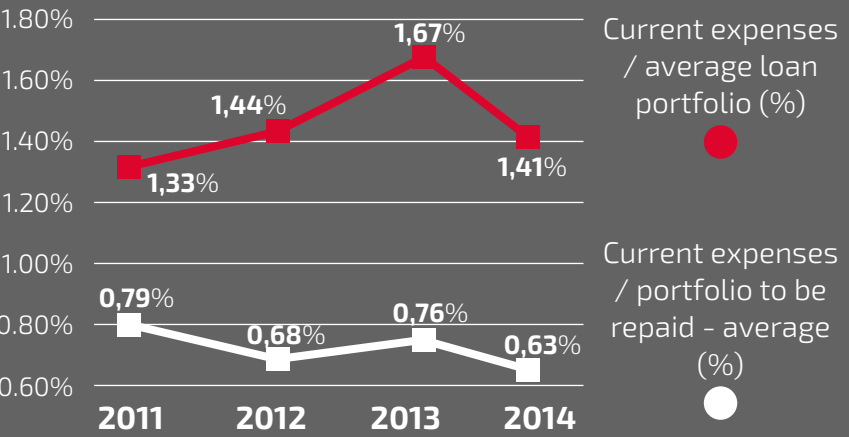
Duration of loans from profile to the beginning of execution



Current and expected duration of the loan cycle from approval to last outlay



Administrative efficiency





### 3. Liquid Assets Management

As at 31 December 2014, the Fund had liquid assets for US\$ 200.4 million, made up of US\$ 159.2 million of held-to maturity investments portfolio and US\$ 41.2 million in Cash and due from banks.

The minimum level of liquidity required by financial policies at the end of 2014 reached US\$ 149.0 million, an amount equal to 30% more than all projected liabilities for the next 12 months expressed by financial debts taken for funding, administrative budget outlays and total gross disbursements. These amounts are comfortably within the risk limits set out in the liquidity policy of the institution.

The investment portfolio management reflects the strict compliance with the risk parameters set out in the liquidity investment policy, taking account of risk limits and diversifying financial instruments by asset category, debt issuer, rating and term, in order to achieve lower exposure. As at 31 December 2014 the investment portfolio average rating was AA-, in line with the current policy.

Investment portfolio weighted average yield in 2014 was 0.7 percent, higher than the 0.45 percent in 2013 and the annual average 6M LIBOR rate in 2014 (0.33%). This yield is a result of the improvements in the management of liquid investments, which allowed increasing yield without sacrificing the priorities of security and liquidity.

### 4. Indebtedness management for funding loans

In 2014 a borrowing strategy was implemented, consistent with the evolution of the lending capital, defined by a capital increase schedule and, simultaneously, by the compliance with approval targets established by the Board of Governors of lending US\$ 250 million annually to be achieved in the first three years of the strategic program of the institution.

As mentioned above, advance contributions of callable capital allowed meeting lending capital requirements, postponing for year 2016 the decision to incur long-term indebtedness. In 2015 it is necessary to prepare the institution to get a favorable credit rating in order to improve FONPLATA's funding profile before other financial agencies and capital markets.

To sustain this strategy, it is necessary to request a medium-term credit line to cover minimum liquidity requirements set out in the financial policy, resulting from the growth of disbursements projected due to the growth of the loan portfolio to complete the capital contribution in cash schedule in a 5-year term. Therefore, as a credit line from the CAF has been obtained for US\$ 75 million, which shall be paid off as from 2015, the sustainability of the borrowing strategy is assured.



### Investment portfolio management as at 31 dec 2014

Limits by Asset Class	Policy	Existing
Limit on sovereign bonds	100%	38%
Limit on CDs and/or DPFs	100%	15%
Limit on World Development Organizations (OMD) and National Development Banks	50%	33%
Limit on Money Market Fund	30%	0%
Limit on Private Financial Sector	15%	14.4%
Limits by Issuing Entity	Policy	Existing
Limits by AAA Issuers (country, OMD, development banks)	100%	27%
Limits by issuing country, incl. States, local governments, public agencies	10%	8%
Limits by OMD and National Development Banks	10%	10%
Limits by Private Financial Entity	5%	4%
Limits by Rating	Policy	Existing
Average Portfolio Rating	Minimum AA-	AA-
Minimun investment rating	BBB-	BBB-
Maximum investments with BBB	20%	20%



5. Operation Performance

Gross income in 2014 was US\$ 12.5 million, primarily explained by the income from loan interests and fees (US\$ 11.4 million). This income grew by US\$ 0.5 million over the year compared to the US\$ 10.9 million in 2013.

FONPLATA’s gross income in 2014 was higher than total expenditure (financial and non financial), generating a net operation income of US\$ 7.7 million, US\$ 0.2 million higher than that reported in 2013 (US\$ 7.5 million). This figure shows the impact of the administrative expenditure increase, arising from changes of scale in the institution. Gross income growth is mainly influenced by the increase of the outstanding loan portfolio and not by the new financial conditions of the loans approved in March 2014.

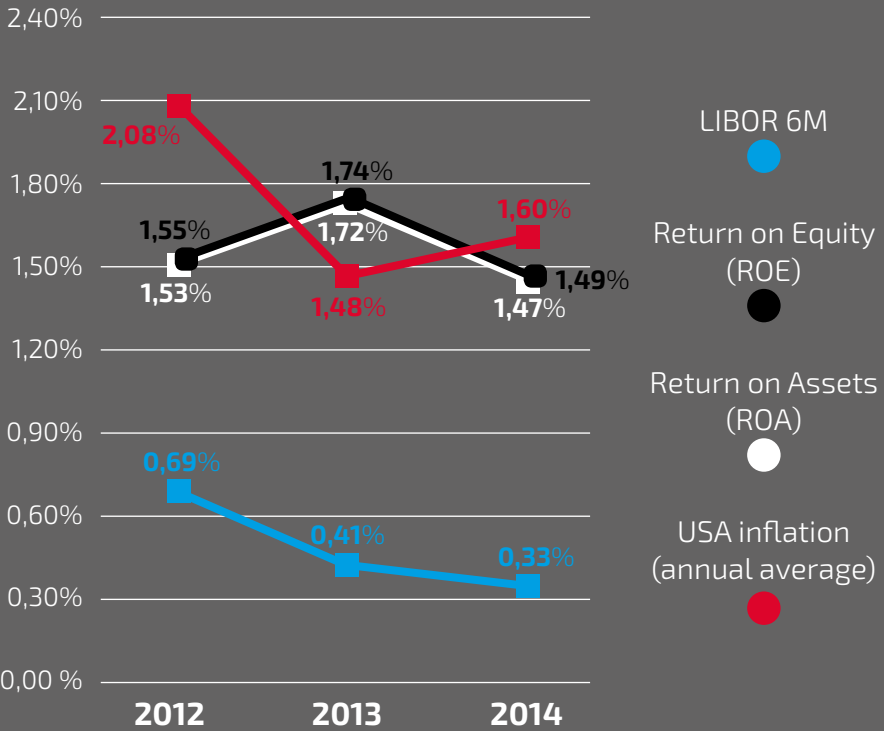
The new financial conditions shall have a long-term impact on the operating income, but the effect over the year is relatively small as most of the outstanding portfolio is subject to the previous financial conditions.

Profitability levels in 2014, measured by Return on Equity (ROE) and Return on Assets (ROA) reached 1.5 percent. This value is close to the USA inflation during the period, aligning the profitability obtained with the preservation of net assets, which shall correlate with the LIBOR rate as expected and, therefore, the results are in line with the trends of reference values.

The net interest margin, which is the difference between the returns on average productive assets and liabilities average cost of debt, was 2.45%, a value close to that reached in the previous year. Return on outstanding loan portfolio tends to be reduced, as planned, due to increased relative importance of recent loan with lower interest rates compared to the older portfolio.



Profitability Indicators



Assets and Liabilities Portfolio: Returns and Costs  
(in US\$ thousands and %)

CONCEPT	2012		2013		2014	
	Average Return (cost)		Average Return (cost)		Average Return (cost)	
Outstanding Loan Portfolio	261.213	4,67%	286.543	3,82%	337.684	3,38%
Liquid investment Portfolio	219.452	0,48%	203.949	0,45%	172.972	0,70%
Return of productive assets	480.665	2,90%	490.492	2,44%	510.656	2,45%
Cost of debt portfolio	0,00%		0,00%		0,00%	
Net interest margin	2,90%		2,44%		2,45%	



6. Risks management

FONPLATA conducts business within the framework of financial, operational and risk management policies, and in accordance with the strategic guidelines set out in the PEI. The abovementioned policies define the limits of risk-bearing capacity of the institution to avoid excessive exposure.

The risk management model is aligned with the Corporate Governance structure, following international standards to identify risks and assess internal control<sup>9</sup>. Management is based on a decision-making process designed to avoid or limit the Organization's risk exposure. Within that governance framework the risk appetite is defined, risk management plans are approved, as well as the monitoring of the compliance with risk limits and standards, mitigation actions are defined and, if required, policies and practices regarding risk management are updated.

The classification of risks and definitions adopted by the “Office of the Comptroller of the Currency” (OCC) and Basel II were adopted as a guiding principle. As an intrinsic part of the development of its activities, FONPLATA is exposed to financial risks (credit risk, market risks and liquidity risk), to operational and strategic risks as well as compliance and reputational risks. Risk management for fiscal year 2014 is reported on NOTE 3 – Risk Management of the Report on FONPLATA’s Financial Statements as at 31 December 2014 and 2013 (Annex III).

7. Relevant indicators of Financial Statements

FONPLATA conducts its activities following prudent financial policies and a defined risk management monitored by a decision-making process. In this section, a set of selected financial ratios is presented, taken from the accompanying Financial Statement, which complements the view on the degree of soundness of the institution in 2014, resulting from a management that aimed at an appropriate combination of financial results, balance sheet and compliance with strategic objectives.

For financial programming, the institution uses a management model that relates decisions adopted during the fiscal year to the projection of financial results in the medium and long term, balance sheet, liquidity requirements and capitalization needed. The model inter-relates the parameters and variables in an integrated and simultaneous way in every financial statement, which allows anticipating the business scenarios to be faced and manage sustainability of the decision-making process.

For the management of assets, liabilities, net assets and financial results, exchange-rate risks are left out as the Fund operates with a single currency, the U.S. dollar. Besides, and given that up to now assets are funded using net assets exclusively, the relevant exposure to be presented is with respect to assets.

In this regard, ratios generally used to measure capital adequacy (net assets/total assets); the portfolio exposure (net assets/outstanding portfolio), soundness and financial leverage (average total assets/net assets) reflect a strong position of the Fund. As the institution is beginning to seek financing, a financial management model for the medium and long term is essential to make decisions that preserve good indicators within FONPLATA’s loan cycle.

9 The model operates in three lines of defense (3LOD), composed by the Management Areas, responsible for risk management; the Strategic planning and risk management Board, responsible for monitoring and assessing risk management; and Internal Audit, responsible for the independent assessment of the compliance with the activities and processes to manage and control risks.

The main asset is the member countries loan portfolio (64% in 2014 and 59% in 2013), completely sovereign guaranteed. Financial policies require FONPLATA to diversify its loan portfolio between the countries, aiming at reducing an excessive concentration and keeping portfolio proportionality. From that portfolio, at year-end there were no loans in arrears, or non-productive loans. The Fund keeps a 5 percent reserve for contingencies or unforeseen situations of the outstanding loan portfolio that may affect its financial results, assets or liabilities.

FONPLATA manages liquidity risk by strictly complying with the liquidity policy, which sets out a minimum level of liquidity equal to financial and administrative obligations and net disbursements for 12 months. As at 31 December 2014, liquidity accounted for 1.4 years of total gross disbursements and 1.3 years of all liquid liabilities.

The ratio of liquid assets to total assets stood at 35 percent at year-end, compared with 32 percent in 2013.

Financial

Financial	2014	2013
Net Assets/Total Assets	98,2%	98,9%
Net Assets/Outstanding portfolio (%)	153,4%	166,4%
Average Total Assets / Net Assets (times)	0,97	1,00
Outstanding Portfolio / Total Assets (%)	64,0%	59,4%
Outstanding portfolio with greater exposure / outstanding loans (%)	29,7%	36,0%
Loans non productive situation / Total Receivable Portfolio (%)	0,0%	0,0%
Contingence reserve / Outstanding Loan Portfolio (%)	4,9%	5,8%
Liquidity level /Payment of loans for next 12 months	1,4	1,4
Liquid assets/total assets (%)	35.0%	32.0%







ANNEXES





# Annex 1

## Historical Information on operations approved

### A. ARGENTINA: Historical information on operations approved December 31, 2014 (US\$)



N°	PROJECT	NAME OF PROJECT	NOTES	FINANCING TYPE		TOTAL	UNDISBURSED
				PRE-INVESTMENT	INVESTMENT		
		<b>TOTAL:</b>		<b>24.199.802</b>	<b>330.116.868</b>	<b>354.316.670</b>	<b>144.195.409</b>
1	ARG-2/83	Construction Formosa Port and Coastal Defense.	*2	0	7.100.000	7.100.000	0
2	ARG-3/83	Comprehensive Development of Formosa Southeast Region.	*2	0	9.200.000	9.200.000	0
3	ARG-4/93	Effects of economic integration in transport systems.	*2	1.462.438	0	1.462.438	0
4	ARG-5/94	Project Study for stream sanitation of Posadas city.	*3	2.244.211	0	2.244.211	0
5	ARG-6/94	Pre-investment Study and paving works of Routes 8 and 2; streches 25 de Mayo - Santa Rita; Santa Rita - Colonia Aurora; Colonia Aurora - El Soberbio; El Soberbio - Saltos del Moconá. Province of Misiones.	*2	1,876,747 i)	32.959.385	34.836.132	0
6	ARG-7/94	Implementation of a Technical Cooperation program and Social Development Investment on Northwest and Northeast Border Areas with unmet needs.	*2	978,206 i)	21.499.100	22.477.306	0
7	ARG-8/94	Implementation and Programing of a Production and Corporate Restructuring Program for Export-Oriented Companies.	*2	8.000.000	0	8.000.000	0
8	ARG-9/96	International Trade Modernization and Development Program COMINTER.	*2	3.238.200	0	3.238.200	0
9	ARG-10/96	Corporate Restructuring Program for Export PREX.	*2	4.000.000	0	4.000.000	0
10	ARG-11/99	Program to Support the Secretariat of Economic and Regional Planning of the Ministry of Economy and Public Works and Services.	*3	1.500.000	0	1.500.000	0
11	ARG-12/02	Restructuring project of Santa Fe Port.	*2	900.000	25.000.000	25.900.000	25.000.000
12	ARG-13/03	Program for Recovery of Affected Areas - Santa Fe Province.	*2	0	51.000.000	51.000.000	0
13	ARG-14/04	Social Development Program Northeast and North areas of Argentina with Unsatisfied Basic Needs - PROSOFA II.	*1	0	22.485.000	22.485.000	0
14	ARG-15/04	Improvement and Optimization Program for Solid Waste Management of Buenos Aires Metropolitan Area.	*3	0	27.650.000	27.650.000	0
15	ARG-16/06	Project Development and Implementation of National Early Warning System and Disaster Prevention.	*2	450.000	0	450.000	0
16	ARG-17/06	Improvement of Competitiveness - Ports of the Buenos Aires Province.	*1	0	47.200.000	47.200.000	38.363.700
17	ARG-18/06	Support program for International Trade Integration of Small and Medium-Sized Argentinean Enterprises PROARGENTINA II.	*1	0	4.500.000	4.500.000	920.826
18	ARG-19/13	Prophylaxis strenghtening to interrupt vectoral transmission of Chagas disease in Argentina.	*1	0	25.000.000	25.000.000	23.387.500
19	ARG-20/14	National Programming Agency - Network of Cinemas for the Dissemination of Audiovisual Content.	*4	0	9.953.383	9.953.383	9.953.383
20	ARG-21/14	Social Development Program on Border Areas with Unmet Basic Needs (PROSOFA III)	*4	0	28.170.000	28.170.000	28.170.000
21	ARG-22/14	Program for the Development of Agroproductive Areas in border provinces of the River Plate Basin (First Stage).	*4	0	18.400.000	18.400.000	18.400.000

Notas: \*1 Loans Running / \*2 Concluded Loans / \*3 Cancelled Loans / \*4 Loan being signed / i) Loans in the form of successive stages



**B. BOLIVIA:** Historical information on operations approved  
December 31, 2014 (US\$)



N°	PROJECT	NAME OF PROJECT	NOTES	FINANCING TYPE		TOTAL	UNDISBURSED
				PRE-INVESTMENT	INVESTMENT		
		<b>TOTAL:</b>		<b>6.989.708</b>	<b>343.292.194</b>	<b>350.281.902</b>	<b>164.441.007</b>
1	BOL-1/79	Feasibility Study - Railway Vallegrande - Zudáñez.	*2	585.000	0	585.000	0
2	BOL-2/80	Final Design Railway Motacucito - Puerto Busch.	*2	423.000	0	423.000	0
3	BOL-3/81	Aerial photogrammetry of the Upper Bermejo River Basin.	*2	234.000	0	234.000	0
4	BOL-4/81	Pavement of Potosi - Tarapaya Highway.	*2	0	7.000.000	7.000.000	0
5	BOL-5/82	Pavement of Sucre - Yotala - Totacocha Highway.	*2	0	7.500.000	7.500.000	0
6	BOL-6/83	Final Design and Feasibility Study of Padcaya - Bermejo Higway.	*2	1.000.000	0	1.000.000	0
7	BOL-7/86	Final design of Challapata - Tarapaya Highway.	*2	720.000	0	720.000	0
8	BOL-8/85	Pavement of Santa Cruz - Trinidad Highway.	*2	0	19.500.000	19.500.000	0
9	BOL-9/89	Pavement of Totacocha - Puente Mendez Highway.	*2	0	8.280.000	8.280.000	0
10	BOL-10/89	Pavement of Palmar Grande - Yacuiba Highway.	*2	0	13.877.500	13.877.500	0
11	BOL-11/89	Rehabilitation of road stretches: Cochabamba - Chimoré and Yapacani - Guabirá.	*2	0	8.800.000	8.800.000	0
12	BOL-12/90	Pavement of Santa Cruz - Trinidad Highway.	*2	0	13.700.000	13.700.000	0
13	BOL-13/90	Extension and Improvement of Captain Nicolas Rojas Airport. Potosi	*2	0	4.500.000	4.500.000	0
14	BOL-14/92	Technical and ecologic feasibility study and Final Design of Cuchu Ingenio - Villazón Highway.	*2	2.087.000	0	2.087.000	0
15	BOL-15/92	Improvement and Pavement Works of road stretch Santa Cruz -Abapo.	*2	0	10.000.000	10.000.000	0
16	BOL-16/94	Pre-investment study and works - Pavement of Route 6, Boyuibe - Hito Villazón.	*2	728,209 i)	0	728.209	0
17	BOL-17/94	Pre-investment study and execution works - Pavement of Abapo - Camiri Highway.	*2	1,220,499 i)	17.000.000	18.220.499	0
18	BOL-18/04	Pavement Works of Routes Guabirá - Chané - Aguaíces - Colonia Pirai.	*1	0	40.000.000	40.000.000	0
19	BOL-19/11	Highway River Uruguaito - Santa Rosa de la Roca - San Ignacio de Velasco.	*1	0	63.450.000	63.450.000	38.543.813
20	BOL-20/13	Conservation and Rehabilitation Program - San Ramon - San Javier - Concepcion - Rio Uruguaito.	*1	0	35.000.000	35.000.000	31.212.500
21	BOL-21/14	Dual Carriageway Project: Montero - Cristal Mayu, Stretch Ivirgarzama - Puente Mariposas.	*1	0	34.753.571	34.753.571	34.753.571
22	BOL-22/14	Dual Carriageway Project: Montero - Cristal Mayu, Stretch Puente Mariposas - Puente Chimoré.	*1	0	20.531.123	20.531.123	20.531.123
23	BOL-23/14	Highway Construction: Nazacara IV Hito, Nazacara -San Andres de Machaca stretch.	*1	0	26.000.000	26.000.000	26.000.000
24	BOL-24/14	Project and Construction of Flood Protection structures - Department of Santa Cruz.	*1	0	13.400.000	13.400.000	13.400.000

Notas: \*1 Loans Running / \*2 Concluded Loans / \*3 Cancelled Loans / \*4 Loans being signed / i) Loans in the form of successive stages

**C. BRAZIL:** Historical information on operations approved  
December 31, 2014 (US\$)



N°	PROJECT	NAME OF PROJECT	NOTES	FINANCING TYPE		TOTAL	UNDISBURSED
				PRE-INVESTMENT	INVESTMENT		
		<b>TOTAL:</b>		<b>0</b>	<b>266.962.348</b>	<b>266.962.348</b>	<b>43.048.037</b>
1	BR-1/94	Pavement Works - MS-141 and Route Section Ivinhema -Navirai MS-475, MS-141 Stretch Guasulandia Road - Entr. BR-376.	*2	0	20.000.000	20.000.000	0
2	BR-2/95	Execution Program for the Preservation of Natural Environment and Recovery of Degraded Areas in the Arroio Diluvio Basin.	*2	0	1.143.000	1.143.000	0
3	BR-3/95	Works to Expand Pronto Socorro Hospital in Porto Alegre.	*2	0	2.600.000	2.600.000	0
4	BR-4/97	Works to build a bridge on Paraguay River, on BR-262 highway between Miranda and Corumba.	*2	0	13.400.000	13.400.000	0
5	BR-5/01	Pavement of routes Antonio Joao - Bela Vista - Caracol.	*2	0	24.000.000	24.000.000	0
6	BR-6/02	Program for the Recovery of Degraded Areas and Preservation of Soter stream.	*2	0	6.148.348	6.148.348	0
7	BR-7/03	Integration Program - North Area - City Entrance.	*1	0	27.500.000	27.500.000	0
8	BR-8/04	Development program for basic infrastructure and urban services in Florianopolis.	*2	0	22.400.000	22.400.000	0
9	BR-9/05	Works for the improvement of road infrastructure on the southern border.	*2	0	28.000.000	28.000.000	0
10	BR-10/06	Ecological Axis Program and Structuring of Environmental Parks - Green Line.	*1	0	11.800.000	11.800.000	3.035.776
11	BR-11/06	Executive Program of Structuring Squatter Settlements, City of Curitiba.	*2	0	10.000.000	10.000.000	0
12	BR-12/07	Executive Program for the Recovery of Degraded Areas in Imbirusú Stream.	*2	0	17.061.000	17.061.000	0
13	BR-13/07	Project to Improve and Expand Road Infrastructure - Chapecó.	*1	0	14.750.000	14.750.000	12.261
14	BR-14/08	Program for Urban, Social and Environmental development of Ipatinga.	*3	0	19.250.000	19.250.000	0
15	BR-15/08	Project to improve and expand urban infrastructure Cachoeirinha - RS.	*1	0	8.910.000	8.910.000	0
16	BR-16/14	Integrated Development Program in Corumba, State of Mato Grosso do Sul.	*4	0	40.000.000	40.000.000	40.000.000

Notas: \*1 Loans Running / \*2 Concluded Loans / \*3 Cancelled Loans / \*4 Loan being signed / i) Loans in the form of successive stages



**D. PARAGUAY:** Historical information on operations approved  
December 31, 2014 (US\$)



N°	PROJECT	NAME OF PROJECT	NOTES	FINANCING TYPE		TOTAL	UNDISBURSED
				PRE-INVESTMENT	INVESTMENT		
		<b>TOTAL:</b>		<b>6.474.716</b>	<b>253.038.151</b>	<b>259.512.867</b>	<b>45.906.734</b>
1	PAR-2/79	Pre-investment program.	*2	3.000.000	0	3.000.000	0
2	PAR-3/78	Road Feasibility Study in Paraguayan Chaco.	*2	675.000	0	675.000	0
3	PAR-4/81	Program for Settlement and Development of Livestock in the Northwest of Paraguayan Chaco.	*2	0	4.000.000	4.000.000	0
4	PAR-5/84	Pavement of Villarrica - Ñumi Highway.	*2	0	8.400.000	8.400.000	0
5	PAR-6/84	7th Livestock Project.	*2	0	15.000.000	15.000.000	0
6	PAR-7/85	Empowerment for small producers in the Department of Caaguazú.	*2	0	2.300.000	2.300.000	0
7	PAR-8/86	Pavement of the Detour Road Filadelfia and Mariscal Estigarribia.	*2	0	20.300.000	20.300.000	0
8	PAR-9/90	Access to Asunción Port.	*3	230.000	0	230.000	0
9	PAR-10/92	Feasibility Study and Final Design. Route 12 between Chaco-I and Fortín Gral.Bruguez.	*2	522.143	6.477.857	7.000.000	0
10	PAR-11/93	Works to Supply drinking water to border departments.	*2	0	3.800.000	3.800.000	0
11	PAR-12/93	Global loan program for industrial sectors.	*2	0	20.000.000	20.000.000	0
12	PAR-13/93	Pavement of Route IV Gral. José E. Díaz - San Ignacio - Pilar stretch.	*2	0	34.580.300	34.580.300	0
13	PAR-14/94	Pre-investment study and pavement works - Route 9 Mariscal Estigarribia - Eugenio A. Garay.	*2	1,547,573 i)	0	1,547,573	0
14	PAR-15/94	Global Loan Program for small and medium-sized producers - Livestock Sector.	*2	0	10.000.000	10.000.000	0
15	PAR-16/01	Pre-investment study and works - Port Terminal of Department of Neembucú.	*1	500.000 i)	0	500.000	220.000
16	PAR-17/02	Partial funding for Local Contribution Program for the improvement of integration corridors - Western Paraguay.	*2	0	20.251.900	20.251.900	0
17	PAR-18/04	Global Loan Program to Develop Livestock Production.	*3	0	10.000.000	10.000.000	0
18	PAR-19/11	Project for the Recovery and Pavement of the Santa Rosa de Aguaray - Capitan Bado stretch.	*1	0	97.928.094	97.928.094	45.686.734

**E. URUGUAY:** Historical information on operations approved  
December 31, 2014 (US\$)



N°	PROJECT	NAME OF PROJECT	NOTES	FINANCING TYPE		TOTAL	UNDISBURSED
				PRE-INVESTMENT	INVESTMENT		
		<b>TOTAL:</b>		<b>4.247.482</b>	<b>264.590.670</b>	<b>268.838.152</b>	<b>93.483.763</b>
1	UR-2/82	Study of Roads 1, 4 and 14 and four bridges.	*2	2.000.000	0	2.000.000	0
2	UR-3/84	Building of Research and FMD Control Lab.	*2	0	2.000.000	2.000.000	0
3	UR-4/89	Building of University Malvin Norte Center and Equipment for Post Graduate University Research Center.	*2	0	3.534.170	3.534.170	0
4	UR-5/92	Works for the rehabilitation of four stretches in Routes 5 (Access to Tacuarembó), 8 (Access to Treinta y Tres) and 9 (Access to Chuy).	*2	0	19.726.500	19.726.500	0
5	UR-6/92	Technical Cooperation for Impact Assessment - Regional Integration for Load Transportation.	*2	441.327	0	441.327	0
6	UR-7/93	Study and Final Design - Sanitation Plan for inland areas.	*2	953.953	0	953.953	0
7	UR-8/93	Plan for the transformation of the National Post Service.	*2	0	1.830.000	1.830.000	0
8	UR-9/94	Technical Cooperation Program and Investment in Physical infrastructure, equipment and training for the Education Sector.	*3	336.642	0	336.642	0
9	UR-10/94	Dredging and Signposting of the access channels to Buenos Aires Port - Km. 37 (Barra del Farallon).	*2	0	25.000.000	25.000.000	0
10	UR-11/94	Master Plan for Ports in Colonia, Juan Lacaze, Nueva Palmira and Fray Bentos.	*2	515.560	0	515.560	0
11	UR-12/03	Financial Support for the Execution of Investment Projects. .	*2	0	30.000.000	30.000.000	0
12	UR-13/2012	Infrastructure Rehabilitation and Maintenance Program.	*1	0	112.000.000	112.000.000	22.983.763
13	URU-14/14	Building and improvement of sanitation systems in Santa Lucia River.	*4	0	30.500.000	30.500.000	30.500.000
14	URU-15/14	Project and Building of Transmission Line Tacuarembó-Melo 500 kV.	*4	0	40.000.000	40.000.000	40.000.000

Notas: \*1 Loans Running / \*2 Concluded Loans / \*3 Cancelled Loans / \*4 Loan being signed / i) Loans in the form of successive stages

Notas: \*1 Loans Running / \*2 Concluded Loans / \*3 Cancelled Loans / \*4 Loan signing / i) Loans in the form of successive stages



TECHNICAL COOPERATION: Approval of historic technical cooperation  
as of 31 december 2014 (In US dollars)

N°	TECHNICAL COOPERATION	NAME	NOTES	TYPE OF FINANCING		TOTAL APPROVED	TO BE DISBURSED
				PRE-INVESTMENT	INVESTMENT		
		TOTAL:		7.091.638	20.000	7.111.638	1.013.303
		ARGENTINA		437.338			0
1	OCT/ARG-1/95	Complementary studies Stage I of Feasibility Studies on Use of Water Resources Use of the Upper Bermejo River Basin and Rio Grande de Tarija River.	*2	437.338		437.338	0
		BOLIVIA		1.131.502	20.000	1.151.502	0
1	OCT/BOL-1/91	Study of Technical and Economic Feasibility of the Electrification Project of Modesto Omiste Province, Potosi Department.	*2	102.000		102.000	0
2	OCT/BOL-2/92	Update of Feasibility Study and Optimization of Final Design of Stretch Padcaya - La Mamora, Tarija Department.	*2	203.700		203.700	0
3	OCT/BOL-3/92	Execution of the Stage I Feasibility Study on Water Resources Use of the Upper Basin of Bermejo River and Rio Grande de Tarija River.	*2	481.482		481.482	0
4	OCT/BOL-2/92	General Studies for the Design of the Foot-and-Mouth Disease Eradication Project in Bolivia.	*2	344.320		344.320	0
5	OCT/NR/BOL-2/92	Installation or improvement of communication infrastructure.	*2		20.000	20.000	0
		PARAGUAY		1.208.498		1.208.498	0
1	OCT/PAR-1/91	Study for Final Engineering Design of the Stretch San Ignacio - Pilar.	*2	355.000		355.000	0
2	OCT/PAR-2/91	Review and Update of the Study for Final Engineering Design of the Stretch Concepción - Pozo Colorado.	*2	54.000		54.000	0
3	OCT/PAR-3/92	Execution of Technical, Economic and Financial Feasibility Studies on the Final Design of the Project "Access to the Port of Asunción".	*2	545.398		545.398	0
4	OCT/PAR-4/96	Execution of Zoning Studies of Flood Areas of the Paraguay River.	*2	254.100		254.100	0

N°	TECHNICAL COOPERATION	NAME	NOTES	TYPE OF FINANCING		TOTAL APPROVED	TO BE DISBURSED
				PRE-INVESTMENT	INVESTMENT		
		URUGUAY		488.600		488.600	0
1	OCT/UR-1/91	Feasibility Study for the Railway Branch Line to the Port of Nueva Palmira.	*2	84.000		84.000	0
2	OCT/UR-2/92	Execution of Feasibility Study on the Brucellosis and Bovine Tuberculosis Eradication Project, Implementation of the Epidemiological Surveillance System, and Assessment and Prevention of the Impacts of Chronic Diseases and Subclinical Cases in Uruguayan Livestock.	*2	97.000		97.000	0
3	OCT/UR-3/93	Execution of the Social Investment Program - Stage I	*2	307.600		307.600	0
		PARAGUAY - PARANA WATERWAY		685.000		685.000	0
1	OCT/NR/CIH-1/91	Non-Reimbursable Technical Cooperation for Paraguay - Paraná Waterway (Cáceres - Nueva Palmira Ports).	*2	150.000		150.000	0
2	OCT/NR/CIH-2/95	Non-Reimbursable Technical Cooperation to Carry Out Studies on the "Development of Productive Zones in Port Areas".	*2	485.000		485.000	0
3	OCT/NR/CIH-3/98	Non-Reimbursable Technical Cooperation destined to carry out Studies on the "Paraguay - Paraná Waterway Program Information System".	*2	50.000		50.000	0
		IIRSA - COSIPLAN		1.779.308		1.779.308	134.211
1	OCT/NR/ATN/SF-9229-RG	IDB and FONPLATA Participation in the IIRSA Support for the Implementation of the Outreach and Engagement Strategy of the IIRSA Initiative.	*2	20.000		20.000	0
2	OCT/NR/IIRSA-04/2002	FONPLATA's participation in IIRSA Initiative for the Integration of Regional Infrastructure of South America.	*1	1.759.308		1.759.308	134.211
		CIC		155.000		155.000	0
1	OCT/NR/CIC-5/2003	Financing of the Preparation of the Framework Program for the Sustainable Management of the River Plate Basin Water Resources.	*2	155.000		155.000	0
		BI-NATIONAL		1.206.392		1.206.392	879.092
1	OCT/RC/BINAC/ARG-01/2008	Program to Optimize Territorial Connectivity between Argentina and Paraguay. Neembucu - Bermejo River Node and Clorinda - Asunción Metropolitan Area Node.	*1	603.196		603.196	492.826
2	OCT/RC/BINAC/PAR-01/2008	Program to Optimize Territorial Connectivity between Argentina and Paraguay. Neembucu - Bermejo River Node and Clorinda - Asunción Metropolitan Area Node.	*1	603.196		603.196	386.266





Decisions made by the Board of Governors



DATE	RESOLUTION	SUBJECT
01.30.2014	141	Approval of the Policy on Allocation of Lendable Funds that establishes the use of the Fund's capital resources to finance loans, securities and guarantees, and technical cooperation.
05.26.2014	144	Unallocated retained earnings as at 31 December 2013 are assigned to the Special Fund for Equalization of Operating Rates created to subsidize the operating rate for the Fund's least-developed countries.
05.26.2014	146	Approval of the Technical Cooperation Program aimed at financing studies, actions and initiatives that facilitate the development and implementation of the operations approved by the Fund.

Decisions made by the Executive Board of Directors



DATE	RESOLUTION	SUBJECT
03.12.2014	1339	Approval of the new operating rate and financial conditions for operations within the framework of FONPLATÁ s financial policies for year 2014.
08.27.2014	1345	Approval of the new technical cooperation policy that updates the objectives and areas for action within the current Institutional Strategic Plan.
12.10.2014	1352	Update of the statute of FONPLATÁ s Administrative Court, a body set up to settle labor disputes.
12.10.2014	1355	Approval of indebtedness agreed with CAF to supplement liquidity during the capital formation process approved by the Board of Governors.



Decisions made by the Executive Presidency



DATE	RESOLUTION	SUBJECT
03.07.2014	12	Approval of the Handbook for Application of the Human Resources Policy for the Fund's officials.
03.07.2014	13	Guide for the development of FONPLATÁ s risk matrix.
03.11.2014	15	Approval of the new Accounting Manual in line with international best practices.
03.18.2014	16	Approval of FONPLATÁ s Contingency Plan and Information and Communications Technology (ICT) Strategic Plan for 2014 – 2018.
03.18.2014	17	Incorporation of rules governing FONPLATÁ s Corporate Image.
05.08.2014	25	Approval of FONPLATA's Regulation for Liquid Assets Investment.
05.20.2014	27	Approval of Regulations on FONPLATÁ s Internal Audit Prerogatives.
06.20.2014	31	Approval of FONPLATÁ s Regulations on Operation Management.
08.28.2014	42	Incorporation of rules applicable to arrears in payment of financial obligations - loan contracts.
10.29.2014	54	Update of Regulations for Treatment of Fixed Assets.
10.29.2014	55	Update of FONPLATA's Procedures for the Procurement of Goods and Services.
12.08.2014	59	Approval of rules for the application of the Special Fund for Equalization of Operating Rates (FOCOM).
12.18.2014	64	Formal Mediation Procedure for FONPLATÁ s officials.







External Audit Report on 2014  
Financial Statements

ruizmier™

Ruizmier, Rivera, Peláez, Auza S.R.L. is a  
correspondent firm of KPMG International

**Fondo Financiero para el Desarrollo  
de la Cuenca del Plata (FONPLATA)**

Independent Auditors' Report  
on the financial statements  
As of 31 December 2014 and 2013

*Ruizmier, Rivera, Peláez, Auza S.R.L.  
18 February 2015  
This report contains 29 pages  
Ref. 2015 Informes Auditoría Bolivia/FONPLATA 2014*



## Report on the financial statements

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### Independent Auditors' Report

Messrs  
Executive Directors of  
Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA)  
Santa Cruz de la Sierra

We have audited the accompanying financial statements of the Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) which comprise the Statement of Equity Position as of 31 December 2014 and 2013, the statement of integrated results, the statement of changes in net equity and of cash flows for the years then ended, as well as a summary of significant accounting policies and other explanatory notes.

#### Management's Responsibility for the Financial Statements

The Executive Director's Office is responsible for the preparation and fair presentation of financial statements in accordance with International Financial Reporting Standards (IFRS). Such responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement importance, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable under normal circumstances.

#### Auditor's Responsibility

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 (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement importance of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements of the organisation to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the organisation. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Director's Office, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.



In our opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) as of 31 December, 2014 and 2013, and the results of its operations, changes in net equity and cash flows for the years then ended, in conformity with International Financial Reporting Standards (IFRS).

Ruizmier, Rivera, Peláez, Auza S.R.L.

Lic. Aud. Gloria Auza C. (Partner)  
Reg. N° CAUB-0063

18 February, 2015

	Note	2014	2013
<b>Assets</b>			
Cash and banks	6	41,205,675	19,212,244
Investments held to maturity - Bank deposits	7	27,039,164	96,591,812
Investments held to maturity - Other securities	8	132,123,113	90,190,285
Loan Portfolio	9	366,567,195	308,801,443
Accounts Receivable	10	158,131	120,593
Other Assets		90,652	149,259
Investments at Market Value	11	3,815,975	3,763,050
Fixed Assets	12	2,174,227	679,013
<b>Total assets</b>		<b>573,174,132</b>	<b>519,507,698</b>
<b>Liabilities and Net Equity</b>			
<b>Liabilities</b>			
Accounts Payable		76,997	61,624
Short-Term Provisions - Various		150,887	312,347
Long-Term Provisions	13	382,515	388,167
Other Liabilities	14	10,109,501	5,008,147
<b>Total Liabilities</b>		<b>10,719,900</b>	<b>5,770,284</b>
<b>Net Equity</b>			
Integrated Capital	18	495,866,700	449,200,000
General Reserve	19	40,055,144	
Reserves for Contingencies		17,843,128	17,898,272
Reserve for Other Comprehensive Income	20	933,257	1,129,033
Retained Earnings		7,756,003	45,510,109
<b>Total Net Equity</b>		<b>562,454,232</b>	<b>513,737,414</b>
<b>Total Liabilities and Net Equity</b>		<b>573,174,132</b>	<b>519,507,698</b>

The accompanying notes 1 to 23 are part of these Financial Statements.

Juan E. Nardio Fraga  
Executive President

Benvido Belluco  
Chairman of the Executive Board

Jacqueline Koehne Ferrufino  
Head of the Accounting Area

Carlos Baston Maia  
Act Interim Administrative and Financial Manager



**FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA**

Statement of Integrated Results

For the years ended on 31 December 2014 and 2013

(Amounts expressed in US Dollars)

	Note	2014	2013
<b>Interest and Commissions Income</b>			
Loan Portfolio	15	11,415,331	10,936,606
Bank Investments and Deposits		1,099,059	1,013,436
<b>Total Interest and Commissions Income</b>		<b>12,514,390</b>	<b>11,950,042</b>
<b>Financial Expenses</b>			
Gain / Loss on Bonds Provisions		160,417	291,210
Various Financial Expenses		(160,212)	(101,981)
Total Financial Expenses		205	189,229
<b>Net Interest on Income and Commissions</b>		<b>12,514,595</b>	<b>12,139,271</b>
<b>Other non-financial income</b>			
Other Income		5,546	16,765
<b>Total Non Financial Income</b>		<b>5,546</b>	<b>16,765</b>
<b>Non-Financial Expenses</b>			
Administrative Expenses	16	(4,389,547)	(4,188,750)
Inspection and Surveillance Expenditure on Operations Tracking		(148,791)	(151,248)
Depreciation of Fixed Assets		(166,154)	(108,357)
Non Reimbursable Contributions		-	(64,974)
Miscellaneous Expenditure		(84,285)	(75,327)
<b>Total Non Financial Expenses</b>		<b>(4,788,777)</b>	<b>(4,588,656)</b>
<b>Profit for the Year</b>		<b>7,731,364</b>	<b>7,567,380</b>
<b>Other Comprehensive Results</b>			
<b>Loss / Gain on Financial Assets Measured at Market Value</b>			
<b>Total Comprehensive Income</b>		<b>7,731,364</b>	<b>7,567,380</b>

The accompanying notes 1 to 23 are an integral part of these Financial Statements.

  
Juan E. Navarro Fraga  
Executive President

  
Jacqueline Koehnke Farulima  
Head of the Accounting Area

  
Benavinda Belluca  
Chairman of the Executive Board

  
Carlos Baston Maia  
Ad. Interim Administrative and Financial Manager

**FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA**

Statement of Changes in Net Equity

For the years ended on 31 December 2014 and 2013

(Amounts expressed in US Dollars)

	Integrated Capital	Future capital increase	General reserve	Contingency Reserve Coverage	Investment revaluation	Reserve for the fixed assets technical revaluation	Reserve for financial assets measured at market value	Total reserve of other integrated results	Revolución acumulada	Total
Balance at 1 <sup>st</sup> January 2013	449,200,000	55,144	-	17,843,127	1,813	355,031	609,240	964,271	37,918,091	505,982,447
Result from Financial Assets Measured at Market Value at 12/31/13	-	-	-	-	-	-	189,401	189,401	-	189,401
Reclassification of Reserve for Revaluation of Fixed Assets -16 NIC	-	-	-	-	-	(24,639)	-	(24,639)	24,639	(1,813)
Reclassification of Reserve for Investment Revaluation	-	-	-	-	(1,813)	-	-	-	-	(1,813)
Year Surplus	-	-	-	-	-	-	-	-	-	-
Balance at December 31, 2013 - revised	449,200,000	55,144	-	17,843,127	-	330,392	798,641	1,129,033	45,510,109	513,737,414
Result from Financial Assets Measured at Market Value at 12/31/14	-	-	-	-	-	-	(171,137)	(171,137)	-	(171,137)
Reclassification of Reserve for Revaluation of Fixed Assets -16 NIC	-	-	-	-	-	(24,639)	-	(24,639)	24,639	-
Res. AG N° 145-2014 Future Capital Increases Allocation to the General Reserve	-	(55,144)	55,144	-	-	-	-	-	(40,000,000)	(40,000,000)
Res. AG N° 145-2014 Retained Earnings Allocation to the General Reserve	-	-	-	-	-	-	-	-	(5,510,109)	(5,510,109)
Res. AG N° 144-2014 Retained Earnings Allocation to FOCOM	-	-	-	-	-	-	-	-	46,666,700	46,666,700
Res. A.G. No. 138-2013 Capital Increase -Contributed Cash	-	-	-	-	-	-	-	-	7,731,364	7,731,364
Year Surplus	-	-	-	-	-	-	-	-	-	-
Balance at 31 December 2014	449,200,000	55,144	40,055,144	17,843,127	-	305,753	627,504	933,257	7,756,003	562,454,232

Balance at 1<sup>st</sup> January 2013  
Result from Financial Assets Measured at Market Value at 12/31/13  
Reclassification of Reserve for Revaluation of Fixed Assets -16 NIC  
Reclassification of Reserve for Investment Revaluation  
Year Surplus  
Balance at December 31, 2013 - revised  
Result from Financial Assets Measured at Market Value at 12/31/14  
Reclassification of Reserve for Revaluation of Fixed Assets -16 NIC  
Res. AG N° 145-2014 Future Capital Increases Allocation to the General Reserve  
Res. AG N° 145-2014 Retained Earnings Allocation to the General Reserve  
Res. AG N° 144-2014 Retained Earnings Allocation to FOCOM  
Res. A.G. No. 138-2013 Capital Increase -Contributed Cash  
Year Surplus  
Balance at 31 December 2014

The accompanying notes 1 to 23 are part of these Financial Statements.

  
Juan E. Navarro Fraga  
Executive President

  
Benavinda Belluca  
Chairman of the Executive Board

  
Carlos Baston Maia  
Ad. Interim Administrative and Financial Manager

  
Carlos Baston Maia  
Ad. Interim Administrative and Financial Manager



FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA


Statement of Cash Flow  
For the years ended on 31 December 2014 and 2013  
(Amounts expressed in US Dollars)

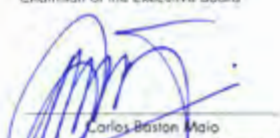
	Nota	2014	2013 (Reclasificada)
<b>Cash flow from Operating Activities</b>			
Interest and Loan Commissions Income		11,569,038	11,408,432
Payments to Employees and Suppliers		(4,113,584)	(4,311,661)
<b>Cash Flows from Operating Assets and Liabilities</b>			
Amortisation of the Loan Portfolio		31,968,370	35,213,459
Loan Disbursements		(89,887,829)	(80,239,138)
Net Increase (Decrease) in Accounts Receivable		(37,538)	101,973
Net Decrease in Other Assets		58,606	16,078
Net Decrease (Increase) in Accounts Payable		(642,265)	(93,340)
Net Increase in Other Short-Term Liabilities		(277,867)	211,236
Payment of Social Benefits		(143,929)	(296,259)
<b>Cash Generated by Operating Activities</b>		(51,506,997)	(37,989,220)
<b>Cash Flows from Investing Activities</b>			
Investment Performance		1,099,059	1,013,436
Decrease in Financial Investments		17,546,238	(47,181,107)
Payment of Financial Services		(160,212)	(101,981)
Purchase of Fixed Assets		(1,661,371)	(175,202)
<b>Cash Used in Investing Activities</b>		16,823,714	(46,444,855)
<b>Cash Flows from Financing Activities</b>			
From Capital Increase		46,666,700	-
Cash generated by Financing Activities		46,666,700	-
Net Cash and Cash Equivalent Increase in Year		11,983,418	(84,434,074)
Cash On Hand and in Banks, and Temporary Investments at Beginning of Year		33,222,485	117,656,559
Cash On Hand and in Banks, and Temporary Investments at End of Year	6 y 7	45,205,902	33,222,485

The accompanying notes 1 through 23 are part of these Financial Statements.

  
Juan E. Notaro Fraga  
Executive President

  
Jaqueline Koehnke Ferrutino  
Head of the Accounting Area

  
Benvido Belluco  
Chairman of the Executive Board

  
Carlos Baston Maio  
Internal Administrative and Financial

Fondo Financiero para el Desarrollo de la Cuenca del Plata

FONPLATA

Notes to the Financial Statements

As of December 31, 2014 and December 31, 2013

NOTE 1 – GENERAL FUND FACTS

Nature and Purpose of FONPLATA

The Governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay, imbued with a strong spirit of cooperation and solidarity, and convinced that only joint action will allow a harmonious and balanced development of the Cuenca del Plata, signed the Cuenca del Plata Treaty on April 23, 1969.

The Plata Basin is a region rich in natural resources, especially water resources. It possesses ample mineral wealth and fertile soils. The region has potential agricultural and industrial areas; it also has some of the most important hydroelectric reserves in Latin America, such as Itaipú, Yacyretá and Salto Grande, plus extensive networks of road and river transport.

The five countries maintain close ties with each other due to shared ecosystems, such as hydrographical and energy systems, air, water, land networks and other communications systems.

Influenced by the Treaty, the Financial Fund for the Development of the Plata Basin (FONPLATA or the Fund) was created by a Constitution Convention signed by the governments of the Member Countries. The Convention became effective on October 14, 1976.

FONPLATA is an international corporation of indefinite duration, governed by dispositions contained in the mentioned Constituting Convention and its Regulations. Its headquarters are located in the city of Santa Cruz de la Sierra, Plurinational State of Bolivia, and there is a project monitoring office in Asunción, Paraguay, which operates since 1989.

The aim of FONPLATA is to finance, within the terms of Article I of the Treaty of the Cuenca del Plata, studies, projects, programmes and works that promote a harmonious development and physical integration of the Plata Basin, allocating to the effect their own resources, those that they may raise, and those obtained from other sources of funding.

The duties of the Financial Fund for the Development of the Plata Basin (FONPLATA) are:

- Grant loans, bonds and sureties;
- Manage all internal and external loans obtained in joint responsibility with Member Countries;
- Manage and obtain resources on behalf of one or more Member Countries. These resources do not bind FONPLATA, they bind only the contracting parties of loans thus obtained;
- Provide financial support for pre investment studies with the aim of identifying investment opportunities or projects of interest to the Basin;



## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

- v) Financially support the recruitment of technical assistance and advice;
- vi) Exercise agent and advisory activities for the Intergovernmental Coordinating Committee of the Plata Basin countries as required; and
- vii) Exercise all functions that are conducive to a better fulfilment of its objectives.

The Governors Resolution No. 121/2011 AG approved a redistribution of powers and the creation of the Executive President post. From September 2012, according to a resolution of the Board of Governors, the first president of FONPLATA is appointed.

In 2012 the duties for the new position were approved, allowing definition of the scope, roles and responsibilities of the Executive President to exercise legal representation and immediate management and administration of the Fund.

This year a series of measures to energise the Fund were implemented such as: the reformulation of the project cycle, providing process agility and reducing transaction costs; the adoption of a new budget framework, thereby improving accountability, transparency and the decision making process; incorporating management by objectives, and the beginning of a fluid relationship with international multilateral organisations.

In 2013, according to the New Model of Organisational Management, and through Resolution No. 136/2013 AG the Institutional Strategic Plan (PEI) 2013-2022 was approved, which is an instrument that will be essential to direct, monitor and account for the results of FONPLATA management. Simultaneously the amendments to Constitution Convention (Resolution No. 137/2013 AG) were approved, and a capital increase to FONPLATA (Resolution No. 138/2013 AG) was made available, thus expanding the financial capacity of the Fund.

Below are the most relevant aspects of the 2014 Financial Statements:

#### NOTE 2 – ACCOUNTING POLICIES

The main accounting policies applied in preparing the financial statements are as follows:

##### 2.1 Preparation of financial statements

The Financial Statements of FONPLATA as of December 31 2014 and 2013 have been prepared according to International Financial Reporting Standards (NIIF for its acronym in Spanish and IFRS for its acronym in English) in effect at December 31, 2014 and 2013, and as issued by the Council of International Accounting Standards Board (IASB, for its acronym in English).

The Fund has presented its balance sheet using the criterion of liquidity. Assets and liabilities are presented according to their recovery or settlement within 12 months of the date of the balance sheet (current) and more than 12 months following the date of the balance sheet, as stated in Note 17.

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

##### a) Standards, amendments and interpretations to existing standards, which are not currently effective and have not been adopted in advance by FONPLATA

At December 31, 2014 the Fund has not considered complying in advance with the following standard:

- IFRS 9 "Financial Instruments": IASB issued this norm as the first step in their proposed substitution of IAS 39 "Financial Instruments: Recognition and Measurement." IFRS 9 introduces new requirements for the classification and measurement of financial assets that should apply from 1 January 2018, allowing for their advance implementation. IASB extended new requirements for the classification and measurement of financial liabilities, recognition of financial instruments, impairment and hedge accounting.
- In July 2014, the IASB made limited modifications to the requirements of IFRS 9 for the classification and measurement of financial assets. These amendments addressed the application of a limited range of issues and introduced a measurement category called "reasonable value with changes in other comprehensive income" for specific simple debt instruments. The introduction of that third category of measurement responded to information received from stakeholders, including many insurance companies, that such should be the most relevant basis for measurement of financial assets within a business model whose objective is achieved both through the attainment of contractual cash flows, as well as from selling financial assets.
- In July 2014, IASB added to IFRS 9 requirements of value impairment related to the accounting of expected credit losses on financial assets of an organisation and commitments to extend credit. These requirements eliminated the threshold stated in IAS 39 for the recognition of credit losses. According to the value impairment stated on IFRS 9, it is no longer necessary for a credit related event to occur before they recognise credit losses. Instead, an organisation will always account for expected credit losses, as well as changes in such expected credit losses. The amount of expected credit losses is updated on every submission date to reflect changes in credit risk from the initial recognition date and, therefore, timely information is provided on expected credit losses.

##### 2.2 Accounting Valuation Criteria in the Preparation of Financial Statements

The preparation of financial statements, according to International Financial Reporting Standards, requires the Executive President's Office to make estimates that affect the reported amounts of assets and liabilities, income and expenses and the disclosure of significant events in the notes to the financial statements. Estimates and judgments are continually evaluated and are based on current legal requirements and other factors, including expectations of future events that are reasonable under the circumstances. Results could differ from those estimates. Operations that involve a high level of complexity or judgments and estimates that are significant to the financial statements are set out in Note 4.



## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

#### a) Functional currency and foreign currency

##### Functional Currency

The functional currency used by the Fund is US dollar, as all asset and liability transactions are made in US dollars. It has also been determined that the dollar is the functional currency of the Fund, as there is no international unit of account that adequately reflects transactions and operations of the Fund. All decisions, analyses and Fund budgets are made in dollars of the United States of America.

##### Foreign Currency

Assets and liabilities in currencies of Member Countries, for their registration, are converted into US dollars, considering the official exchange rate at the dates when the transactions occur.

#### b) Income Recognition

Revenues are recorded as "interest and fees on loans" and "interest on investments" in the income statement. In the case of marketable securities, net earnings come from investments held to maturity, using the effective interest rate method.

The effective interest rate method calculates the amortised cost of a financial asset or financial liability (or group of financial assets or liabilities) and the allocating of the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the cash flows receivable or payable estimated over the expected life of the financial (or, where appropriate, in a shorter period) to the net book value of the asset or financial liability. To calculate the effective interest rate, an organisation estimates cash flows considering all contractual terms of the financial instrument (e.g. prepayment, call and stock options or similar) but shall not consider future credit losses. The calculation will include the management fee and interest points paid or received between parties to the contract and transaction costs and all other applicable premiums or discounts.

Since 2012, revenue for commitment fees associated with the generation of loans are recorded in income when earned, as the difference between the amounts involved as a result of recording for accruals or amortised cost is considered immaterial in regard to financial results.

#### c) Current Expenses

Current expenses mean administrative and other minor expenses, and are recognized by the accruals accounting method.

#### d) Cash and Banks

Cash and cash equivalents include available funds and bank accounts.

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

#### e) Cash Flows

For purposes of "Cash Flow Statements", cash and cash equivalents are comprised of available funds and commercial bank accounts and current accounts with Central Banks of the Member Countries plus cash equivalents consisting of investments with maturities of three months or less from the date of acquisition (IAS 7). At December 31, 2013, investments with maturities of less than six months were deemed cash equivalents.

#### f) Loans and Provisions Portfolio

Balances of the loan portfolio are valued at the amortised cost through the effective interest rate method. Loans and other credit operations are presented at the outstanding principal amount of payment, minus the allowance for possible losses, plus the amounts due from commission and interest fees, and management fees recognised as adjustments to the effective interest rate.

#### g) Investments Held to Maturity

Financial investments are classified within the category of financial assets held to maturity in accordance with IAS 39 and are valued at the amortised cost using the effective interest rate method. Whenever there is objective evidence that there is a loss due to value impairment of financial assets measured at amortised cost, the amount of the loss is measured as the difference between the asset amounts recorded on books and their fair value. The fair value reference is taken from an observable quoted market price. The above methodology is applied because there are limitations to calculate the present value of estimated future cash flows with variables adjusted for impairment of investments held to maturity.

From 1 January 2007 and amendments made in July 2011, IFRS 7 applies to the exposure associated with financial instruments, revealing information that enables users to evaluate the following:

- The significance of financial instruments within the financial situation and performance of the organisation.
- The nature and extent of risks arising from financial instruments to which the entity is exposed during the year and at the date of submission as well as the management made of these risks.

Within the scope of loans assumed by the Fund, it was decided that FONPLATA should adhere to the Euraclear Lending programme, an organisation that is responsible for the safekeeping of financial instruments acquired by the Fund. The Lending programme consists in the renting up to 100% of total securities in custody, according to the commitment of parties signed to the effect, with the corresponding interest payment. This is a risk free transaction and does not affect ownership thereof.

According to determinations made by the Fund, a provision has been established for value impairment of the Bonds of Argentina as a result of debt swap. The balance on the provision for impairment is updated based on the price of the Bonds of Argentina as quoted in the financial market. FONPLATA uses Bloomberg to obtain such data.



## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

##### h) Fixed Assets

Furniture, appliances, office equipment, cars and other assets are valued at values resulting from their appraisal by independent technical experts on 30 April 2001. The building is valued at values resulting from its appraisal by independent technical experts on December 30, 2012. The counterpart of appraisal revaluation of assets has been recorded in the equity account "Technical Fixed Asset Revaluation Reserve," and it is part of Reserves stated in other comprehensive income.

Depreciation is calculated on re-valued values in terms of years of useful life remaining, as determined by the technical experts who conducted the revaluations.

The Fund shall recognise as an asset all improvements in the building being leased as long as the improvements are necessary for the organisation to continue its operations. Amortisation of these improvements will be made until the date of expiry of the lease. Maintenance and repairs and improvements that do not extend the useful lives of assets are recorded as an expense to income for the year in which they are incurred.

Assets incorporated after revaluations were valued at their acquisition cost. Depreciation is computed by the straight-line method, applying annual rates sufficient to extinguish the residual value at the end of their estimated useful life. The periods of useful life extend from a minimum of 4 years for equipment and software, and up to 14 years for buildings.

The percentages of depreciation of fixed assets used by FONPLATA are as follows:

Detail	Year	Percentage
Buildings	14	7,06%
Furniture and Appliances	10	10,00%
Office Equipment	10	10,00%
Machinery and Equipment	8	12,50%
Computers	4	25,00%
Software	4	25,00%

The reserve balance after technical revaluation is transferred to retained earnings as the asset is used by the Fund.

##### i) Provision for Compensations and Savings Fund

###### Provision for Compensation

Pursuant to the Executive Board Resolution RD 95a-871/99 provision for benefits is made, in the equivalent of a month's salary per year of service for all local and international staff recruited on or after 18 December 1998. Resolution RD 1332/2013 (Human Resources Policy) ratified this provision.

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

##### Savings Fund

The Savings Fund corresponds to the contributions made by FONPLATA to the former FONPLATA local officials Savings Fund, which will be paid to beneficiaries at the end of their working relationship. This contribution exempts the Fund from making a provision for compensation payment to local officials who are part of the fund. According to provisions stated in the Regulations of the former Savings Fund (Art. 11, Part II, paragraph c) the Fund shall make contributions for a period of 20 years. As of July 2009, for officers who had completed 20 years as participants of the former Savings Fund, FONPLATA stopped applying individual contributions; however, these officials continue to receive interest corresponding to Capital built to reach the sum generated, until the end of their employment relationship with the Fund.

##### Quinquenniums

According to the Executive Board Resolution RD -128 ° 1233/2010 of June 2010, a provision is made so that local staff attesting five years of continuous work may request payment of the proportional amount of compensation for termination of services, according to current labour legislation in the Host Country.

##### j) Immunities, exemptions and privileges

In accordance with provisions of the "Agreement Immunities, Exemptions and Privileges of the Fund for the Development of the Plata Basin in the Territory of Member Countries," which is an international law instrument duly ratified by the five Member Countries, FONPLATA may hold resources in any currency, current currencies and securities, shares, securities and bonds, and may transfer them freely from one country to another and from one place to another in the territory of any country and convert them into other currencies.

Similarly, the said Agreement determines that FONPLATA and its property are exempt in the territory of the Member Countries from all direct taxes and customs duties on imported or exported items for official use, adding that, in principle, it will not claim tax exemptions on sales and other indirect items. However, the Member Countries shall make, whenever possible, all pertinent administrative arrangements for exemption or refund of the full amount of such tax when performing, for official use, substantial purchases that incorporate taxes in their price.

To complement this, the Headquarters Agreement signed with the Plurinational State of Bolivia, and the agreement signed with the Republic of Paraguay require that the properties of FONPLATA, property and assets shall be exempt from all taxes, levies and charges whether national, departmental, municipal or any other category.

##### NOTE 3 – RISK MANAGEMENT

FONPLATA leads risk management activities within the scope of its financial, operational and risk management policies, in order to avoid or limit exposure to corporate risk. Established policies define risk management and its absorption limits for control by the organisation, avoiding excessive exposure.



## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

As a guide to risk management, in line with international best practices regarding risk management, FONPLATA adopted risk classification and definitions established by the "Office of the Comptroller of the Currency (OCC)" and Basel II.

#### Management of Financial Risks

In the course of its operations development, FONPLATA is exposed to credit risk, market risk and liquidity risk.

- **Credit Risk.** It is the risk arising from a lack of compliance with the terms of any contract by the debtor. Financial policies set individual limits of portfolio exposure per country in order to reduce excessive concentration and meet the proportionality of loanable capital distribution per country as established. Capital adequacy ratio is adequate. Equity practically covers practically all assets from exposure risk.

Currently, FONPLATA only grants sovereign guarantee loans, and in all of its institutional life, there have been no loans in nonaccrual status, in line with the preferred creditor status held by the Fund.

FONPLATA has a regulation that determines actions relating to arrears and defaults on loan payments, which are also described in the loan agreements.

The credit risk of the liquid asset investment portfolio is governed by internal rules regulating liquid asset investments, establishing prudent investment limits by asset category, sector and issuers, to ensure adequate diversification and combination of sources with various maturities. At December 31, the organisation maintained an average rating of AA- on its investment portfolio in line with policy requirements. Compliance with all limits in policies with an average yield of best portfolio at year-end 2013 is also verified.

- **Market Risk.** It is the risk arising from the variation in the value of market prices, mainly in interest rates and currency exchange rates.

#### Interest Rate Risk

FONPLATA loans have as interest rate a fixed margin component and a variable margin component (LIBOR 6 months). The fixed margin is reviewed each year for new loans, based on guidelines stated in the Management of Revenue and Financial Charges Policy, which aims to achieve a balance between the accumulation of long-term capital that ensures self-sustainability of the Fund, and a structure of favourable financial conditions for the Fund's beneficiary countries. FONPLATA applies a net income management model as a tool to manage results that respond to a medium and long term planning horizon. The model allows, through the administration of parameters and variables, assurance that financial charges are stable and sufficient to meet all targets set out in the financial policies of the Fund, and perform in a timely manner, adjustments in the fixed margin against a significant variances in the variable margin. This exposure is measured and evaluated regularly by the organisation, so as to ensure risk management of the interest rate.

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

To FONPLATA, the interest rate risk is limited to the variable component of the interest rate (LIBOR 6 months), for which change sensitivity analyses in LIBOR rates are performed on results or on net equity, confronted with different scenarios of the 6 month LIBOR rate (6M LIBOR).

Following the 2015 budget approved by the Board of Governors, the basis taken was the six-month LIBOR rate of 0.35%. The sensitivity of the positive variation considered a maximum 6-month LIBOR rate of 0.70% (+ 35bps), and the sensitivity of a minimum negative variation considered a 6-month LIBOR rate of 0.00% (-35bps).

The sensitivity analysis is shown in the chart below. It reflects the effects on net income projected in 2015 for the loans approved at 31 December 2014, and in relation to the base case generated by changes made on the 6-month LIBOR rate set forth.



According to the sensitivity analysis, future net revenues would increase by USD 1,368,000 for the maximum six-month LIBOR rate assumed and decrease by USD 1,368,000 for the minimum 6-month LIBOR rate considered.

#### Currency Risk

FONPLATA maintains its assets, liabilities and equity in US dollars. Therefore, debt and equity obligations coincide with assets in the same currency, thereby minimising currency risks.

- **Liquidity Risk.** It is the risk derived from the failure of the organisation to meet its obligations without incurring unacceptable losses. The organisation has a minimum required liquidity level







## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

defined by the Liquidity Policy as necessary to cover all obligations, payments and disbursements for a 12-month period. At December 31, 2014, the Fund has no obligation structures that may generate liquidity risks in the short or medium term. The liabilities of the organisation are close to zero, and its liquid assets, including cash, total USD 200,367,952. The liquidity coverage against estimated gross disbursements is 2.6 years.

#### Operational Risk Management

Operational risk is derived from internal processes, inadequate or failed systems, the misbehaviour of people and adverse external events, which may cause financial losses. FONPLATA has updated policies, procedures and operations management practices in place that prevent and prepare the organisation to manage its operational risks, establishing standards of ethical behaviour and reputation in operations, with clear fiduciary and environmental standards, and clear principles established for the implementation of legal frameworks and country regulations.

#### Strategic Risk Management

- **Strategic Risk.** It is the risk that arises from adverse decisions in the course of the of the organisation's activities, wrong decisions made, or a lack of response to changes in the area of development finance institutions where such activities are performed. The statements reflect the compatibility and consistency of results with the strategic objectives of the mission and vision set forth for the organisation. There are business strategies based on a management by objectives model developed as of triennial business programmes, with targets and indicators that allow for monitoring and evaluation through a FONPLATA Results Matrix.
- **Compliance Risk.** It is the risk arising from violation of laws, rules, regulations, and prescribed practices, policies, procedures or ethical standards. Compliance risk can lead to a decline in the reputation of the organisation. FONPLATA is an international juridical person governed by a Constitution Convention, its policies and regulations. Additionally, FONPLATA has an Administrative Tribunal and an internal legal counsel to ensure minimisation of this risk.
- **Reputation Risk.** It is the risk arising from negative public opinion. This affects the ability of the organisation to establish new relationships or maintain existing ones that directly affect their current and future income. This risk may expose the organisation to a lawsuit or a financial loss or impair its competitiveness. The organisation regularly monitors this risk from the communications area and develops a specific follow up procedure for each of the existing projects in the operations area. To date, there is no evidence of this type of risk to the Fund.

#### NOTE 4 - LAWSUITS AND ACCOUNTING ESTIMATES

##### Loan Portfolio

Operational Rates and new Financial Conditions to be applied to lending operations in 2014 were approved in March 2014 by Resolution RD 1339/2014 (financial charges for loans, Fixed Margin

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

Compensation Fund –FOCOM– criteria for FOCOM profit distribution between Countries), as part of the Financial Policies set out in Resolution RD1337 / 2013.

PRE Resolution No. 42/2014 states in section 1.7 "Declaration of loans in non-productive situation", that whenever there is over 180 days of delinquency in the payment of principal, interests, commissions or other contractually stipulated financial charges, FONPLATA will cease to recognise in its accounting activities the accrued income corresponding to such loan and it should be classified as a non income-generating loan. Also, financial impacts against provisions, provisions or reserves that the organisation's risk management has set forth to confront this situation of credit risk will be computed, and report how this situation would affect the institution as a whole.

To date, the Fund has not seen a single case that merited implementation of this norm.

#### Investment Portfolio

The Fund makes investments according to their Financial Policies and Regulations for Investment of its Liquid Assets. As per these rules, the selection of financial instruments in FONPLATA is based on criteria of safety, liquidity and yield in that order of priority.

Asset class, sector, issuers, credit ratings and terms have set the investment limits.

Investment transactions in securities may be for sale or held to maturity. Currently FONPLATA keeps all investments held to maturity.

#### NOTE 5 – SEGMENT INFORMATION

Considering the nature of the current FONPLATA operations, it has been determined that there is only one operating segment; it corresponds to the granting of loans to Member Countries. While the Fund does invest, such investments are temporary and are based on requirements for disbursement of loan operations.

#### NOTE 6 – CASH AND BANK

This chapter comprises the following:

Description	2014	2013
	USD	USD
Cash On Hand	-	-
Bank Current Accounts	7,761,437	9,790,408
Current Accounts Central Banks	33,444,238	9,421,836
	<u>41,205,675</u>	<u>19,212,244</u>



Fondo Financiero para el Desarrollo de la Cuenca del Plata

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Notes to the Financial Statements

**NOTE 7 – INVESTMENTS HELD TO MATURITY – DEPOSITS IN BANKS**

This chapter is composed as follows:

Description	2014 USD	2013 USD
Fixed Time Deposits (1)	4.000.000	3.005.558
Fixed Time Deposits	-	40.175.498
Certificate of Deposit (1)	-	11.000.000
Certificates of Deposit	23.000.000	42.300.000
Accrued Interests (1)	228	4.682
Accrued Interests	38.936	106.073
	<u>27.039.164</u>	<u>96.591.811</u>

A.G. Resolution N° 146/2014 creates the FONPLATA Technical Cooperation Programme, based on FONDEPRO resources, of which USD 4,000,000 are part of the investment portfolio.

According to Resolution AGN° 144/2014 USD 5,510,109 are assigned as an Operational Rate Compensation Fund (FOCOM). These funds are part of the FONPLATA liquid asset investments.

The rate of interest on fixed deposits and certificates of deposit ranges from 0.11% to 1.15% and are mainly held from 60 to 365 days.

(1) Investments that are part of cash equivalents.

**NOTE 8 – INVESTMENTS HELD TO MATURITY – OTHER SECURITIES**

This chapter is composed as follows:

Description	2014 USD	2013 USD
<b>BONDS</b>		
Sovereign Bonds	54.195.382	4.791.877
Multilateral Organisations and National Development Banks	55.516.107	63.842.124
Private Financial Sector	22.411.624	21.556.284
	<u>132.123.113</u>	<u>90.190.285</u>

FONPLATA has approved, under the current Financial Policies, a Regulation of Investments of Liquid Assets, in order to invest liquid assets efficiently, and to ensure that the cash trend or liquid cash equivalents are traded at relative cost allowing for a strong position in regard to the year requirements and market perception. Such should not divert the Fund from its vital mission to continue lending to member countries at convenient, stable and secure conditions, even in unfavourable times for capital markets.

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Notes to the Financial Statements

The classification presented is based on investment limits established under PRE Resolution No. 25/2014 (asset classes, sectors, issuers, etc.)

The terms of portfolio investments range from 30 days to 2 years, interest is calculated according to the effective rate.

**NOTE 9 – LOAN PORTFOLIO**

The aim of FONPLATA is to grant loans for studies, projects, programmes and works to promote development and physical integration of the Member Countries of the Fund.

Loans are made in US dollars and all are under the sovereign guarantee of beneficiary countries.

RD 139th 1339/2014 approved the Operational Rate and the new financial terms to be applied to loan operations approved by FONPLATA during 2014.

This chapter is composed as follows:

Description	2014 USD	2013 USD
Republic of Argentina	52.924.079	52.779.727
Plurinational State of Bolivia	54.298.486	32.256.855
Federative Republic of Brazil	108.990.868	111.492.764
Republic of Paraguay	61.716.738	46.758.248
Oriental Republic of Uruguay	89.016.237	66.230.764
	<u>366.946.408</u>	<u>309.518.358</u>
Accrued Interest on Loan Portfolio	1.269.792	1.208.554
Accrued Commissions	480.815	325.877
Commitment Fee Regulating Account	(3.883.311)	(3.303.534)
Delinquent Loans (1)	1.753.490	1.052.188
Total	<u>366.567.195</u>	<u>308.801.443</u>

(1) Maturity of repayment instalments, interest and fees on BR-8 and BR-13 loans were recorded. They were paid in full in January 2015.

Detail of the maturity of loans is as follows:

Description	2014 USD	2013 USD
Less than a year	34.115.924	32.906.570
From one to two years	28.977.018	31.445.616
From two to three years	31.707.452	28.977.018



## Fondo Financiero para el Desarrollo de la Cuenca del Plata

### FONPLATA

#### Notes to the Financial Statements

From three to four years	30.564.595	31.707.452
From four to five years	27.170.505	30.564.595
More than five years	215.651.033	154.665.816
Total Gross Portfolio	368.186.527	310.267.067
Accrued Interests and Commissions	2.263.979	1.837.910
Commitment Fee Regulating Account	(3.883.311)	(3.303.534)
Total	366.567.195	308.801.443

The disclosure of comparing the fair value of the loan portfolio with the value recorded in books has not been made. The Fund is evaluating the use of other acceptable valuation practices to the extent that there are no quoted prices available in the market to measure the fair value of its portfolio.

As prices are not fixed by available markets and no transactions are made with such instruments, the Fund is in the process of internally developing a model for measuring fair value of its loans according to IFRS 7.

Detail of Loan Portfolio by priority area of intervention, at 12/31/2014:

Countries	Communications, Transport, Energy and Logistics Infrastructure	Infrastructure for Productive Development	Infrastructure for Social and Economic Development	Total
Republic of Argentina	36.906.980	2.771.285	13.245.814	52.924.079
Plurinational State of Bolivia	54.298.486			54.298.486
Federative Republic of Brazil	49.542.920		60.688.067	110.230.987
Republic of Paraguay	61.716.739			61.716.739
Oriental Republic of Uruguay	89.016.237			89.016.237
Total Gross Portfolio	291.481.361	2.771.285	73.933.881	368.186.527
Accrued Interests and Commissions				2.263.979
Commitment Fee Regulating Account				(3.883.311)
Total Gross Portfolio				366.567.195

#### NOTE 10 – ACCOUNTS RECEIVABLE

The chapter is composed as follows:

Description	2014 USD	2013 USD
Accounts Receivable	158.131	120.593
	158.131	120.593

The account receivable corresponds mainly to loans to staff in the amount of USD 117,850 and escrow in the amount of USD 24,273 plus others.

## Fondo Financiero para el Desarrollo de la Cuenca del Plata

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#### Notes to the Financial Statements

#### NOTE 11 – INVESTMENTS HELD TO MATURITY – REPUBLIC OF ARGENTINA BONDS

This chapter is composed as follows:

Description	2014 USD	2013 USD
<i>Negotiable Security</i>		
Negotiable Security – Republic of Argentina (1)	627.504	798.641
<i>Bonds</i>		
Republic of Argentina (2)	5.775.745	5.712.099
Provision for Impairment of Bonds (3)	(2.587.274)	(2.747.690)
	3.815.975	3.763.050

(1) This corresponds to negotiable securities linked to Gross Domestic Product (GDP) of the Republic of Argentina, and additionally received at PAR and DISCOUNT bonds that were delivered to FONPLATA at the Bonte Security exchange - 04 in the year 2005. Recognition of negotiable securities was initially recorded against "Other Comprehensive Income" accounts, under Equity. Changes in the fair value of said negotiable securities are recorded against the "Other Comprehensive Income" account. At December 31, 2014 securities have diminished by USD 171,137.

(2) The Bonds of Argentina are valued at their amortised cost using the effective interest rate method.

(3) Provision for impairment is adjusted to fair value of listed bonds in an observable market. Bloomberg provides all relevant data. At closing this value has undergone a variation of USD 160,417.

#### NOTE 12 – FIXED ASSETS

This chapter is composed as follows:

Description	2014 USD	2013 USD
Buildings	451.833	451.833
Computers	208.907	269.900
Furniture and Appliances	6.934	99.009
Other Assets	357.959	399.467
	1.025.633	1.220.210
Accumulated Depreciation	(418.110)	(541.196)
On-going Works	1.539.633	-
Assets in Transit	27.071	-
Net Amount	2.174.227	679.014



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Notes to the Financial Statements

NOTE 13 – LONG TERM PROVISIONS

This chapter is composed as follows:

Description	2014	2013
	USD	USD
Provision for Social benefits	175.362	147.683
Savings Fund	207.153	240.484
	<u>382.515</u>	<u>388.167</u>

In 2014, payment of social benefits upon conclusion of the working relationship was made for a total of USD 143,929.

NOTE 14 – OTHER LIABILITIES

The chapter is composed as follows:

Description	2014	2013
	USD	USD
FOCOM (1)	5.532.374	-
Technical Cooperation Programme (2)	4.577.127	5.008.147
	<u>10.109.501</u>	<u>5.008.147</u>

(1) In May 2014, resolution AG N° 144/2014 allocated USD 5,510,109 of retained earnings unassigned at December 31, 2013, as a contribution to the Operating Rate Compensation Fund (FOCOM). These resources were to be used to compensate the difference between the fixed margin or operating rate, benefiting Bolivia, Paraguay and Uruguay. FOCOM is independently managed by FONPLATA and its resources are invested according to the Fund's Liquid Asset Investment Rules.

(2) Resolution AG N° 146/2014 transformed the "Fund for Development of Regional Integration Projects" (FONDEPRO) into the "Technical Cooperation Programme (PTC) FONPLATA" with the purpose of meeting the costs of studies, support actions and other initiatives facilitating implementation of development activities approved as per the vision of FONPLATA. Like FOCOM, the PTC is also independently managed by FONPLATA.

NOTE 15 – INCOME ON LOANS

For best exposure, the composition of income from interest and fees on loans is described below:

Description	2014	2013
	USD	USD
Interests	9.402.345	9.070.859
Commitment Fee	1.708.101	1.591.332
Administrative Fee	304.885	274.415
	<u>11.415.331</u>	<u>10.936.606</u>

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Notes to the Financial Statements

NOTE 16 – ADMINISTRATIVE EXPENSES

This chapter is composed as follows:

Description	2014	2013
	USD	USD
Personnel Expenses	2.966.428	2.844.930
Office Expenses	496.195	494.087
Travel Expenses	371.403	346.007
Consultancies	407.907	373.736
Other Contracted Services	122.670	110.955
Miscellaneous Operating Expenses	24.944	19.035
	<u>4.389.547</u>	<u>4.188.750</u>

NOTE 17 – ANALYSIS OF MATURITY OF ASSETS AND LIABILITIES

The following chart shows an analysis of assets and liabilities analysed according to when recovery or payment is expected:

	Less than 12 months	More than 12 months	Total
<u>As of 31 December 2014</u>			
<b>Assets</b>			
Cash and Banks	41.205.674	-	41.205.674
Investments Held to Maturity – Deposits in Banks	27.039.164	-	27.039.164
Investments Held to Maturity – Other Securities	122.995.493	9.127.620	132.123.113
Investments at Market Value	-	3.815.975	3.815.975
Loan Portfolio	36.034.736	330.532.459	366.567.195
Net Fixed Assets	-	2.174.227	2.174.227
Other Accounts receivable	81.108	77.023	158.131
Other Assets	55.262	35.390	90.652
<b>Total Assets</b>	<u>227.411.437</u>	<u>345.762.694</u>	<u>573.174.131</u>
<b>Liabilities</b>			
Accounts Payable	76.997	-	76.997
Provisions	150.887	-	150.887
Savings Fund	25.092	182.060	207.153
Provision for Indemnification	103.868	71.497	175.362
Other Liabilities	800.000	9.309.501	10.109.501
<b>Total Liabilities</b>	<u>1.156.844</u>	<u>9.563.056</u>	<u>10.719.900</u>



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	Less than 12 months	More than 12 months	Total
<i>As of 31 December 2013</i>			
<b>Assets</b>			
Cash and Banks	19.212.244	-	19.212.244
Investments Held to Maturity – Deposits in Banks	96.591.811	-	96.591.811
Investments Held to Maturity – Other Securities	90.190.285	-	90.190.285
Investments at Market Value	-	3.763.050	3.763.050
Loan Portfolio	34.475.188	274.326.255	308.801.443
Net Fixed Assets	-	679.013	679.013
Other Accounts Receivable	74.721	45.872	120.593
Other Assets	85.259	64.000	149.259
<b>Total Assets</b>	<b>240.629.508</b>	<b>278.878.190</b>	<b>519.507.698</b>
<b>Liabilities</b>			
Accounts Payable	61.623	-	61.624
Provisions	312.347	-	312.347
Savings Fund	-	240.484	240.484
Provision for Indemnifications	-	147.683	147.683
Other Liabilities	-	5.008.147	5.008.147
<b>Total Liabilities</b>	<b>373.970</b>	<b>5.396.314</b>	<b>5.770.285</b>

**NOTE 18 - CAPITAL**

On 1<sup>st</sup> August 2013, the Board of Governors approved FONPLATA's increase in capital resources in the amount of USD 1.150,000,000 (One thousand one hundred and fifty million US dollars) through Resolution N° 138 AG / 2013.

The subscription of capital increase in the stated amount will be as follows: i) Integrated Capital Payable in Cash (CIE) in the amount of USD 350,000,000 ii) Callable Capital (CC) in the amount of USD 800,000,000.

These contributions will be made annually within five (5) years from 2014. The integration of capital at 2014 was USD 46,666,700.

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Notes to the Financial Statements

The composition of capital at December 31, 2014 and 2013 is as follows:

**18.1. FONPLATA Structure of Capital**  
As of December 31, 2014  
(In US Dollars)

Member Country	Subscribed Capital		Total Subscribed Capital	Total Authorised Capital	Participation (%)
	In Cash	Callable			
Argentina	266.410.313	280.014.000	546.424.313	546.424.313	33,3
Bolivia	88.793.125	93.324.000	182.117.125	182.117.125	11,1
Brazil	266.410.313	280.014.000	546.424.313	546.424.313	33,3
Paraguay	88.793.125	93.324.000	182.117.125	182.117.125	11,1
Uruguay	88.793.125	93.324.000	182.117.125	182.117.125	11,1
<b>Total</b>	<b>799.200.000</b>	<b>840.000.000</b>	<b>1.639.200.000</b>	<b>1.639.200.000</b>	<b>100</b>

**FONPLATA Structure of Capital**  
As of December 31, 2013  
(In US Dollars)

Member Country	Subscribed Capital		Total Subscribed Capital	Total Authorised Capital	Participation (%)
	In Cash	Callable			
Argentina	149.743.812	13.334.000	163.077.812	546.424.313	33,3
Bolivia	49.904.125	4.444.000	54.348.125	182.117.125	11,1
Brazil	149.743.812	13.334.000	163.077.812	546.424.313	33,3
Paraguay	49.904.125	4.444.000	54.348.125	182.117.125	11,1
Uruguay	49.904.125	4.444.000	54.348.125	182.117.125	11,1
<b>Total</b>	<b>449.200.000</b>	<b>40.000.000</b>	<b>489.200.000</b>	<b>1.639.200.000</b>	<b>100</b>

**18.2 Cash Capital Subscribed**  
As of 31 December 2014  
(In US Dollars)

Member Country	Cash Capital Subscribed		Total	Participation (%)
	Integrated	To Be Integrated		
Argentina	173.077.113	93.333.200	266.410.313	33,3
Bolivia	57.681.925	31.111.200	88.793.125	11,1
Brazil	149.743.813	116.666.500	266.410.313	33,3
Paraguay	57.681.925	31.111.200	88.793.125	11,1
Uruguay	57.681.925	31.111.200	88.793.125	11,1
<b>Total</b>	<b>495.866.700</b>	<b>303.333.300</b>	<b>799.200.000</b>	<b>100</b>



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Notes to the Financial Statements

Cash Capital Subscribed

As of 31 December 2013

(In US Dollars)

Member Country	Cash Capital Subscribed		Total	Participation (%)
	Integrated	To be Integrated		
Argentina	149,743,812	-	149,743,812	33,3
Bolivia	49,904,125	-	49,904,125	11,1
Brazil	149,743,812	-	149,743,812	33,3
Paraguay	49,904,125	-	49,904,125	11,1
Uruguay	49,904,125	-	49,904,125	11,1
Total	449,200,000	-	449,200,000	100

18.3.

Callable Subscribed Capital

As of 31 December 2014

(In US Dollars)

Member Country	Callable Subscribed Capital		Total	Participation (%)
	Committed	To Be Committed		
Argentina	66,670,000	213,344,000	280,014,000	33,3
Bolivia	22,220,000	71,104,000	93,324,000	11,1
Brazil	280,014,000	-	280,014,000	33,3
Paraguay	22,220,000	71,104,000	93,324,000	11,1
Uruguay	93,324,000	-	93,324,000	11,1
Total	484,448,000	355,552,000	840,000,000	100

- Brazil and Uruguay have committed the entirety of their callable capital.

Callable Subscribed Capital

As of 31 December 2013

(In US Dollars)

Member Country	Callable Subscribed Capital		Total	Participation (%)
	Committed	To Be Committed		
Argentina	13,334,000	-	13,334,000	33,3
Bolivia	4,444,000	-	4,444,000	11,1
Brazil	13,334,000	-	13,334,000	33,3
Paraguay	4,444,000	-	4,444,000	11,1
Uruguay	4,444,000	-	4,444,000	11,1
Total	40,000,000	-	40,000,000	100

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NOTE 19 - GENERAL RESERVES

The Fund's Financial Policy stipulates that Unassigned Retained Earnings will be used to finance the Technical Cooperation Programme, Operational Rate Compensation Fund (FOCOM) and to preserve the value of assets over time.

Resolution AG 145/2014 from the Board of Governors, dated May 26, 2014, resolved to assign to General Reserves under FONPLATA Net Equity the sum of USD 40,055,145, after complying with both FOCOM and Technical Cooperation Programme requirements as follows:

- USD 40,000,000 representing retained earnings unallocated in 2013.
- USD 55,144 representing the reserve balance of previous years for future capital increases.

Resolution 90/2003 on allocation of accumulated profits obtained each year lapsed after the approval of Resolution AG 145/2014.

Composition of Reserves:

Description	Future Capital Increases	Contingency Coverage	General Reserve	Total Reserve
Balance at 12-31-2013	55,145	17,843,127		17,898,272
Constitution of 2014 Reserve			40,000,000	40,000,000
Reclassification A.G. 145/2014	(55,145)		55,145	
Balance 12-31-2014	-	17,843,127	40,055,145	57,898,272

NOTE 20 - RESERVES FOR OTHER COMPREHENSIVE INCOME

The Fund maintains reserves arising from unrealized gains, deemed as other comprehensive income for the following items:

- Reserve for technical revaluation of fixed assets

At December 31, 2014, there was a decrease by USD 24,639 due to the transfer made to Retained Earnings. Such transfer is performed as the asset is used by the Fund (IAS 16)

- Reserve relating to the negotiable value linked to the GDP of the Republic of Argentina. At 31 December 2014 this had a variation of USD 171,137 due to a decrease in the value of this financial instrument.



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Notes to the Financial Statements

NOTE 21 – COMPENSATION ACCOUNTS (COMMITMENTS)

	2014	2013
	USD	USD
Loans Approved for Disbursement		
Republic of Argentina	87,672,026	73,885,656
Plurinational State of Bolivia	164,441,007	63,400,185
Federative Republic of Brazil	3,048,036	13,291,018
Republic of Paraguay	45,906,734	62,908,643
Oriental Republic of Uruguay	22,983,763	45,769,236
	<u>324,051,566</u>	<u>259,254,737</u>
Technical Cooperation Agreements Contingent To Be Disbursed		
Republic of Argentina	-	562,296
Republic of Paraguay	-	565,680
	-	<u>1,127,976</u>
Management Fee Pending Collection		
Republic of Argentina	212,500	-
Plurinational State of Bolivia	705,170	500,875
	<u>917,670</u>	<u>500,875</u>
	<u>324,969,236</u>	<u>260,883,588</u>

Compensation Accounts:

These represent accounts intended for posting transactions with third parties, and these are recorded for Fund control, such as:

■ Approved Loans Pending Disbursement

It records the financial aspect of contractual relationships between FONPLATA and its borrowers, reflecting outstanding balances pending disbursement on behalf of borrowers resulting from the amounts originally approved minus disbursements made.

■ Technical Cooperation Agreements

Based on Resolution AG 146/2014, a Technical Cooperation Policy RD N° 1345/2014 was approved, aiming to provide beneficiaries with non-refundable financial and contingent recovery

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resources to finance the improvement of knowledge, strengthening of intellectual, technical and institutional skills for the development of business with FONPLATA, as well as to promote technology transfer and adaptation and applied knowledge, and to conduct technical seminars and similar events.

In 2014 expenses corresponding to Technical Cooperation Agreements have been made with Programme resources.

■ Administration Committee on Loans Pending Collection


The Committee records loans approved by the Fund, which have not yet complied with all terms to get the first disbursement.

NOTE 22 - CONTINGENCIES

No contingent facts have been identified that could materially affect the financial statements of FONPLATA.

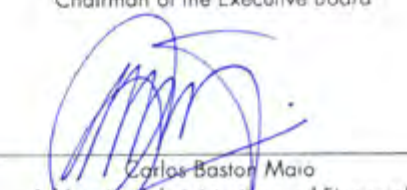
NOTE 23 – SUBSEQUENT EVENTS

On August 21, 2014, FONPLATA has signed a Mandate Letter for a credit line with the Andean Development Corporation (CAF), which was approved by R.D. 142nd 1355/2014, up to the amount of USD 75,000,000. The contract for this line of credit will be signed in 2015.

  
Juan E. Nietaro Fraga  
Executive President

  
Benvindo Belluco  
Chairman of the Executive Board

  
Jaqueline Koehnke Ferrufino  
Head of the Accounting Area

  
Carlos Baston Maio  
Ad Interim Administrative and Financial Manager





## Annex 4

### Corporate Social Responsibility

#### Culture and society

FONPLATA has been present in the most important cultural, financial and labor events during 2014. In this regard, two major events for Bolivian society took place in 2014: On one hand, FONPLATA participated for the second year in a row in the Expocruz International Fair; and on the other hand, it supported the International Music Festival of American Baroque and Renaissance Music.

As part of the regional integration efforts, throughout the ten days the Fair<sup>10</sup> took place, FONPLATA informed of the scope of the projects being implemented related to road infrastructure, social development and support to small and medium-sized enterprises, urban infrastructure and transportation.

Aiming at supporting integration, culture and development in the Chiquitania region, FONPLATA cooperated with the X Music Festival of American Baroque and Renaissance Music called "Misiones de Chiquitos". The festival was a magical moment for participating musicians due to historical and cultural connotations, with music arranged or created by local indigenous people; therefore, cultural identity plays a fundamental role. Most of the performances are free and the event is synonymous with partying and job opportunities for the whole region. FONPLATA's authorities attended the concerts that took place in the city of Santa Cruz de la Sierra, as well as in the communities of Chiquitos Jesuit Missions. FONPLATA is deeply involved with the area and it has already financed several projects in Chiquitania through the construction and improvement of roads.

#### Closer to everyone

FONPLATA's Corporate Social Responsibility and volunteering Committee addressed some of the most urgent needs of Santa Cruz de la Sierra. In this regard, during 2014 it organized various grants and contributions to help different human groups.

The Committee continues working selflessly to help the most vulnerable sectors of society. From its beginning, the Committee undertook such mission as a working target and continues to be aimed at such target: to be present on the largest possible scale seeking to erase differences.

Activities planned and carried out throughout 2014 were rich and diverse for donors as well as beneficiaries. By identifying discarded office equipment, an important donation to institutions was made. Work is continuing in this direction constantly encouraging the recycling of papers, newspapers and cardboards in the offices and local institutions. In this regard, FONPLATA collaborates with the Foundation for Citizen Participation and Poverty Alleviation (FPAP), which develops programs focused on gender to promote equal opportunities and involvement of groups with lower resources. Through planning, management and citizen outreach processes it promotes and consolidates the empowerment of civil society.

Caring for the elderly was one of the cornerstones of the Committee in 2014. Some needs in the Santa Cruz nursing home were identified and after months of work some of the needed supplies were donated to this institution.

At the end of the year, the Committee achieved another of the main goals set at the beginning of the year: helping children in difficult circumstances. To that end, it launched a campaign that involved the whole organization and carried out a toys drive. In this case, donation was for the community of Las Lomitas, in the Santa Cruz forest, starting in Palmar del Oratorio, where currently live more than 150 adults and children in need.

These grants were made possible by FONPLATA and the solidarity of its partners.

<sup>10</sup> It was the 39th Edition of the fair that involved around 2,300 national and foreign exhibitors of varied fields.



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# FONPLATA

FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA