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# **Executive**Board







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# **Message** from the President

According to the 2017 results, FONPLATA continued to expand its role in financing integration, cross-border regional development, and inclusion projects. While achievements over the past 12 months are abundant - too many to recount here - I would like to share those accomplishments, the nature and impact of which help consolidate FONPLATA's growth and transform it into a development bank.

Twelve new operations were approved totaling \$327 million, in line with the goal included in the mandate of the Board of Governors for 2017. The loan portfolio increased by 20% over the previous year, sustaining an average cumulative annual growth of 21% as from 2013. Disbursements totaled \$171 million, 35% higher than previous-year levels.

Efficiency and low transaction costs achieved under the existing institutional strategy were maintained -- one of our main goals for 2017.

The Board of Governors approved the updated Institutional Strategic Plan (PEI) for the 2018-2022 period, thus reaffirming the confidence of our member countries in FONPLATA's transition towards a regional development bank.

Our 2018-2022 strategy provides strong support for the sustainable expansion of FONPLATA. Amongst the most important aspects of said strategy is the willingness of the member countries to explore the possibility of incorporating new members, entailing further expertise, commitment to regional development and financial strength.

Confirmation of our investment-grade risk rating (A- by Standard & Poor's, y A2 by Moody's) reinforces our financial and business strength, as well as the degree of maturity reached by our organization. Progress has been made during 2017 towards consolidation of the financing program, by diversifying funding sources and increasing the volume of debt on favorable terms for the organization and its member countries.

Payment of cash contributions for the 2013 capital replenishment, and the commitment to pay the total callable capital for the 2016 capital replenishment, reaffirm the support of the member states and allow increased annual loan approvals, as foreseen in the updated PEI.

Strategic alliances have been consolidated with other Banks and development organizations, including the Inter-American Development Bank (IADB), the Latin American Development Bank (CAF), the European Investment Bank (EIB), the French Development Agency (AFD), the New Development Bank (NDB), ECLAC, and ALADI. These partnerships, in addition to creating a wider complementarity, have allowed FONPLATA to adopt the best practices, to create knowledge, and to expand funding and co-funding opportunities to meet the growing demands of our member countries.

Internally, it should be noted that outstanding professionals from all our member states joined FONPLATA in 2017, enhancing our capacities and the quality of human capital.

Additionally, the opening of our new offices and first own headquarters in Santa Cruz de la Sierra marked a milestone in the history of FONPLATA. The President of Bolivia, Evo Morales Ayma, all FONPLATA Governors, and the President of CAF attended the opening ceremony, among other national and international authorities.

We continue driving our commitment to social responsibility by sponsoring the FONPLATA U-17 women's soccer cup, the FENAVID Film Festival, and the International Theater Festival, among other landmarks that help strengthen links with the city of Santa Cruz de la Sierra and our host country.



In addition to remain committed to the sustainable growth of our operations, major challenges for 2018 include:

- To develop schemes and tools to help expand financing, keeping pace with the growing demand of development projects prioritized by our member countries;
- To further develop strategic alliances with MERCOSUR-FOCEM, financial institutions and development agencies;
- To provide the programmatic, legal and financial grounds to enable the addition of new members to FONPLATA;
- To continue implementing the development and technological innovation plan, improving management efficiency and innovation, and minimizing transaction costs.

As we have done since the end of 2012, these challenges shall be addressed within a prudential framework aimed at strengthening our business and financial profile, maintaining a balanced credit exposure and ensuring positive net flows for our member countries.

The achievements made are milestones in themselves, and certainly none of these accomplishments would have been possible without the continued support of our Governors and member countries, the commitment of the Executive Board and the engagement and contribution of our staff.

I would like to express my appreciation to them all for the progress achieved, and share my conviction that by continuing with our efforts 2018 will be a new step for growth and consolidation in our commitment to keep bringing development closer to the people.





# **Economic** and Social Contex

In 2017, the first synchronized recovery of the major world economies was witnessed following a huge liquidity injection by the Bank of China. According to estimates, the number of countries in recession in 2018 may be the all-time lowest number. According to the IMF, there will be only 6 out of 191 economies in recession in 2017, which account for less than 5% of world GDP (which includes Venezuela and Puerto Rico). This contrasts with the situation in the year 2009, when some 90 countries worldwide were undergoing a recession. As reported by the IMF, world GDP grew 3.7% in 2017 while a higher figure is expected in 2018 (3.9%).

Not so many grounds there had been so far to be cautiously optimistic. World economies seem to have definitely emerged from a decade-long recession that came after the major global financial crisis.

The U.S. economy is entering its ninth year of expansion (the second-longest period of sustained growth in U.S. history), which goes hand in hand with increased government spending, and more recently tax cuts. In China, fears of a fall-off in growth have been reduced, avoiding a sharp decline. Both economies are creating jobs and innovative technology making investments all over the world, sending millions of tourists, while no relevant issues are found that may disrupt the current positive cycle. Europe's economy grows above its potential due to fewer regulations and low-cost financial resources injected by the European Central Bank. Although Brexit has created further uncertainty concerning European trade rules, the ECB is expected to end the economy support program (purchase of debt), paving the way to an increase in interest rates. In Japan, private consumption and investments have been recovering; Africa is becoming a new engine of world economy; and Latin America emerging countries have achieved encouraging growth rates in the past two years. Latin America has faced challenges leading to a slowdown in economic growth, but it appears that the situation is being regularized and opportunities may be built upon, mainly in countries such as Colombia, Chile, Argentina, Brazil

and Mexico. With regard to the countries in the River Plate Basin sub-region, the biggest change has taken place in the two major ones, Brazil and Argentina, which are expected to grow by 3% in 2018 without major changes in exchange parities, providing a good environment for the three smaller countries.

International trade, which in 2016 had fallen to the lowest in the last 20 years, is expected to grow by 3.2% in 2018.

The guestion is whether all the above will be sustained. There is a convergence of views on the fact that the current cycle is positive; however, the growth of these economies are middling, with contained inflation, a certain recovery in commodity prices and no indication of overheating, suggesting that the economy's boom will continue with an eye toward 2020. Because economic growth has spread to so many countries globally, there is certainty that a setback in any economy can be absorbed by global growth. This is what makes the recovery of non-accelerated economic growth sustainable in the short term, but still appears weak in the face of unforeseeable events.

Central banks in the developed world are expected to eradicate their incentives in 2018. As the FED withdraws the greatest monetary policy experiment in recent history, there will be higher volatility and lower profits than in 2017. Equity investment may possibly reach its peak following the significant recovery over the past years. FED is not expected to increase interest rates beyond the three adjustments of a quarter of percentage point. This is in line with two trends that give rise to concern: a) Credit in the developed world is still not flowing as needed. In the U.S., credit grows at a rate of 0.8%, a typical figure in times of recession, while in Europe evolves at the same rate as in 2013. If money does not reach companies and consumers, the economy may lose momentum. b) Other economic uncertainties include conflicts between Eastern and Western Europe, a hypothetical institutional tension in the U.S. due to increased protectionism, and a weak dollar further depreciated in 2017 over the basket of 6 currencies despite solid economic growth, low unemployment and subdued inflation in the U.S.





To become engines of the world economy, Latin America needs much more domestic and foreign investment in productive and social economic infrastructure. The region's significance as a producer of commodities that can be exported calls for increased requirements regarding logistic, distribution and human capital development. However, after a decade of economic boom with high commodity prices, together with

lower international interest rates and the fall in the dollar, the possibilities of maintaining a strong basis that allows for productivity growth and greater investment competitiveness reinforcing investors that require favorable conditions are reduced.

As the impact of those outstanding external factors fades away, the general process of appreciation of national currencies of the past two years becomes clearer, which can be defined as the increase in production costs -measured in US dollars - compared to our competitor countries outside the region. Such situation hampers diversification and expansion of domestic growth engines, reducing after-tax profitability of the tradable sector, making domestic consumption growth increasingly dependent. No dramatic changes are expected in US dollar prices from now on, consolidating consumption as the main factor for product expansion. To be more competitive, countries of the region will become more reliant on their natural comparative advantages and improved productivity and investment in order to sustain growth engines and the progress achieved with the expansion of social spending.

For most FONPLATA member countries no improvement in the competitiveness ranking has been observed. In spite of this, the level of investment (relative to GDP) is below the level of investment during the commodities super cycle, and productivity has not increased to compensate for that difference. Additionally, there is moderate but continued increase in risk-free international interest rates, and greater rigidity to increase debt levels relative to GDP. The above makes it more difficult to reduce high fiscal deficits - that have increased tax burden and in some cases led to adjustments of tariffs and other public and employment services - making it more complicated to cope with a generalized contractionary monetary policy in the subregion to keep inflation rates low.

This situation has left less space for public investment with the reduction of domestic funding sources for long-term development, which is vital to the future of the region. Foreign Direct Investment has fallen after a dynamic period due to less attractive conditions rather than to insufficient funding globally. This, together with the expansion of consumption as a main driver for growth, reduces incentives for private investment in longer-term productive and tradable activities.

To fill the significant infrastructure gap in the region, support initiatives for investment that favor reduced production costs, social inclusion and drive value chains benefiting more than one country will continue to require increased long-term financing, a major boost in terms of incentives for private sector engagement

on long-term investments through new public procurement modalities, combined with temporary fiscal incentives to expand long-term private investment.

Within this context, FONPLATA continues supporting the development of its member countries to increase funding levels under stable and competitive financial conditions for public investment projects, focusing its portfolio on infrastructure for inclusive development and integration. To that end, actions identified in the recently updated strategic plan (PEI) are being implemented, giving priority to the implementation of new financial formulas that allow for continued growth of its lending capacity.



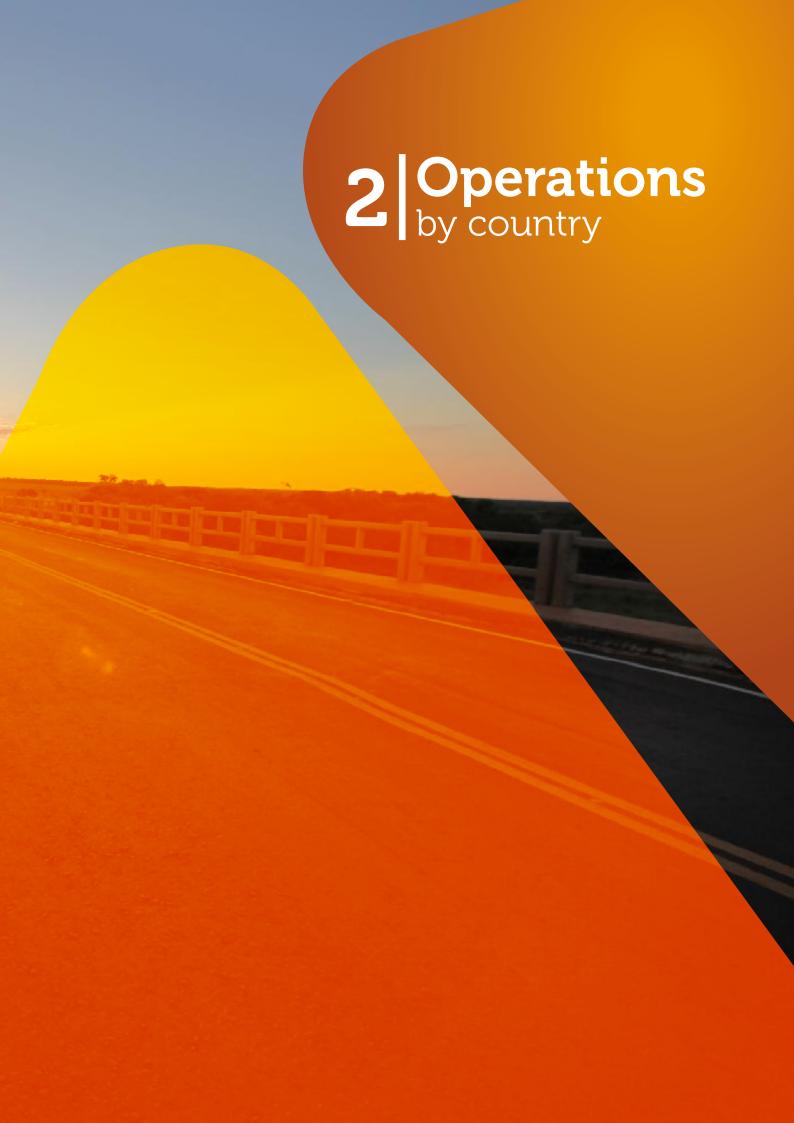


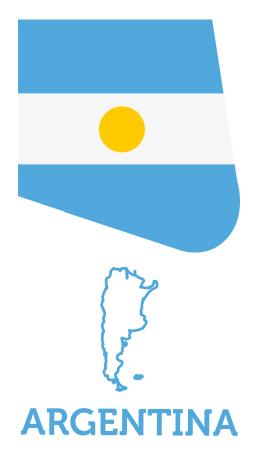












With more than \$380 million in Argentina's project portfolio, FONPLATA focuses on the development of rural and border communities and aims at reaching the most vulnerable segments of the population and encourage integration, trade and further liaison with neighboring countries.

Programs are being implemented in northern and north-east border provinces on social development, water and sanitation, and Chagas disease control, as well as for supporting small and medium-sized enterprises.

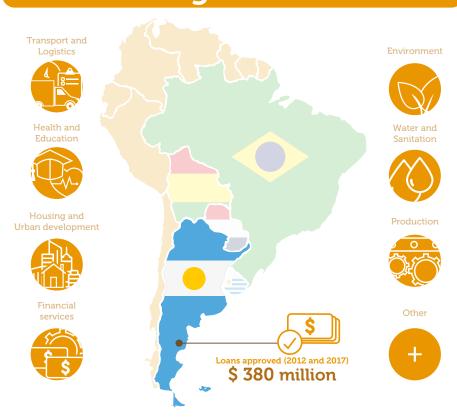
In coordination with local authorities, works are also being funded to solve mobility issues in Greater Buenos Aires, one of the most congested areas in the country, to facilitate the transit of people between the Province of Buenos Aires and the Autonomous City of Buenos Aires.

Another project includes the modernization of the administration of justice that by renewing registration and implementing online administrative procedures, is expected to improve transparency and services for the public. Support is being given to conduct the household survey, a tool that will enable the Statistics and Census Bureau (INDEC) to update

information on Argentine citizens' behaviors, and better design policies and plans related to economic growth and development.

The work plan for Argentina is broad, covering from the most isolated and remote communities in border areas to traffic around the capital city, as well as the provision of tools for the efficient functioning of government institutions.

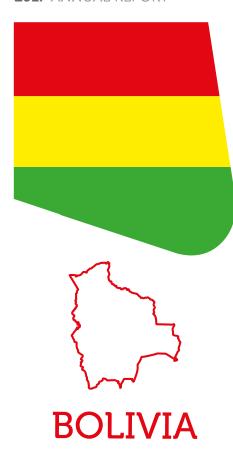
## **Argentina**











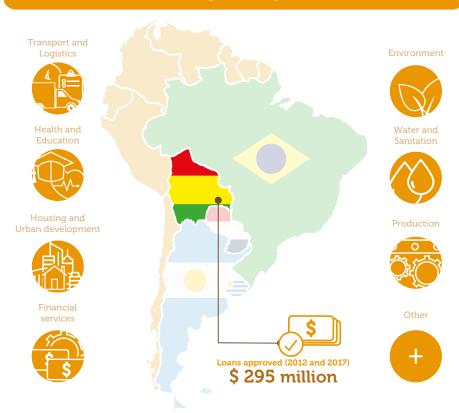
The work program for Bolivia is focused on the efforts made by the country to build and improve road infrastructure. Most of Bolivia's portfolio (\$295 million) is earmarked for road infrastructure projects.

In that sense, several stretches of the east-west corridor are being built to improve cargo and passenger transportation times. Funds are also targeted towards the building of roads routes into Chiquitanía, a historic heritage center of great wealth and biodiversity where Bolivia's Jesuit Missions are found. Together with the missions in Argentina, Brazil, Paraguay and Uruguay, these Jesuit missions make up a cultural heritage network which could become a tourism and integration focal point in the River Plate Basin.

The plan also aims to promote the socioeconomic inclusion of rural, isolated areas in the Department of Cochabamba through a bridge construction program to ensure access to education, healthcare and commercial services. Funding was provided for the construction of floodgates to protect thousands of hectares devoted to agriculture in the Department of Santa Cruz, to help mitigate significant financial and productivity loss, and for food security purposes.

Finally, FONPLATA form part of the Employment Program run by the Ministry of Planning and Development, focused on the improvement of urban infrastructure. The initial stage will be implemented in the cities of Cobija, La Paz, Oruro, Potosi, Riberalta and Sucre.

## **Bolivia**











Brazil's project portfolio totals \$182 million and is mostly targeted towards the development of small and medium-sized towns across different southern and central states. The main objective of this portfolio is to help improve infrastructure and the life quality of the people living in those towns.

An extensive urban and port renewal program is being implemented in the city of Corumbá on the border with Bolivia, an important river port on the Paraguay River in the State of Mato Grosso do Sul, which will help improve its positioning as an integration and tourist hub across the River Plate Basin region.

In the city of Pelotas, Rio Grande do Sul, funding will be provided for environmental development works as well as housing construction for urban and rural population of almost 400,000 inhabitants.

The project approved for the city of Criciúma in Santa Catarina State, will provide the more than 200,000 inhabitants with more fluid traffic flow, reduced travel times, lower maintenance costs of vehicles and less significant environmental impact, and favorable conditions for the expansion of local productive activities.

The Environmental Green Line Program in Eastern Joinville, Santa Catarina (Programa Eje Ecológico Línea Verde en la Región Este de Joinville) provides for the extension of a wastewater treatment plant and the construction of a sewage system. A bridge to provide improved connectivity across the eastern, northern and southern areas of the city will also be constructed.

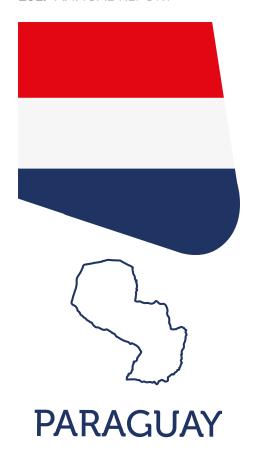
In Atibaia, State of São Paulo, water, sanitation and urban mobility works will be implemented under the local government's program "Moderniza Atibaia" (Upgrade Atibaia), focused on the enlargement of some of the city's main traffic arteries and the canalization of certain rivers.

# Transport and Logistics Health and Education Housing and Urban development Financial services Sanitation Other Loans approved (2012 and 2017) \$ 182 million







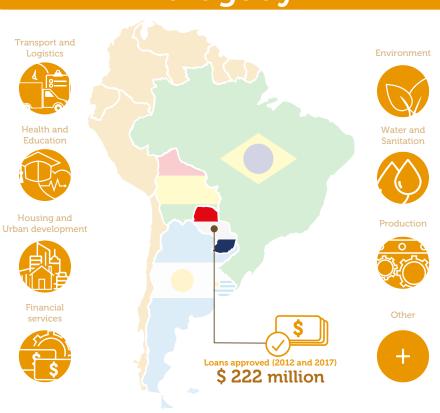


Paraguay's project portfolio (\$222 million) has mainly been used to finance the construction and maintenance of road infrastructure in order to improve the conditions for the transportation of goods and people, and to reinforce road corridors to enhance integration with neighboring countries.

Works include the construction of new highways and bridges, and the rehabilitation and maintenance of core networks.

The Livestock Fund is also being supported as a way to help finance more advantageously the production and trade of small and medium-sized livestock and dairy producers. Finally, works also include the improvement of the Pilar Port facilities and its access roads, which will enable better use of water resources so that the city can become the center of the Waterway.

### **Paraguay**









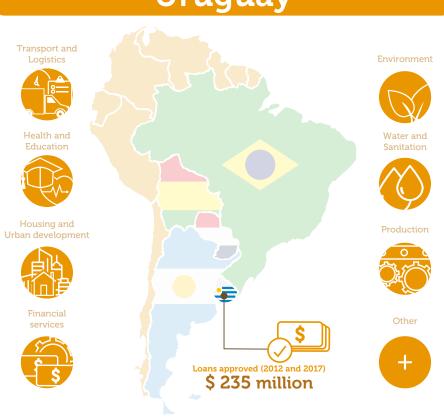


More than fifty percent of the project portfolio under implementation (\$235 million) has been used to finance the construction, rehabilitation and maintenance of road infrastructure, with the purpose of improving the road condition for the safe transportation of goods and people across the country, and also enhancing connectivity with neighboring countries.

Additionally, a project is now underway to provide drinking water and sanitation to more than 7,000 people in the town of Santa Lucía and the Santa Lucía River basin, in the Department of Canelones. This project includes a sewage network, household connections and treatment of wastewater, thereby improving environmental conditions and lessening risks on health.

The work plan for 2018 includes improving and expanding lanes within the Port of Montevideo, among other initiatives to further support Uruguay's economic growth.

## **Uruguay**













# **Executive Summary**

Results in 2017 show that FONPLATA is becoming a more and more important player in financing development and integration initiatives for the sub-region, which is reflected in four milestones achieved throughout the year consistent with our long-term vision.

In the first place, there is the approval by the Board of Governors of the updated 2013 – 2022 Institutional Strategic Plan (PEI) for the 2018-2022 period. acknowledging the goals achieved by the Management under the new institutional management model implemented since 2013. In the second place, there is FONPLATA's investment grade rating (Aby Standard & Poor's and A2 by Moody's) which has been maintained, confirming the organization's business profile and the possibilities of increasing funding beyond our own resources in order to leverage third-party funds under appropriate conditions and suitable funding levels for member countries, without compromising the credit rating granted. In the third place, there is the contribution of cash capital and the callable capital commitment of the second capital replenishment approved in 2016. Lastly, there is the establishment of strategic alliances with other development banks, including the New Development Bank (NDB), Inter-American Development (IADB). European Investment Bank (EIB), Latin America Development Bank (CAF), and the French Agency for Development (AFD), to supplement funding and expand the lending capacity under suitable conditions for borrowers, in order to meet the incremental demand for projects planned and enhance FONPLATA' contribution to development while mitigating the risks affecting the quality of life of our future generations.

The number and volume of operations kept growing in 2017, with 12 operations approved totaling \$327 million. Disbursements were \$171 million, 35% higher than in the previous year. This growth allowed a net flow of funds of \$118 million to member countries, exceeding the \$92 million in 2016. Loans receivable grew by 21.7% over 2016, maintaining a cumulative average annual growth of 21%

since 2013. The number of projects with disbursements grew significantly from 17 projects in 2016 to 29 projects in 2017, in line with the increase in approvals in the past year. Approved loans averaged \$27.3 million, staying within the range set out by the strategic plan, while disbursements of outstanding loans averaged \$4.5 million.

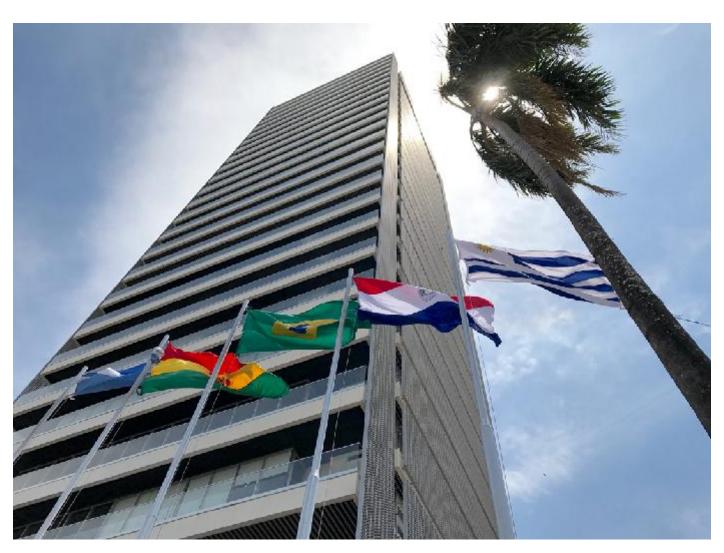
Loans receivable and loans to be disbursed are still mainly used to finance infrastructure. This is explained by the focus placed on transport and logistics, accounting for 61% of the total, a significantly lower percentage than in 2016 (78%). The greater diversification is the result of the growth of the social development portfolio in recent years (sustainable urban development, healthcare and environmental projects) and, to a lesser extent, the production portfolio (value chains and reduction of asymmetries in market access).

Loans for infrastructure projects were 56% of the year's total, reinforcing the tendency towards diversification. Projects impacting more than one member country - focused on border areas development - represented one-third of the total approved, remarking the importance of projects aimed at reducing asymmetries and sustaining development for future generations in certain geographical areas.

Another significant factor related to the efficiency of the disbursement cycle is the average disbursement time from approval until final disbursement. The average disbursement time of the eight projects completed in 2017 was 5.1 years, a substantial decline over the average time in previous years. Finally, our continued management efficiency indicates a decrease in non-financial expenses for the average loan portfolio, a trend seen over the past five years.

Growth in loans receivable transated into an increase of 32.3% in financial income over 2016. Loans receivable portfolio showed no impairment, and loan services are provided on a regular basis, thus confirming FONPLATA's status as preferred creditor for borrowing member countries.

Risk limit levels in 2017 were in line with those established in the financial policies, which continue to reflect compliance with a prudent assets and liabilities





management approach, preservation over time and increase in equity, and loan portfolio capitalization and exposure.

Regarding management of assets and liabilities, expenditure (0.12%) were largely offset by return on financial assets (3.43%). Liquidity at year-end 2017 exceeded the liquidity required to fulfill all applicable obligations for the next 12 months, and is not a stress factor for achieving business plans in the short term

as capital contributions in cash committed by member countries and under the authorized debt program are covered. Interest rate levels in 2017 enabled enough net operating income to fully cover interest and non-interest costs. This enabled a net income consistent with the targets outlined, in order to preserve the economic value of our assets and to increase them.

The strength of FONPLATA's capital structure underscores the commitment of the member countries to leverage regional integration and development through the increase in lending capital.

Actual lending capacity did not constrain the growth of operations in 2017, and solvency or capitalization indicators were broadly satisfactory. Adjusted net assets, including the provision for loan impairment to productive assets, remain around 100%. Portfolio exposure to market and operational risk or capital adequacy ratio rose to 134% at year-end 2017, well above the minimum capital requirement of 35% of Net Assets, consistent with the integrated risk management.



The investment portfolio reflects compliance with all prudential risk parameters outlined in the liquidity investment policy. The investment portfolio average rating was AA- at year-end 2017. Average liquid asset portfolio performance was 1.20%, higher than in 2016 (0.71%).

Financial conditions remain stable, appropriate and competitive for the member countries individually, compared with the cost of sovereign funding in the capital markets in the same term. Net disbursements (i.e. disbursements minus reimbursements) and net transfer of funds to member countries remain positive and continue to increase. Net capital flows from Brazil show unfavorable balances due to the low level of approvals in the past few years; however, this trend is expected to change as a result of the dynamism of the business program agreed in 2017.

Based on the financial results in 2017 and the incremental demand for credit under the three-year business plan 2018-2020, our challenge ahead is to create new financial arrangements to allow for the continuing increase in lending capacity, and therefore leverage without increasing the risk of credit exposure, in accordance with the updated PEI approved by the Board of Governors in 2017. Such challenge involves making progress towards solutions that help maintain our present credit rating and our capacity to increase value for member countries, thus ensuring the continued portfolio growth to allow positive net capital flows and maximize our financial assets.









## **Performance**

## 3.1 Funding sources

TABLE 1 CA	CAPITAL STRUCTURE (millions of U.S. dollars)					
CONCERT	As at 31 December					
CONCEPT	2015	2016	2017			
Authorized capital	1,639.2	3,014.2	3,014.2			
Payable in cash	799.2	1,349.2	1,349.2			
Callable capital	840.0	1,665.0	1,665.0			
Subscribed capital	1,639.2	1,944.8	3,014.2			
Payable in cash	799.2	941.4	1,349.2			
Callable capital	840.0	1,023.3	1,665.0			
Total capital	1,169.2	1,524.4	2,299.8			
Paid-in capital payable in cash	542.5	643.3	705.9			
Committed callable capital	626.7	881.1	1,593.9			

#### 3.1.1 Capital Structure

-TΔR1 F 1

In 2017 member countries subscribed the second phase of capital replenishment - approved by the Board of Governors in January 2016 (\$1.375 billion), raising the total authorized capital to \$3.014 billion - \$1.349 billion of capital payable in cash (45%) and \$1.665 billion of callable capital (55%). In 2017, callable capital was committed in its entirety (\$825 million), as planned and according to the schedule of contributions of capital to be paid in cash.

Paid in capital in cash amounted to \$705.9 million at year-end 2017, 9.7% higher than the previous year, with an outstanding balance of \$643.3 million. Committed callable capital amounted to \$1.594 billion. Total lending capital — capital paid-in in cash and committed callable capital — amounts to \$2.3 billion at year-end 2017, 51% higher than in 2016.

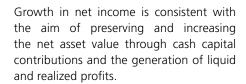
TABLE 2	NET ASSETS (millions of U.S. dollars)				
CONCERT	As at 31 December				
CONCEPT	2015	2016	2017		
Paid-in capital	542.5	643.3	705.9		
General Reserve	65.7	75.0	89.8		
Retained earnings	9.3	14.8	20.1		
Net Assets	617.5	733.0	815.8		

# 3.1.2 Composition of Net Assets -TABLE 2-

At year-end 2017, Net Assets totaled \$815.8 million of which \$705.9 million were paid-in capital, \$89.8 million were General Reserve established by the Board of Governors, and \$20.1 million were unallocated retained earnings.

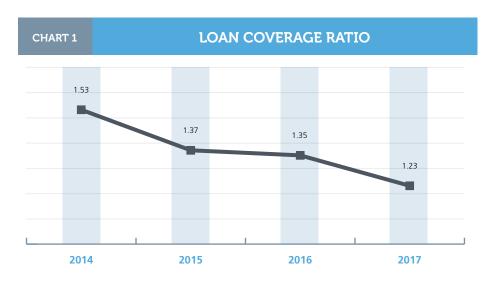
# 3.2 Income and Profitability -TABLE 3/CHART 1-

In 2017, revenue from productive assets totaled \$27.5 million, mainly explained by interests and commissions on loans (\$25.1 million) which were \$6.2 million higher than in 2016 (\$18.9 million).



Net margin on returns —which is the difference between average returns on assets and average cost of liabilities— was 3.34% in 2017, 14% higher than in 2016 (2.94%). Returns on net assets enabled to cover all non-interest expenses for the year, and generate wealth by increasing general reserves beyond equity preservation.

Regarding profitability, return on assets was 2.59% and return on net assets was 2.60%. These indicators have been growing since 2014.



In 2017, gross income was higher than interest and non-interest costs, resulting in a net income of \$20.1 million. Non-interest expenses in 2017 totaled \$6.8 million, accounting for an increase of 21% over 2016 (\$5.9 million), consistent with the annual budget. Following the methodology for calculating loan impairment provision, the provision balance was slightly lower, representing a decrease of 4.7% over 2016. During this year, just as throughout the history of FONPLATA, no write-downs were applied to loan impairment provision.

TABLE 3 RETURN ON FINANCIAL ASSETS AND LIABILITIES (millions of U.S. dollars; %)								
	20	2015		2016		2017		
CONCEPT	Average balance	Return (%)	Average balance	Return (%)	Average balance	Return (%)	Average balance	Return (%)
Loan portfolio oustanding	339227	3.37 %	410121	3.36 %	497904	3.80 %	602861	4.16 %
Liquid assets	205570	0.53 %	189959	0.68 %	192872	0.71 %	196997	1.20 %
Financial expenses					570	3.33 %	21000	3.41 %
Net financial assets	544797	2.30 %	600080	2.51 %	682776	2.97 %	777256	3.44 %
Non-financial expenses	4789		5381		5593		6799	
Return on net financial assets		1.43 %		1.63 %		2.15 %		2.56 %
Return on equity		1.54 %		1.69 %		2.20 %		2.66 %

TABLE 4

# 3.2.1 Use of capital and Lending capacity

-TABLE 4-

Total equity amounted to \$2.3 billion, enough to cover the year-end balances of loans receivable, loans to be disbursed and loans contracts pending signature. The level of lending capacity was 69.2%, consistent with the operation expansion plans for our member countries.

Loans receivable exposure remained unchanged compared with 2016, with a hedge ratio of 100.3% of net assets over productive financial assets. Risk-adjusted capital adequacy in 2017 rose to 134%,

well above the minimum threshold of 35% set out in the financial policies. Based on Basel II, risk adjusted capital adequacy is measured by the ratio of adjusted net assets to productive assets adjusted by credit and operational risk.

Chart 1 shows that at year-end 2017 net assets continued to exceed the total loans receivable by 23%, which shows the leverage space available for the institution.

All the above indicators show FONPLATA's financial strength.

#### LENDING CAPACITY AND CAPITAL ADEQUACY (millions of U.S. dollars; %)

201/2777	As at 31 December			
CONCEPT	2015	2016	2017	
Subscribed capital	1,639.2	1,944.8	3,014.2	
Capital to be paid-in in cash	-256.7	-278.1	-643.3	
Callable capital to be committed	-213.3	-142.2	-71.1	
Effective lending capacity	1,169.2	1,524.4	2,299.8	
Loans to be disbursed	410.3	541.2	581.9	
Loans receivable	452.1	543.8	662.0	
Loan agreements pending signature	205.5	260.4	347.7	
Effective lending capacity	1,067.8	1,345.4	1,591.5	
Remaining effective lending capacity	101.4	179.0	708.2	
Lending capacity used (%)	91.3 %	88.3 %	69.2 %	
Net assets exposure (%)1	101.5 %	101.3 %	100.3 %	
Risk-adjusted portfolio exposure (%) <sup>2</sup>	124.0 %	142.0 %	134.0 %	
Minimum capital adequacy threshold (%) <sup>3</sup>	35 %	35 %	35 %	

- 1 (Net assets + Loan loss Provision Fixed assets)/Productive assets
- 2 (Net assets + Loan loss Provision Fixed assets)/Risk-adjusted productive assets
- 3 Minimum capital required to cover the exposure to loans receivable

#### APPROVALS AND DISBURSEMENTS CHART 2 Loan Approvals 327.0 Loan Disbursements 315.7 284.0 227.0 171 1 127.1 119.3 94.8 89.9 80.2 2013 2014 2015 2016 2017

#### 3.2.2 Loan Development

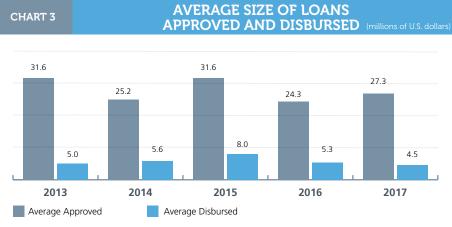
-CHARTS 2 to 4-

Loans approved in 2017 totaled \$327.0 million, which represents a 4% increase over 2016, consistent with the mandate by the Board of Governors to maintain a lending capacity sufficient to meet the approval target of \$320-340 million in 2017. Disbursements totaled \$171.1 million, a 35% increase over the previous year.

Such increase meets the strategic scope established to support the development agendas of the member countries, also aligned with capital growth.

The average amount per loan approved during the year was \$27.3 million. This figure is in line with FONPLATA's mission of focusing on small and medium-sized projects consistent with the financial dimension of the institution and the strategic complementarity goal. Average annual disbursements totaled \$4.5 million per project, a number somewhat lower than the previous year, which is explained by the significant increase in eligible loans to be disbursed in 2017 (17 projects in 2016; 29 projects in 2017).

Year 2017 saw the most significant growth in projects approved and under implementation, at different implementation stages. The number of projects approved increased from 39 in 2016 to 49 in 2017; of those projects, the number of projects signed or ratified by Parliament went from 24 in 2016 to 38 in 2017. There was a significant increase in the number of projects with disbursements: from 17 projects in 2016 to 29 projects in 2017.



### 3.2.3 Loans portfolio by country -TABLE 5-

FONPLATA aims at ensuring a well-balanced allocation of lending resources among the member countries in the medium-term, based on the moving average of loans receivable and loans to be disbursed of the past two years, and of the three years planned under FONPLATA's three-year business plan, providing guidelines for programming with the member countries.

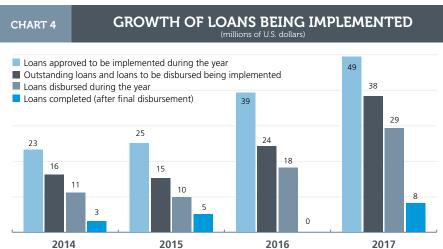
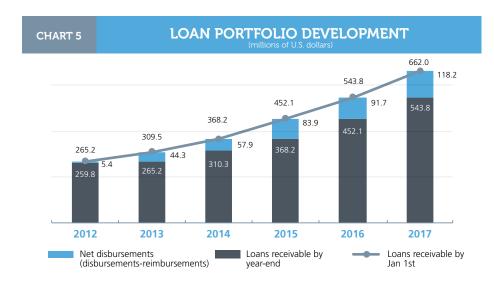




TABLE 5	LOAN PORTFOLIO BY COUNTRY (%)										
СО	UNTRY	2016*	2017*								
ARGENT	ĪNA	25 %	27 %								
BOLIVIA		23 %	22 %								
BRAZIL		19 %	15 %								
PARAGL	JAY	17 %	20 %								
URUGUA	ΑΥ	16 %	16 %								
TOTAL	* Estimated	100 %	100 %								



# CHART 6 LOAN ALLOCATION BY SUB-SECTOR - 2017 (%) Other Financial services Production Housing and Urban development Water and Sanitation Health and Education Environment Transport and Logistics

# 3.2.4 Performance of lending balances of Loans receivable and Loans approved

-CHARTS 5, 6 & TABLE 6-

At year-end 2017, the portfolio of loans approved and loans under implementation amounted to \$1.592 billion, which represents an 18% net increase (2016 – \$1.345 billion).

During 2017, loans receivable increased by \$118.2 million as a result of disbursements made for \$171.1 million minus principal repayments for \$52.9 million, which represents a net increase of 21.7%, resulting in an ending balance of \$662.0 million.

Loans to be disbursed totaled \$581.9 million in 2017 (compared to \$541.2 million in 2016), and Loans approved pending signature or ratification by the Parliament amounted to \$352.0 million (compared to \$260.4 million in 2016), which together account for a 16% net increase of the disbursing portfolio. Such increase is an indicator of the underlying growth of the loan receivable portfolio over the medium term.

Loans are still mainly used to finance infrastructure, comprising transport and logistics, which accounts for 61% of the total portfolio, a percentage significantly lower than in 2016 (78%) and 2015 (73.7%).

Greater diversification is the result of the growth in recent years of the social development portfolio (sustainable urban development, healthcare and environmental projects) and, to a lesser extent, the production portfolio (value chains and reduction of asymmetries in market access).

This shows that the trend towards diversification continues, as well as the efforts made with the member countries to expand funding beyond physical infrastructure to include other areas. Greater portfolio diversification led to reduced significance of projects impacting the development of border regions in more than one member country, which represented one-third of the total projects approved. Meanwhile, the importance of projects aimed at reducing asymmetries and sustaining development for future generations in certain geographical areas increased.

TABLE 6	DAN ALLOCATION	ON BY SECTOR	R (%)
SETOR	2015	2016	2017
Infrastructure	73.7 %	52.0 %	61.4 %
Social and environmental developme	nt 23.6 %	26.0 %	27.8 %
Economic and productive development	2.7 %	22.0 %	10.8 %
TOTAL	100 %	100 %	100 %

Average turnover of the loan portfolio is an indicator of the amount of time it takes to convert the loan portfolio into cash, or the amount of time it takes to collect from borrowers. At year-end 2017 average turnover was 12 years, compared to 12.7 years at year-end 2016. This number reflects the turnover of a young portfolio of loans receivable, mainly comprised of projects approved since 2011 with an average maturity of 15 years, including the grace period.

# 3.3 Consistency with strategic objectives

# 3.3.1 Achievement of strategic goals as stated in the Vision statement

Acknowledging FONPLATA's transformation into a development bank to promote integration and regional development, the Board of Governors approved the updated 2013-2022 Institutional Strategic Plan (PEI) for the 2018 – 2022 period.

The updated PEI provides guidelines to help FONPLATA to become a relevant player for the funding of regional integration and development projects. To this end, FONPLATA plans to target actions through

three strategic objectives: (i) to ensure continued growth in lending capacity under appropriate financial terms, increasing value for member countries, maintaining the credit rating and strengthening strategic complementarity; (ii) to enhance dialogue with member countries to anticipate their needs and determine funding modalities toward integration and development, with a strong commitment to preserving future generations; and, (iii) to adapt the organizational structure to the growth of our operations, maintaining dynamism and low transaction costs, and promoting excellence of human capital and the quality of our processes.

### 3.3.2 Consistency with our Mission -TABLES 7 & 8-

Following the Institutional Strategic Plan guidelines, FONPLATA promotes investment in regional development and integration projects. Since 2013 and to date, focus has been placed on promoting development by financing infrastructure, social and environmental projects and economic-productive projects in border regions in less favored areas of the River Plate Basin countries. Additionally, the integration approach is focused on projects that can help reduce costs or increase benefits between two or more countries, with emphasis on the asymmetries stemming from coordination, inclusion or market failures related to integration.

It should be noted that 63% of the projects approved benefit more than one member

country (77% of its value), and 63% are targeted to border areas (79% of its value).

The geographic approach for action, and small to medium scale financing, define the strategic niche where FONPLATA operates. Gradual growth of social-environmental and production projects introduce a stronger focus on inclusion and reduction of asymmetries in specific areas.

Under this approach, FONPLATA complements funding from member countries and other development agencies to maximize the impact of its interventions.

FONPLATA-funded projects targeted to areas where other multilateral development agencies were involved accounted for 21% of the approvals during the 2013-2017 term. During that period, almost all operations in which FONPLATA was involved were a priority according to public investment plans of member countries; and 57% of the total approved in said period was used for initiatives that helped anticipate investment decisions of borrowers, providing benefits in advance.

3 -2017 <sup>2</sup>
3.0 %
6.5 %
3.0 %
8.7 %
=

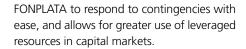
- <sup>1</sup> Based on information on the design of operations
- <sup>2</sup> Weighted average
- <sup>3</sup> Loans approved benefiting more than one member state / Total approvals
- <sup>4</sup> Loans approved having an impact on border area development / Total approvals

TABLE 8	STRATEGIC COMPLEMENTARITY										
	INDICATOR										
Participation in joint programes with		Number of loans approved	15 %								
other Multil	lateral Development Agencies	In thousands of dollars	21 %								
Complementary with national		Number of loans approved	96 %								
investment		In thousands of dollars	99 %								
Help bring t	forward investment decisions	Number of loans approved	65 %								
for member	r countries	In thousands of dollars	57 %								
<b>-</b>		Number of loans approved	46								
Total loans	approved	In thousands of dollars	\$ 1,248.40								

<sup>&</sup>lt;sup>1</sup> Weighted average

# 3.4 Operational efficiency -CHARTS 7 & 8-

In 2017 FONPLATA managed to achieve relevant results on efficiency and operating flexibility, which resulted in lower transaction costs for borrowers.

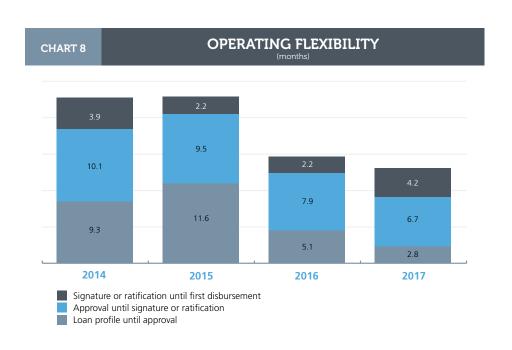


With regard to operating flexibility, the average time for processing transactions measured between the date of the project profile and the first disbursement continued the downward trend. This can be explained by the fall in the expected average time between approval and first disbursement of projects approved in 2017, which rose to 9.5 months.

Another significant factor related to efficiency of the disbursement cycle is the average disbursement time, from approval to final disbursement. The average disbursement time of the eight projects completed in 2017 —almost all of them implemented under this Management—was 5.1 years, a substantial decline compared to the average time observed in previous years.



Administrative efficiency, which is measured by the ratio of non-interest expenses to average loan portfolio, shows a continuing decrease in expenditure per operation, a trend that has been observed since 2013 and continued in 2017. In addition, with the general business expansion, the break-even point (running costs / current income from loan portfolio) remained low (an average 29% during 2015-2017). The above enables



# 3.5 Financial soundness

Financial 2017 results reflect FONPLATA's financial strength and are explained under "Performance in 2017". As in previous years, independent auditors from PricewaterhouseCoopers have issued a clean, unqualified auditor's report on FONPLATA financial statements, dated February 22, 2018.

It is worth highlighting that within the new management model implemented since 2013, FONPLATA has established a framework for risk management aiming at identifying, measuring and managing operations risk in a comprehensive and proactive form, as well as regularly assessing the proper performance of the risk management process.

# 3.6 Funding and Liquidity

This section provides information on the management of long-term debt and liquidity risk.

### 3.6.1 Borrowing and Leverage

With the new capital structure subscribed and the second capital replenishment approved in 2016, a new borrowing strategy was defined which enabled the borrowing of \$500 million until 2020, including existing commitments. Such borrowing was approved by the Executive Board to meet the lending requirements that allow for annual approvals for \$320-340 million in 2017-2018 to reach \$400 million by the year 2020.

In that regard, the Management has designed a medium-term borrowing plan based on financial statements projections, entailing the intended expansion of the Business Plan with the purpose of diversifying funding sources with an average borrowing cost according to FONPLATA's credit rating and status as preferential creditor.

In December 2017, a \$100 million funding agreement was signed with the Inter-American Development Bank; disbursements are expected to begin in the first quarter of next year. Borrowing from the European Investment Bank and the French Development Agency is also being sought. It has also been agreed with the Central Banks of the member countries that medium-term funding held in dollars might be accepted. In this respect, FONPLATA has issued a promissory note for \$10 million to the Bolivian Central Bank.

#### 3.6.2 Liquidity -TABLE 9-

As year-end 2017, the investment portfolio totaled \$148.9 million and liquidity amounted to \$176 million, 9% higher than the minimum liquidity required under the financial policies (\$162 million). The ratio of liquid assets to total assets was 21.5%, lower than in 2016 (28%).

The investment portfolio management shows compliance with the prudent risk parameters set out in the liquidity investment policy. The investment portfolio average rating was AA-by 31 December 2017, as authorized.

TABLE 9 INVESTMENT PORTFOLIO MANAGEMENT AS AT 31 DEC 2017										
LIMITS	POLICY	STATUS								
Limits by asset class										
Sovereign limit	100 %	59 %								
Limits on fixed-term deposits and/or Certificates of deposit	100 %	18 %								
Multilateral Development Agencies and National Development Banks Limits	50 %	29 %								
Money Market funds limit	30 %	0 %								
Private Financial Sector Limit	15 %	12 %								
Limits by Issuer										
Limits by AAA issuers (country, multilateral development agency, development banks)	100 %	40 %								
Limits by issuer country, including states, local governments, public agencies	10 %	7.8 %								
Limits by multilateral development agencies and national development banks	10 %	6.5 %								
Limit by private financial institution	5 %	2.6 %								
Limits by rating										
Average portfolio rating	Minimum AA-	AA-								
Minimum investment rating	BBB-	BBB-								
Maximum investments with a credit rating of BBB	20 %	17.6 %								
Term limits										
Minimum liquidity levels	\$ 162 million	\$ 176 million								
Investments with maximum maturity	5 years	23/11/2018								
Duration mod max.	2 years	0,32 years								

# 3.7 Institutional effectiveness

The average performance of the liquid asset portfolio was 1.20%, higher than in 2016 (0.71%).

Institutional effectiveness is evaluated in the light of the Institutional Strategic Program prospects, which are part of the management commitments reported to the Executive Board on an annual basis.

Highlights in 2017 include the contribution to equitable growth in the sub-region, and consistency with the Mission and Vision of the Fund.

# 3.8 Contribution to equitable growth in the sub-region

-TABLE 10 & CHART 9-

TABLE 10	CONTRIBUTION TO SOCIAL AND ECONOMIC DEVELOPMENT									
	INDICATOR	2014	2015	2016	2017					
Loan portfolio ann	ual change	18.7 %	22.8 %	20.3 %	21.7 %					
Direct resource mo	bilization ratio1	1.5	1.6	1.6	1.8					
Net capital flow to	member countries <sup>2</sup>	\$57.9	\$83.9	\$91.7	\$118.2					
Net transfers to me	ember countries³	\$46.5	\$70.1	\$72.8	\$93.2					
Funding for relative approvals	e less developed countries /Total	57.5 %	75.4 %	54.9 %	28.4 %					
Preferential funding	g for relatively less developed countries <sup>4</sup>	32.2 %	40.6 %	29.3 %	29.0 %					

- <sup>1</sup> Total funds mobilized over funds provided by FONPLATA
- <sup>2</sup> Disbursements net of principal repayments
- <sup>3</sup> Disbursements net of principal repayments and recovery of interest and commissions
- <sup>4</sup>Loans funded by FOCOM / Total amount of approvals

CHART 9

COST COMPETITIVENESS
(weighted average for loans)

76.6 %

49.9 %

2015

2016

2017

Implicit interest rate /Cost of sovereign funding

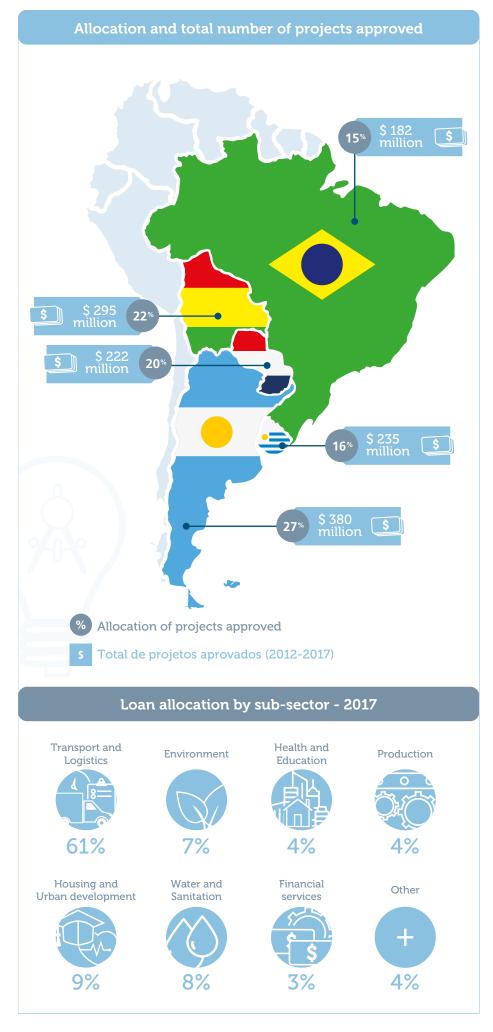
The impact of FONPLATA's contribution on equitable growth in the region can be seen by a number of indicators. The expansion of financing is reflected in the growth of the loan portfolio, averaging 21% in recent years. Leverage ratio of mobilized resources was \$1.8 for each dollar approved in 2017, compared to \$1.6 per dollar approved in 2016.

Additional net capital flows and net transfers to member countries have been positive and growing in recent years.

In order to assess FONPLATA's financial costs competitiveness, the implicit average interest rate on each country's loan portfolio was compared to the average sovereign funding in capital markets, under similar terms.

Results show that average loan portfolio financial costs have remained competitive for each and every member country in the past three years, but such advantage has narrowed to an average 33% in 2017. FONPLATA's implicit interest rate is lower than the cost of borrowing in capital markets for any member country individually. One of the main factors behind the trend described is the reduced costs of sovereign bond issuance in capital markets by major member countries in the past two years.















OANS	APPROVED - BY FUNDING TYPE				(In	thousands of U.S. o	lollar equivaler 31-dic
LOAN	PROJECT		PRE-INVESTMENT		INVESTMENT	TOTAL APPROVED	TO BE DISBURSE
	ARGENTINA		24.650		610.127	634.777	256.2
ARG-2/83	Construction of a port and coastal defense structure in Formosa.	*2	-		7.100	7.100	
ARG-3/83	Comprehensive Development in Southeast Formosa.	*2	-		9.200	9.200	
ARG-4/93	Study: Impact of economic integration on urban and transportation systems of coastal Argentine provinces and Chaco in the River Plate Basin.	*2	1.462		-	1.462	
ARG-5/94	Studies and Projects to clean up streams in the city of Posadas.	*3	2.244		-	2.244	
ARG-6/94	Pre-investment studies and Works for paving highways No. 8 and 2, stretches: 25 de Mayo - Santa Rita; Santa Rita - Colonia Aurora; Colonia Aurora - El Soberbio; El Soberbio - Saltos del Mocona. Province of Misiones.	*2	1.877		32.959	34.836	
ARG-7/94	Implementation of Technical Cooperation and Social Development Investment Program in border areas with unmet needs in northeast and northwest Argentina.	*2	978		21.499	22.477	
ARG-8/94	Implementation of the Productive Reconversion and Business Restructuring Program for exports.	*2	8.000		-	8.000	
ARG-9/96	Program for the modernization and development of international trade - COMINTER.	*2	3.238		-	3.238	
ARG-10/96	Reimbursable Technical Cooperation. Corporate Restructuring Program for Exports - PREX.	*2	4.000		-	4.000	
ARG-11/99	Program to support the Secretariat for Regional and Economic Planning of the Ministry of Finance and Public Works and Services.	*3	1.500		-	1.500	
ARG-12/200	Pre-investment studies and execution of works for restructuring the port of the city of Santa Fe.	*2	900	b)	25.000	25.900	
ARG-13/200	Local Counterpart Financing Program - Project IDB 1118/OC-AR- Emergency program for the recovery of flood-affected areas with particular focus on the Santa Fe Province.	*2	-		51.000	51.000	
ARG-14/200	Social Development Program for areas with unmet basic needs in northwest and northeast Argentina - PROSOFA II.	*2			22.485	22.485	
ARG-15/200	Programa de Melhoria e Otimização da Gestão de Resíduos Sólidos Urbanos da Área Metropolitana de Buenos Aires.	*3	-		27.650	27.650	
ARG-16/200	Execution of Project for the Development and Implementation of the National Early Warning and Prevention of Disaster System.	*2	450		-	450	
ARG-17/200	Program for improving competitiveness of inland ports in the Province of Buenos Aires.	*1	-		47.200	47.200	19.
ARG-18/200	Implementation of the program to support international trade integration of small and medium-sized enterprises in Argentina – PROARGENTINA II	*2			4.500	4.500	
ARG-19/201	Project for the interruption of vectorial transmission of Chagas Disease in Argentina.	*1	-		25.000	25.000	:

LOANS APPROVED - BY FUNDING TYPE (In thousands of U.S. dollar ed							ollar equivalent 31-dic1
	LOAN	PROJECT		PRE-INVESTMENT	INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		ARGENTINA		24.650	610.127	634.777	256.286
Å	ARG-20/2014	Establishment of a Programming national body and a movie theater network to promote and disseminate audiovisual content from the region.	*1	-	5.263	5.263	3.06
Å	ARG-21/2014	Social development program in Argentina's northwest and northeast border areas with unmet basic needs (PROSOFA III)		-	28.170	28.170	15.20
Å	ARG-22/2014	Program for the development of agricultural areas in border provinces of the River Plate Basin – First stage.	*1	-	18.400	18.400	6.03
Å	ARG-23/2015	Argentine – Bolivian railway project for economic and regional development C 15 Stretch – Gral. Belgrano Railway, Argentina		-	35.000	35.000	30.60
A	ARG-24/2015	Program for the development of the Bermejo River Basin.	*1	-	35.000	35.000	35.00
Å	ARG-25/2016	Institutional strengthening program for regional planning.	*1	-	12.000	12.000	10.7
Å	ARG-26/2016	Government modernization project – Digital country program.	*1	-	7.500	7.500	6.69
Å	ARG-27/2016	Emergency program to respond to the effects of "El Niño" in Argentine. $ \\$		-	20.000	20.000	15.9
A	ARG-28/2016	Program for the development of border facilities. 1/		-	20.000	20.000	17.8
Å	ARG-29/2016	Comprehensive improvement program for border settlements. 2/		-	20.000	20.000	20.0
A	ARG-30/2016	Program to support the development of the agribusiness sector.	*1	-	10.000	10.000	10.0
Å	ARG-31/2016	Program for access to productive financing in Northern Argentina. 3/		-	20.000	20.000	28.4
Å	ARG-32/2016	Program for the provision of drinking water and sanitation services in Argentinean Mesopotamia.	*1	-	33.000	33.000	33.00
A	ARG-33/2017	Program for the implementation of the Household Expenditures Survey - ENGHO.	*1	-	5.000	5.000	4.0
Å	ARG-34/2017	Program for the strengthening of justice in the provinces and in the Autonomous City of Buenos Aires.	*4	-	5.000	5.000	
A	ARG-35/2017	Infrastructure integration program.		-	22.200	22.200	
A	ARG-36/2017	Program for connectivity in Greater Buenos Aires.	*4	-	40.000	40.000	

i) Loans under successive stages mode a) \$3.293.840,00 for the investment stage, uncommitted b) \$25,000,000,00 for the investment stage, uncommitted

<sup>\*1</sup> Loans in execution \*2 Loans concluded

<sup>\*3</sup> Canceled loans \*4 In contract signature



ι	LOANS APPROVED - BY FUNDING TYPE (In thousands of U.S. dollar equinal street of the st							
N°	LOAN	PROJECT		PRE-INVESTMENT		INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		BOLIVIA		6.998		508.292	515.290	180.451
1	BOL-1/79	Feasibility study - Vallegrande–Zudáñez Railway.	*2	585			585	-
2	BOL-2/80	Final Design - Motacucito-Puerto Busch Railway.	*2	423		-	423	-
3	BOL-3/81	Aerophotogrammetry of the Upper Bermejo River Basin.	*2	234		-	234	-
4	BOL-4/81	Paving of Potosí–Tarapaya highway.	*2			7.000	7.000	-
5	BOL-5/82	Paving of Sucre-Yotala—Totacoa highway.	*2	-		7.500	7.500	-
6	BOL-6/83	Feasibility study and final design of Padcaya—Bermejo highway.		1.000		-	1.000	-
7	BOL-7/86	Final design of Challapata–Tarapaya highway.	*2	720		-	720	-
8	BOL-8/85	Paving of Santa Cruz–Trinidad highway.	*2	-		19.500	19.500	-
9	BOL-9/89	Paving of Totacoa-Puente Méndez highway.	*2	-		8.280	8.280	-
10	BOL-10/89	Paving of Palmar Grande–Yacuiba highway.	*2	-		13.878	13.878	-
11	BOL-11/89	Rehabilitation of road stretches: Cochabamba-Chimoré and Yapacaní-Guabirá	*2	-		8.800	8.800	-
12	BOL-12/90	Paving of Santa Cruz–Trinidad highway.	*2	-		13.700	13.700	-
13	BOL-13/90	Extension works and improvement of the Capitán Nicolás Rojas Airport, Department of Potosí.	*2	-		4.500	4.500	-
14	BOL-14/92	Feasibility studies and final design for the paving of Cuchu Ingenio–Villazón highway.	*2	2.087		-	2.087	-
15	BOL-15/92	Works for improving and paving the road stretch between Santa Cruz de la Sierra and Abapó.	*2	-		10.000	10.000	-
16	BOL-16/94	Pre-investment studies and paving of Road 6, stretch Boyuibe-Hito Villazón.	*2 a)	728	i)	-	728	-
17	BOL-17/94	Pre-investment studies and paving of the Abapó–Camiri highway.	*2	1.220		17.000	18.220	-
18	BOL-18/04	Works for paving the Guabirá - Chané - Aguaíces - Colonia Piraí highways.	*2	-		40.000	40.000	-
19	BOL-19/11	Project for the construction of the Highway Río Uruguaito-Santa Rosa de la Roca-San Ignacio de Velasco.		-		63.450	63.450	-
20	BOL-20/13	Road maintenance program — Rehabilitation by degree of intervention (regular maintenance) of the road stretch San Ramón-San Javier-Concepción-Rio Uruguaito.	*1			35.000	35.000	-

LOANS APPROVED - BY FUNDING TYPE (In thousands of U.S. dollar ed							dollar equivalent 31-dic17
۷°	LOAN	PROJECT		PRE-INVESTMENT	INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		BOLIVIA		6.998	508.292	515.290	180.451
1	BOL-21/14	Project: Construction of Montero-Cristal Mayu dual carriageway. stretch: Ivirgarzama - Puente Mariposas.	*1	-	34.754	34.754	16.105
2	BOL-22/14	Project: Construction of Montero-Cristal Mayu dual carriageway. stretch: Puente Mariposas - Puente Chimoré.	*1	-	20.531	20.531	9.306
3	BOL-23/14	Project: Construction of the Nazacara-Hito IV highway, stretch: Nazacara-San Andrés de Machaca.	*1	-	26.000	26.000	1.849
4	BOL-24/14	Project: Construction of flood protection structures in Santa Cruz basins.	*1	-	13.400	13.400	0
5	BOL-25/15	Equipping of Alcantarí International airport facilities, Department of Chuquisaca.	*1	-	5.000	5.000	3.191
6	BOL-26/15	Project: Montero-Cristal Mayu dual carriageway. Stretch: Puente Chimoré, Km. 15. Villa Tunari.	*1	-	50.000	50.000	50.000
7	BOL-27/15	Project: Montero-Cristal Mayu dual carriageway. Stretch of bridge SN4 - Villa Tunari.	*1	-	50.000	50.000	50.000
8	BOL-28/16	"Cosechando Agua, Sembrando Luz" Program.	*1	-	10.000	10.000	10.000
9	BOL-29/17	Bridges construction program for the Department of Cochabamba.	*3	-	10.000	10.000	
0	BOL-30/17	Urban infrastructure program for employment generation in Bolivia.	*3	-	40.000	40.000	40.000

i) Loans under successive stages mode. a) Amount of \$38.173.554,00 for the investment stage, uncommitted

<sup>\*1</sup> Loans in execution

<sup>\*2</sup> Loans concluded



L	OANS A			(In thousands of U.S. dollar equivalen 31-dic1			
	LOAN	PROJECT	•	PRE-INVESTMENT	INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		BRAZIL			408.912	408.912	35.37
	BR-1/94	Works for paving the MS-141 Highway, Ivinhema-Naviraí stretch, and MS-475 highway, MS-141- Guassulandia- BR-376 stretch.	*2	-	20.000	20.000	
	BR-2/95	Program for preserving the natural environment and recovery of degraded areas in the Diluvio basin.	*2		1.143	1.143	
	BR-3/95	Expansion works in Hospital de Pronto Socorro, Porto Alegre.	*2		2.600	2.600	
ı	BR-4/97	Construction of bridge over the Paraguay River in the BR-262 highway, between Miranda and Corumbá.	*2		13.400	13.400	
	BR-5/01	Paving of the MS 384/474 highway, stretch Antonio Joao - Bela Vista - Caracol – Junction with route BR-267.	*2		24.000	24.000	
ı	BR-6/02	Program for the recovery of degraded areas and preservation of Soter stream.	*2		6.148	6.148	
	BR-7/03	Implementation of the integrated program - northern access to the city.	*2		27.500	27.500	
	BR-8/04	Program for the development of basic infrastructure and urban services in Florianopolis - Construction works.	*2		22.400	22.400	
	BR-9/05	Works for improvement of road infrastructure in the Southern border region.	*2		28.000	28.000	
	BR-10/06	Implementation of the program "Environmental pillar and structuring of environmental parks - Green Line.			11.800	11.800	
	BR-11/06	Implementation of the Program for the structuring of housing settlements in the city of Curitiba.	*2		10.000	10.000	
	BR-12/07	Implementation of the Program for the recovery of degraded areas – Imbirussu Stream.	*2		17.061	17.061	
	BR-13/07	Financing of project for the improvement and expansion of road infrastructure in Chapecó.	*2		14.750	14.750	
	BR-14/08	Project for urban, social and environmental development - Municipality of Ipatinga			19.250	19.250	
	BR-15/08	Project for the improvement and expansion of urban infrastructure in Cachoeirinha, Municipality of Cachoeirinha – Rio Grande do Sul, Brazil.	*2		8.910	8.910	
	BRA-16/14	Integrated Development Program - Corumbá — PDI.			40.000	40.000	35.3
	BRA-17/17	Transport and urban mobility project - Criciúma, State of Santa Catarina, Brazil.	*4		17.250	17.250	
	BRA-18/17	Environmental green line program in Eastern Joinville.	*4		40.000	40.000	
	BRA-19/17	Urban development program, Municipality of Atibaia.	*4		34.700	34.700	
	BRA-20/17	Project "Viva mejor" (Live better), Pelotas.	*4		50.000	50.000	

<sup>\*1</sup> Loans in execution

<sup>\*3</sup> Canceled loans

<sup>\*2</sup> Loans concluded

<sup>\*4</sup> In contract signature



).	DANS A	APPROVED - BY FUNDING TYPE				(In	thousands of U.S. o	dollar equivalen 31-dic1
	LOAN	PROJECT		PRE-INVESTMENT		INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		P A R A G U A Y		76.475		475.099	551.574	64.41
	PAR-2/79	Pre-investment program.	*2	3.000		-	3.000	
	PAR-3/78	Road feasibility study in Paraguayan Chaco.		675		-	675	
	PAR-4/81	Program for settlement and livestock development in Northeast Paraguayan Chaco.	*2	-		4.000	4.000	
	PAR-5/84	Rehabilitation and paving of Villarrica-Ñumi highway.	*2	-		8.400	8.400	
	PAR-6/84	7th Livestock Project.	*2	-		15.000	15.000	
	PAR-7/85	Empowerment of small farmers in the Department of Caaguazu.	*3	-		2.300	2.300	
	PAR-8/86	Paving of Highway detour Filadelfia and Mariscal Estigarribia.	*2	-		20.300	20.300	
	PAR-9/90	Access roads to the Port of Asunción.	*3	230		-	230	
	PAR-10/92	Feasibility study and final design. Paving of a section of Route 12 between Chaco-I and Fortin Gral. Bruguez.	*2	522		6.478	7.000	
	PAR-11/93	Works for the supply of drinking water in border departments.	*2	-		3.800	3.800	
	PAR-12/93	Implementation of the overall loan program for the industrial sector.	*2	-		20.000	20.000	
	PAR-13/93	Paving works of the road section San Ignacio-Pilar, route IV (General Jose E. Díaz).	*2	-		34.580	34.580	
	PAR-14/94	Pre-investment studies and paving works of route 9 (Transchaco, road section Mariscal Estigarribia - Eugenio A. Garay).	*2 a)	1.548	i)		1.548	
	PAR-15/94	Implementation of the overall loan program for small and medium-sized livestock sector producers.	*2	-		10.000	10.000	
	PAR-16/01	Pre-investment studies and construction works - Multi-purpose port terminal in the city of Pilar, Department of Ñeembucu.	*1	500	i)	8.500	9.000	
	PAR-17/02	Partial funding for the program to improve the integration corridors in Western Paraguay.	*2	-		20.252	20.252	
	PAR-18/04	Overall loan program for the recovery and development of livestock production.	*3	-		10.000	10.000	
	PAR-19/11	Project for the rehabilitation and paving of the road section Santa Rosa de Aguaray-Capitán Bado.		-		97.928	97.928	
	PAR-20/15	Road infrastructure program – Integration corridors in southwest Paraguay Improvement of the road section Alberdi-Pilar; access to the port of Pilar; and rehabilitation of the road section Remanso-Falcón.	*1	70.000	1/	70.000	140.000	55.
	PAR-21/15	Credit line to enhance the production and marketing of small- and medium-sized producers 'at national level.		-		15.000	15.000	8.
	PAR-22/16	Project for the paving of the road network in Paraguay.	*1	-		42.750	42.750	
	PAR-23/16	Project for the improvement of minor roads and bridges in eastern Paraguay.	*1	-		42.911	42.911	
	PAR-24/17	Program for the rehabilitation and maintenance of paved highways by service levels - Vial 3.	*4	-		42.900	42.900	

i) Loans under successive stages mode
a) Importe de \$38.452.427,00 for the investment stage, uncommitted
b) Out of the \$140.000.000,00 where committed \$ 70.000.000,00
for the 1st stage. The balance will be used in the 2nd stage

<sup>\*1</sup> Loans in execution

<sup>\*2</sup> Loans concluded

<sup>\*3</sup> Canceled loans

<sup>\*4</sup> In contract signature



ı	OANS A	PPROVED - BY FUNDING TYPE			(In	thousands of U.S. d	ollar equivalent) 31-dic17
N°	LOAN	PROJECT		PRE- INVESTMENT	INVESTMENT	TOTAL APPROVED	TO BE DISBURSED
		URUGUAY		6.247	355.591	361.838	45.435
1	UR-2/82	Studies for highways 1, 4 and 14, and four bridges.	*2	2.000	-	2.000	-
2	UR-3/84	Building of a research and control laboratory on foot-and-mouth disease.	*2	2.000		2.000	-
3	UR-4/89	Building of University center Malvin Norte and equipping of post-graduate research centers.	*2	-	3.534	3.534	-
4	UR-5/92	Rehabilitation of four sections of Route 5 (access to the city of Tacuarembó), Route 8 (Access to the city of Treinta y Tres), and Route 9 (Access to the city of Chuy).		-	19.727	19.727	-
5	UR-6/92	Technical Cooperation for the preparation of an impact study of the regional integration process on freight transport.	*2	441	-	441	-
6	UR-7/93	Study and final design - Sanitation plan for the country's interior.	*2	954	-	954	-
7	UR-8/93	Conversion plan for the Uruguayan Post.	*2	-	1.830	1.830	-
8	UR-9/94	Technical Cooperation and investment in physical infrastructure, equipment, and training for the education sector.	*3	337	-	337	-
9	UR-10/94	Dredging and signaling of Martín García Channels, between kilometer 0 of the Uruguay River and the crossing of the Buenos Aires Port Access Canal at kilometer 37 (Barra del Farallon).	*2	-	25.000	25.000	-
10	UR-11/94	Execution of master plans for the ports of Colonia and Juan Lacaze.		233	-	233	-
		Execution of master plans for the ports of Nueva Palmira and Fray Bentos.	*2	283	-	283	-
11	UR-12/2003	Financial assistance aimed at partially covering local contributions for the execution of works and purchase of equipment for the programs and/or projects financed by IDB, IBRD, and CAF.	*2	-	30.000	30.000	-
12	UR-13/2012	Program for infrastructure rehabilitation and maintenance.		-	112.000	112.000	-
13	URU-14/2014	Construction and enhancement of sanitation systems in Santa Lucia basin towns.	*1	-	30.500	30.500	27.287
14	URU-15/2014	Project for the construction of an electrical transmission line Tacuarembó - Melo – 500 kv.	*3	-	40.000	40.000	-
15	URU-16/2015	Program for road infrastructure rehabilitation and maintenance – Stage II.	*1		35.000	35.000	8.447
16	URU-17/2015	Funding of the second program for the rehabilitation and maintenance of road infrastructure.	*1	-	30.500	30.500	9.701
17	URU-18/2016	National road network support program (Uruguay).		-	27.500	27.500	-

\*1 Loans in execution \*2 Loans concluded

\*3 Canceled loans

\*4 In contract signature

### Technical Cooperation

#### CONTINGENT RECOVERY OPERATIONS

(In thousands of U.S. dollar equivalent) AS AT 31/12/2017

	(III tillot	sands of U.S. dollar equiv	uiciti, A3 A1 31/12/2017	
CODE	DESCRIPTION	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/RC-ARG-1/95	Additional studies. Feasibility Studies (Stage I) for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	(*)	437,3	-
OCT/RC-BINACIONAL-ARG-01/2008	Contingent-Recovery Technical Cooperation - Execution of the Program for enhancing geographical connectivity between Argentina and Paraguay. Nodes: Ñeembucu - Rio Bermejo, and Clorinda – Metropolitan area of Asuncion	(**)	603,2	80,0
OCT/RC-BOL-1/91	Technical and Economic Feasibility Study - Program for electrification of the Modesto Omiste province, Department of Potosi.	(*)	102,0	-
OCT/RC-BOL-2/92	Updated feasibility Study and Final Design Enhancement of the stretch Padcaya - La Mamora, Department of Tarija.	1/	203,7	-
OCT/RC-BOL-3/92	Execution of the feasibility study (Stage I) for the utilization of water resources in the Upper Bermejo River Basin and Rio Grande de Tarija.	(*)	481,5	-
OCT/RC-BOL-4/95	Studies for the elaboration of a national plan for the control and eradication of FMD in the Republic of Bolivia.	(*)	344,3	-
OCT/RC-PAR-1/91	Study and final engineering design of the San Ignacio-Pilar stretch.	2/	355,0	-
OCT/RC-PAR-2/91	Review and updating of the study to final engineering design of the Concepcion-Pozo Colorado stretch.	3/	54,0	-
OCT/RC-PAR-3/92	Execution of Technical, economic and financial feasibility studies, and final design of the project "Access roads to the Port of Asuncion".	(*)	545,4	-
OCT/RC-PAR-4/96	Execution of studies for the zoning of flood areas along the Paraguay river.	(*)	254,1	-
OCT/RC-BINACIONAL-PAR-01/2008	Contingent-Recovery Technical Cooperation - Execution of the program for enhancing geographical connectivity between Argentina and Paraguay. Nodes: Ñeembucu - Rio Bermejo, and Clorinda – Metropolitan area of Asuncion.	(**)	603,2	53,5
OCT/RC-UR-1/91	Feasibility study for the railway branch to the Port of Nueva Palmira.	(*)	84,0	-
OCT/RC-UR-2/92	Execution of the feasibility project for the eradication of bovine brucellosis and tuberculosis, and implementation of a system for epidemiological monitoring, prevention and assessment of the impact of chronic diseases and subclinical compounds on Uruguayan livestock.	(*)	97,0	
OCT/RC-UR-3/93	Execution of Social Investment Program (Stage I)	(*)	307,6	-
то	TAL		4.472,3	133,4

<sup>(\*)</sup> Completed

<sup>(\*\*)</sup> Under implementation

<sup>/1</sup> Disbursement for \$201,9 refunded by the Beneficiary in July 2000.

<sup>/2</sup> With the first disbursement of loan PAR-13/93, \$319,999.14 (Reales) and \$34,992.01 (Guaraníes) were recovered by the Technical Cooperation.

<sup>/3</sup> Disbursement for \$53,160.34 refunded by the Beneficiary on 17 June 1998.

### Technical Cooperation

#### NON-REIMBURSABLE OPERATIONS

(In thousands of U.S. dollar equivalent) AS AT 31/12/2017

CODE	DESCRIPTION	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/N.RCIH-1/91	Non-reimbursable Technical Cooperation - Paraguay-Parana Waterway (Cáceres Port - Nueva Palmira Port).	(*)	150,0	
OCT/N.RCIH-2/95	Non-reimbursable Technical Cooperation - Study design on Development of productive zones in port areas.	(*)	485,0	-
OCT/N.RCIH-3/98	Non-reimbursable Technical Cooperation - Study on information systems of the Paraguay-Parana Waterway Program.	(*)	50,0	-
OCT-NR C I C - 5/2003	Non-reimbursable Technical Cooperation - Assistance with financing of the framework program for the sustainable management of water resources of the River Plate basin.	(*)	155,0	
OCT-NR ATN/SF-9229-RG	Installation or upgrading of video-conference infrastructure.	(*)	20,0	
OCT-NR -PAR-7/2015	Strengthening of the capacities of Paraguay's Livestock Fund.	(*)	28,2	
OCT-NR-ARG-11/2016	Development and launch of the Household Expenditure Survey.	(**)	66,4	6,6
OCT-NR -PAR-10/2016	Institutional and technical strengthening of the Livestock Fund.	(**)	97,0	-
OCT/NR-UCAR/2016	Preparation of agricultural development projects.	(**)	300,0	229,4
OCT/NR-UCAR/SUL-1/2016	Support for sheep chain development in Paraguay.	(*)	52,8	-
OCT-NR -BOL-12/2016	Non-reimbursable Technical Cooperation - High-level meeting on Sustainable transport in landlocked countries.	(*)	9,0	
OCT/NR-BOL-14/2017	Non-reimbursable Technical Cooperation - Institutional strengthening of Social and Economic Policy Analysis Unit (UDAPE).	(**)	115,0	11,5
OCT/NR-REDSUR-13/2017	Cooperation agreement between REDSUR and FONPLATA.	(*)	75,5	-
	TOTAL		1.603,9	247,5

<sup>(\*)</sup> Completed

<sup>(\*\*)</sup> Under implementation

## Technical Cooperation

#### NON-REIMBURSABLE OPERATIONS - IIRSA

(In thousands of U.S. dollar equivalent) AS AT 31/12/2017

CODE	DESCRIPTION	STATUS	TOTAL APPROVED	TO BE DISBURSED
OCT/NR-ATN-SF-9229-RG	IADB and FONPLATA's participation in IIRSA - Support for implementation of the strategy of dissemination and participation of the IIRSA initiative.	(*)	20,0	
OCT/NR-IIRSA-04/2002	FONPLATA's participation in IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	1759,3	
OCT/NR-IIRSA-08/2015	FONPLATA's participation in IIRSA initiative for the Integration of Regional Infrastructure in South America.	(*)	200,0	
OCT/NR-IIRSA-09/2016	Financing of IIRSA activities.	(**)	198,3	
OCT/NR-IIRSA-COSIPLAN-15/2017	Financing of activities of IIRSA's initiative.	(**)	191,5	117,5
	TOTAL		2,369.1	117.5

<sup>(\*)</sup> Completed

<sup>(\*\*)</sup> Under implementation





(Free translation from the original issued in Spanish)

FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA (FONPLATA)

Financial statements as at December 31, 2017 and 2016

#### CONTENT

Independent auditor's report Statement of financial position Income statement Comprehensive income statement Statement of cash flows Statement of changes in net equity Notes to the financial statements

US\$ = US dollars



#### (Free translation from the original report issued in Spanish)

#### Independent auditor's report

February 28, 2018

To the Assembly of Governors Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) Santa Cruz de la Sierra

#### Our opinion

In our opinion, the financial statements of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) present fairly, in all material respects, the financial position as at December 31, 2017, and its financial performance, its comprehensive income, its net equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

#### What we have audited

The financial statements of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) comprise:

- · The statement of financial position as at December 31, 2017.
- The income statement for the year ended December 31, 2017.
- The comprehensive income statement for the year ended December 31, 2017.
- The statement of cash flows for the year ended December 31, 2017.
- The statement of changes in equity for the year ended December 31, 2017; and
- The notes to the financial statements, which include a summary of significant accounting policies.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

PricewaterhouseCoopers S.R.L. Santa Cruz – Bolivia Edif. Omnia Dei Piso 1. Equipetrol Norte Calle Dr. Viador Pinto esquina calle I, T:(591-3) 3444311, F: (591-3) 3444312, www.pwc.com/bo



#### Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the ability of Fondo Financiero para el Desarrollo de la Cuenca del Plata (FONPLATA) to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate FONPLATA or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the financial reporting process of FONPLATA.

#### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the
  internal control of FONPLATA.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on
  the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast
  significant doubt on the ability of FONPLATA to continue as a going concern. If we conclude that a material
  uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the
  financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based
  on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may
  cause FONPLATA to cease to continue as a going concern.



 Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Sergie Fischer



### (Free translation from the original issued in Spanish) FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA STATEMENT OF FINANCIAL POSITION

(All amounts expressed in U.S. dollar thousands)

		As of December 31,			
	201	7	2016	V	
ASSETS					
Cash and cash equivalents – Note 6.1	34,092	34,092	31,038	31,038	
Investments					
Available for sale – Note 6.2	11,679		12,193		
Held to maturity – Note 6.3	137,253	148,932	167,739	179,932	
Loan portfolio – Note 5.4		657,087		539,517	
Accrued interest					
On investments – Note 6.3	447		550		
On loans - Note 6.4	5,740	6,187	4,007	4,557	
Other assets					
Property and equipment, net – Note 7.1	5,161		3,191		
Miscellaneous - Note 7.2	143	5,304	380	3,571	
т	otal assets	851,602		758,615	
LIABILITIES AND NET EQUITY					
Liabilities					
Borrowings – Note 6.5	26,000		16,000		
Other liabilities	912		204		
Special funds – Note 6.6	8,222		8,816	19-12-7-12-12-12-12-12-12-12-12-12-12-12-12-12-	
Provisions – Note 7.3	693	35,827	577	25,597	
Net equity					
Capital – Note 8.1					
Authorized	3,014,200		3,014,200		
Less callable portion	(1,665,000)		(1,665,000)		
Paid-in capital	1,349,200		1,349,200		
Paid-in capital pending integration	(643,333)	705,867	(705,917)	643,283	
General reserve Note 8.3		89,740		74,979	
Other reserves – Note 8.2		37		(5)	
Retained earnings – Note 8.3		20,131		14,761	
	net equity	815,775		733,018	
Total liabilities and	net equity	851,602		758,615	

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

Nan E. Notaro Frag EXECUTIVE PRESIDENT

Jaqueline Koehnke Ferrufino CHIEF ACCOUNTANT PRESIDENT OF EXECUTIVE DIRECTORS

MANAGER SAKANCE AND ADMINISTRATION



#### (Free translation from the original issued in Spanish) FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA **INCOME STATEMENTS**

(All amounts expressed in U.S. dallar thousands)

	Years ended on D 2017	2016
INCOME - Note 9	2027	2010
Loan portfolio		
Interest	21,407	15,554
Other loan income	3,645	3,382
AND CAMPANATION OF THE CAMPANATION	25,052	18,936
Investments		C-ROMANICA
Interest	2,246	1,318
Other	117	44
5 ±5 46 of Assar v Assarson	2,363	1,362
Other income	89	180
Income from financial assets	27,504	20,478
EXPENSES		
Interest expense	716	19
Expenses from financial liabilities	716	19 19
Income on net financial assets	26,788	20,459
Provision for loan impairments	(142)	105
Income after provision for loan impairments	26,930	20,354
Administrative expenses - Note 10	6,799	5,593
Total expenses	6,799	5,593
Net Income	20,131	14,761
COMPREHENSIVE INCOME STATEMENT		3.55
Net income	20.131	14,761
Changes in value of available for sale investments	42	(3)
Comprehensive income	20,173	14,758

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

Juan E. Notaro Fraga EXECUTIVE PRESIDENT

Jaqueline Koehnke Ferrufino CHIEF ACCOUNTANT

gerónimo Figerio BORD OF EXECUTIVE DIRECTORS PRESIDENT

Patricio E. Merlani MANAGER FINANCE AND ADMINISTRATION



### (Free translation from the original issued in Spanish) FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA STATEMENT OF CASH FLOWS

(All amounts expressed in U.S. dollar thousands)

	Years ended as of	December 31,
	2017	2016
Cash Flows from Lending and Operating Activities Lending:		
Cash received from loan principal amortizations	52,899	35,434
Cash received from interest and other loan charges	24,104	17,006
Loan disbursements	(171,112)	(127,133)
Net flows from lending activities	(94,109)	(74,693)
Other operating flows:	7-11/2-12/2 C	
Payment of salaries, administrative expenses and suppliers	(6,962)	(5,648)
Collection of receivables and miscellaneous accounts	237	(244)
Payments to suppliers and transfers to special funds	(63)	(599)
Payroll taxes and other benefits paid	(291)	(43)
Net flows from other operating activities	(7,079)	(6,534)
Net cash flows used in lending and operating activities	(101,188)	(81,227)
Cash Flows from Financing Activities		
Funding of on-lent activities:		
Net proceeds from borrowings	10,000	16,000
Repayment of borrowings and debt service	(539)	(77)
Net flows from funding of on-lent activities	9,461	15,923
Collection of paid-in capital subscriptions	62,584	100,750
Net flows from financing activities	72,045	116,673
Cash Flows from Investing Activities		
Investment income	2,180	1,356
(Purchase of investments)/Proceeds from sale	31,473	(22,350)
Payment of financial charges	(114)	(114)
Capital expenditures	(1,342)	(918)
Net flows from/(used in) investing activities	32,197	(22,026)
Net increase of cash and cash equivalents during the year	3,054	13,420
Cash and cash equivalents at the beginning of the year	31,038	17,618
Cash and cash equivalents at the end of the year	34,092	31,038

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

Juan E. Netaro Fraga EXECUTIVE PRESIDENT

Jaqueline Koehnke Ferrufine CHIEF ACCOUNTANT PRESIDENT OF THE BOARD OF DIRECTORS

Pathtie E. Merlani MANAGER FINANCE AND ADMINISTRATION



# FONDO FINANCIERO PARA EL DESARROLLO DE LA CUENCA DEL PLATA (Free translation from the original issued in Spanish) STATEMENT OF CHANGES IN NET EQUITY

(All amounts expressed in U.S. dollar thousands)

	510	.750	14,761	1	@ S	/33,018	62,584	,	'n	÷	20,131	100	3/	815,775
Total	617,510	100,750	14,		f	/33,	62				20			815
Retained Earnings	9,325	(9,325)	14,761		1. 201	14,/61	ŀ		·	(14,761)	20,131		:	20,131
Reserve for Changes in the Value of Available for Sale Investments	(2)	7- 2	ì	28	(e)	(5)	:	3	2	•	ŀ	1	37	37
Genera	65,654	9.325	÷			74,979	;		:	14,761	·		>	89,740
Genera Paid-in Capital Reserve	542,533	100,750	ş-		:	643,283	62,584		2	}	÷			705,867
7.2	Balance as of December 31, 2015	Capital increase – Paid-in portion Allocated by the Board of Governors	Net income	Other comprehensive income - Changes in the value of	investments available for sale	Balance as of December 31, 2016	Capital increase – Paid-in portion	Other comprehensive income - Changes in the value of	investments available for sale - realized	Allocated by the Board of Governors	Net income	Other comprehensive income - Changes in the value of	investments available for sale	Balance as of December 31, 2017

flib accompanying notes are an integral part of these financial statements. Juan's Notacofraga EXECUTIVE PRESIDENT

PRESIDENT OF THE BOARD OF EXECUTIVE DIRECTORS

MANAGER EMANCE AND ADMINISTRATION andelo E. Merlani

Tagueline Koehnke Ferrufind

CHIEF ACCOUNTANT

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### (Free translation from the original issued in Spanish) NOTES TO THE FINANCIAL STATEMENTS YEARS ENDED AS OF DECEMBER 31, 2017, AND 2016

(All amounts expressed in U.S. dollar thousands)

#### NOTE 1 - BACKGROUND

The governments of Argentina, Bolivia, Brazil, Paraguay and Uruguay, inspired by a spirit of cooperation and solidarity, persuaded that cooperation would lead to harmonized and balanced regional growth, subscribed the River Plate Basin Treaty, on April 23, 1969.

The River Plate Basin is a region characterized by its richness in natural resources, its vast rivers, the abundance of mineral resources and its fertile soil.

The region has large areas with a great potential for agricultural and industrial activities and houses one of the most important hydroelectric reserves in Latin America, such as Itaipú, Yacyretá and Salto Grande, as well as an extended river and road transportation network.

The five countries maintain a very close relationship among themselves sharing the same ecosystems, such as the hydrographic and energy systems, and air, river and road transportation networks and other communication systems.

The Financial Fund for the Development of the River Plate Basin (FONPLATA or the Fund), was created as a result of the River Basin Treaty, through a Charter signed by the governments of its Member Countries. The Charter became effective on October 14, 1976.

FONPLATA is an international legal entity of indefinite life, which is governed by the covenants contained in its Charter and on its Regulations. It is headquartered in the city of Santa Cruz de la Sierra, Plurinational State of Bolivia, and since 1989, it has an office in the city of Asuncion, Republic of Paraguay, as support for monitoring projects.

Per the terms of Article I of the Treaty, FONPLATA's objective is the financing of studies, projects, programs and civil works aimed at fostering the harmonic development and physical integration of the River Plate Basin, using for such purposes its own resources and those obtained from other sources of financing.

Among the main functions of FONPLATA, are the granting of loans and guarantees, obtaining external financing guaranteed by its Member Countries; the financing of pre-investment studies with the purpose of identifying investment opportunities or projects of interest for the Basin; the financing and contracting of technical assistance; and to undertake any other functions that are considered conducive to the attainment of its objectives.

In 2011, as part of the implementation of a new institutional management model, the Assembly of Governors created the position of Executive President and approved a new delegation and distribution of governance and administrative functions, delegating in the Executive President the legal representation, direction and administration of the Fund. The first Executive President was appointed and started his functions in September 2012.

Between September and December 2012, several measures were implemented that had the effect of modernizing and turning the Fund more dynamic. Among the most relevant measures were: the reformulation of the project cycle, making it more agile and reducing transaction costs; the adoption of a new results based budget framework, improving the accountability, transparency and decision making process; the addition of management by results and the beginning of a close relationship with international multilateral development institutions.

In 2013, the Strategic Institutional Plan (PEI) 2013-2022 was approved. The PEI is a strategic planning tool designed to conduct, supervise and ensure accountability for the attainment of FONPLATA's expected results. In August 2017, the Assembly of the Board of Governors approved a revision of the PEI covering the period 2018 – 2022 and reaffirmed the five strategic pillars identified in the 2013 PEI, structuring their implementation through three overarching objectives and ten actions designed to ensure the overall institutional relevance, agility, effectiveness and efficiency. Additionally, in November 2017, the Assembly of the Board of Governors approved the Programs & Budget Document covering the period 2018 – 2020. This document integrates the triennial business plan and the administrative and capital budgets based on the expected results for the short and medium-term, which are in line with the ten strategic actions identified in the PEI for 2018 – 2022.

Concurrently with the approval of the PEI, in 2013, the governance process was strengthened through the modification of FONPLATA's Charter and the first capital replenishment was also approved, increasing FONPLATA's capital from \$489,200 to \$1,639,200.

Continuing with the implementation of measures to modernize and make more agile the operations of the Fund, and to galvanize the new institutional management model, between 2013 and 2014, new financial instruments and policies were approved. These changes provided the foundation for the new role that FONPLATA is trying the consolidate as a regional development financial institution and assisted FONPLATA to successfully obtain an investment grade rating from two internationally recognized credit rating agencies in September 2016.

On January 28, 2016, as a demonstration of their support to FONPLATA's administration during the period 2012 – 2015, and their commitment to increase the Fund's lending capacity to respond to the increasing demands for financing of its member countries, the 14<sup>th</sup> Assembly of the Board of Governors approved a new capital replenishment. This new increase became effective at the beginning of 2017 with the subscription and commitment of 100% of the callable capital in the amount of \$825,000. Payment of the paid-in portion \$550,000, would be effected in seven annual installments beginning in 2018.

The 2017 financial statements were reviewed by the Audit Committee of the Board of Executive Directors, and the Board of Executive Directors issued its recommendation for the Board of Governors of FONPLATA to approve them.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

Below is a summary of the main accounting policies used in the preparation of these financial statements. Except when expressly noted, these accounting policies have been consistently applied during the years presented.

#### 2.1 Basis for presentation

#### (i) Compliance with International Financial Reporting Standards

The financial statements are presented in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretation Committee (IC), applicable to entities that report under IFRS and comply with the standards issued by the International Accounting Standards Board (IASB).

The Fund presents its statement of financial position classifying assets and liabilities in accordance to their expected liquidity. Assets and liabilities are shown based on their expected recovery or repayment within the period of 12 months following the date of the financial statements (current), and more than 12 months following the date of the financial statements (non-current), as per Note 11.

#### (ii) Historical cost

The financial statements have been prepared based on historical cost, except for the following components:

- Financial assets available for sale.
- Some investments valued at the lower of amortized cost or market value, in those cases where there are indicators of impairment.

#### (iii) New standards and modifications adopted by FONPLATA

FONPLATA has applied the following standards and modifications for the first time during the fiscal year beginning January 1, 2017:

Standard	Nature of Change	Impact	Mandatory adoption dat		
Modifications to IAS 12 — Income Taxes	These modifications provide clarifications on how to account for the recognition of deferred tax assets related to unrealized losses on debt instruments measured at fair value.	This standard does not have any impact in the Fund's financial statements since it is exempt from income taxes.	This standard is effective for reporting periods beginning on or after 1 January 2017.		
Modifications to IAS 7 – Statement of cash flows	These modifications of IAS 7 introduce additional disclosures intended to allow users evaluate changes in liabilities related to financing activities. The additional disclosures include changes in "cash flows", such as cash withdrawals and repayment of loans as well as "non-cash flow" changes, such as unrealized exchange differences.	FONPLATA has not identified significant impacts to its financial statements resulting from the adoption of these modifications.	This standard is effective for reporting periods beginning on or after 1 January 2017.		

#### (iv) New standards and interpretations not yet adopted

Standard	Nature of Change	Impact	Mandatory adoption date
IFRS 9 – Financial Instruments	IFRS 9 establishes the classification, measurement and	With regards to the changes approved by the IASB in July 2014,	This amendment completes the IASB's financial instruments

Standard	Nature of Change	Impact	Mandatory adoption date
Standard	disposition of financial assets and liabilities, and introduces new rules for the accounting of hedges.  In July 2014, the IASB completed its financial instruments project with the issuance of IFRS 9, as a complete standard including the requirements previously issued and the additional amendments to introduce a new expected loss impairment model and limited changes to the classification and measurement requirements for financial assets.	FONPLATA does not anticipate major impact resulting from the new rules on the classification, measurement and disposal of financial assets and liabilities.  FONPLATA has not performed a detailed evaluation of its financial assets classified as available for sale, which apparently would comply with the conditions to be classified as financial instruments to be carried at fair value, with changes reflected as other comprehensive income, based on the current business model used for these financial assets. Accordingly, it does not anticipate a change in their accounting.  The new standard also establishes changes in the accounting for hedges, which do not affect FONPLATA since it does not maintain such type of	project and this Standard is effective for reporting periods beginning on or after 1 January 2018 with early adoption permitted.
		financial instruments.  Starting January 1, 2015, FONPLATA adopted the new model for estimating expected impairment losses on its sovereign loan portfolio.	
FRS 15 –Revenue from contracts with customers	The IASB issued a new standard for the recognition of revenues. This standard replaces IAB 18 covering goods and services contracts and IAS 11, covering construction contracts.  The new standard is based	FONPLATA has reviewed the accounting for its loan contracts, borrowings, acquisition and maintenance of fixed assets with the purpose of ensuring compliance with the accounting standard established by IFRS 15 and determined that its	Adoption of this standard is mandatory for all fiscal years beginning on or afte January 1, 2018.

Standard	Nature of Change	Impact	Mandatory adoption date
	on the principle that revenue should be recognized when control over the goods or services has been effectively transferred to the client. The concept of control replaces the concept of risks and benefits.  This standard allows for a retroactive adjustment at the time of its adoption. Under this modality, entities could recognize a cumulative adjustment affecting retained earnings without restating prior periods, at the time of adopting the new standard. The new rules should be applied on all outstanding contracts at the time of initial adoption.	adoption does not give rise to changes in the valuation, recording, presentation and disclosure in the financial statements for the year ended December 31, 2017, when compared to 2016.  Adoption of this standard is not expected to affect the recognition of loan income or interest expenses incurred in the financing of loan disbursements or the recognition of expenses related to the financing of service contracts, as well as the recognition of the purchase of FONPLATA's headquarters.	
IFRS 16 - Leasing	For lessors, eliminates the distinction between "financial leases," that are recorded in the financial statement of financial position, and "operating leases," for which the recognition of future payments is not required. In its replacement, it establishes a single model, similar to one currently used for financial leases.	The Fund has determined that these changes do not purport a significant impact on its financial statements since FONPLATA does not finance capital leases as part of its lending activities, nor it utilizes this modality in connection with leasing its liaison offices. Liaison offices are rented through operating leases which are annually renewed. No changes are foreseen with regard to utilizing this modality for leasing liaison offices in the medium term.	This revised standard applies to financial statements beginning on or after January 1, 2019.
Modifications to IFRS 2 – Share-based payment	This modification clarifies how to account for transactions involving share-based payments.	This modification does not have any impact in FONPLATA's financial statements, since it does not make payments in shares.	This standard applies to financial statements beginning on or after January 1, 2018.
Modifications to IAS 40 – Investment Property	These modifications clarify that for the transfer of an	This modification does not have any impact in	This standard applies to financial statements

Standard	Nature of Change	Impact	Mandatory adoption date
	asset to qualify as investment property, such transfer must involve a change in the use of the asset, which should be properly supported by evidence.	FONPLATA's financial statements, since it does not have investment property.	beginning on or after January 1, 2018.
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	This standard refers to foreign currency transactions or part of transactions denominated in foreign currency. This interpretation provides guidance when there is either one or multiple payments to settle the transaction. This interpretation is intended to reduce the current variety of accounting treatments used.	FONPLATA does not anticipate any impact on its financial statements resulting from this interpretation since it does not maintain significant positions in foreign currencies.	This standard applies to financial statements beginning on or after January 1, 2018.
IFRIC 23 – Uncertainty over Income Tax Treatments	This interpretation provides guidance on the measurement and recognition of "Income Taxes" under IFRS 12, when there is uncertainty about the treatment of income taxes.	This standard does not have any impact in the Fund's financial statements since it is exempt from income taxes.	This standard was published in June 2017 and will become effective for reporting years beginning on or after January 1, 2019.

#### 2.2 Segments' disclosure

Based on an analysis of its operations, FONPLATA has determined that it only has a single operating segment, consisting on the financing of the development needs of its member countries.

FONPLATA continuously evaluates its performance and financial position as the basis for making decisions it considers appropriate for the attainment of its strategic objectives.

#### 2.3 Foreign currency translation

#### (i) Functional and reporting currency

Account balances presented in the financial statements, as well as the underlying transactions that conform them, are measured using the United States dollar, which is the primary currency of the economic environment in which operates ("functional currency").

#### (ii) Account balances and transactions

Foreign currency transactions are converted to the functional currency using the exchange rate prevailing at the date of each transaction. Exchange gains or losses on foreign currency transactions result from payments realized in currencies other than the United States dollar, related to administrative expenses incurred either at FONPLATA's headquarters or at its office in Asuncion, Paraguay. Exchange gains and losses associated to administrative expenses are presented on a net basis as part of administrative expenses, in the income statement.

Financial assets, such as investments and loans are denominated in United States dollars, and FONPLATA does not have financial liabilities in other currency. Consequently, there are no exchange differences related to financial assets and liabilities.

Goods and services denominated in currencies other than the functional currency carried at their fair value, are translated into the functional currency at the rates of exchange prevailing on the date on which their fair value is determined. Exchange differences on assets and liabilities measured at fair value are reported together with gains and losses on fair value.

#### 2.4 Revenue recognition

Interest revenues on loans and interest revenues on investments held to maturity are calculated based on the effective interest rate method. Other loan revenues consisting of administrative commissions and commitment fees, are calculated in accordance with IFRS 15.

FONPLATA recognizes revenues when their amount can be reliably measured and when it is likely that the resulting economic benefits would be received. FONPLATA based its estimates on historical results, considering both, the type of transaction or borrower and the relevant terms of the corresponding signed contracts.

#### 2.5 Leases

Leasing arrangements where the risk and rewards of ownership are not retained by the lessee are classified as operating leases. Payments made on operating leases are reported as expenses during the period of the lease using the straight-line method. FONPLATA does not have financial leases.

#### 2.6 Cash and cash equivalents

For presentation purposes in the statement of cash flows, cash and its equivalents include both cash at hand and highly liquid bank deposits and investments, with an original maturity of three months or less, that can be converted into determinable amounts, and which are not subject to significant risks affecting their value.

#### 2.7 Loan portfolio

Loan portfolio is initially recorded at its fair value and subsequently measured at its amortized cost using the effective interest rate method, net of the provision for loan impairment. For additional information on the loan portfolio accounting see Note 6.4.

#### 2.8 Investments and other financial assets

#### (i) Classification

FONPLATA classifies its financial assets in the following categories:

- Financial assets at fair value with changes in income.
- Loans.
- Investments classified as held to maturity, and
- Financial assets available for sale.

Classification of financial assets depends on the purpose at the time of their acquisition. FONPLATA determines the classification of its investments at the time of their purchase and recognition. Investments designated as held to maturity are reassessed annually to validate the reasonableness of their classification. Note 6 shows more detailed information on each type of financial asset.

#### (ii) Reclassification

Financial assets other than loans could be reclassified under a different category of "trading securities." However, these changes, if any, should be made only under special circumstances and be the result of an unusual event. Additionally, FONPLATA could choose reclassifying financial assets other than loans, outside of the category of "trading securities" or "available for sale", if it has both the ability and the intent to hold those assets in the future or until their maturity, within the category into which they were reclassified.

Reclassifications are made at the fair value at the time of reclassification. The fair value is converted into cost or amortized cost, when applicable. Subsequent reversal of gains and losses on fair value changes accounted for prior to the time of reclassification are not permitted. The effective interest rates of financial assets reclassified under the category of "securities held to maturity" are determined on the date of reclassification. Adjustments to the effective interest rate because of additional increases to cash flows are made prospectively.

#### (iii) Recognition and disposal

Normal purchases and sales of financial assets are recognized on the date in which they are transacted, which is the date in which the Fund commits to their purchase or sale. Financial assets are disposed-off upon expiration of the rights to receive a flow of funds or upon transferring their risk of ownership.

When investments classified as "available for sale" are sold, the cumulative fair value adjustments accounted for under "other comprehensive income" is reclassified in the income statement as "gains or losses on investments."

#### (iv) Measurement

At the beginning of a transaction, FONPLATA measures financial assets at their fair value plus those transaction costs directly attributable to their acquisition.

Loans and investments held to maturity are subsequently valued at their amortized cost using the effective interest rate method.

"Available for sale" financial assets are subsequently valued at their fair value. Gains and losses resulting from changes in fair value are recognized in other comprehensive income.

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Interest resulting from "available for sale", "held to maturity" financial assets and loans, calculated based on the effective interest rate method, is recognized in the income statement as part of operating income.

Note 6.7 includes a detail pertaining the determination of fair value of financial instruments.

#### (v) Impairment

At the end of each fiscal year, FONPLATA assesses the likelihood of potential impairment affecting either a financial asset or a group of financial asset. The potential impairment on loans is determined based on the credit risk classification of borrowing countries, following a methodology adopted by most multilateral development banks. Note 6.4 has a detailed explanation of this methodology as well as the determination of the provision for loan impairment.

For investments, FONPLATA recognizes the impairment only when there is objective evidence because of the occurrence of one or more events after initial recognition of the investment (loss event) and such event or events, affects future cash flows and those cash flows can be determined reliably.

a. <u>Financial assets carried at amortized cost</u>: The provision for potential losses on sovereign loans is set at a level FONPLATA considers adequate to absorb potential losses related to the loan portfolio at the date of the financial statements. The amount of the impairment loss is measured as the difference between the carrying amount and the value determined in accordance with the individual credit risk rating for long term debt of each borrowing member country. The individual credit risk rating for each country is determined as the lowest credit risk rating at the date of the financial statements issued by three internationally recognized credit rating agencies. These ratings include a probability of default. In recognition of FONPLATA's preferred creditor status, and considering the privileges and immunities granted by its member countries, which are stated in its Charter, as well as in other specific agreements signed with each member country, the credit risk rating used reflects a lower probability of default – generally equivalent to three levels below its credit rating. Whenever practicable, FONPLATA could measure the impairment based on the fair value, using observable market prices.

The provision for potential loan losses is shown as a deduction of the amount of the loan portfolio.

Should there be a reduction in the amount of potential loan losses in a subsequent period, and such reduction is objectively related to an event occurring after recognition of the impairment (such as an improvement in the credit risk rating of the borrower), the reversal of the impairment losses previously recognized could be included in the income statement.

b. <u>Financial assets classified as available for sale</u>: Should there be objective evidence of impairment of "assets available for sale," cumulative losses measured as the difference between their acquisition cost and their fair value, less any impairment loss, are reclassified from net equity and recognized as operating income.

If the fair value of debt instruments classified as "available for sale" subsequently increases, and such increase can be objectively related to an event occurring after the recognition of the impairment loss in the income statement, then the impairment loss is reversed affecting the income statement.

#### (vi) Revenue recognition

Interest revenues are recognized based on the effective interest rate method. Should there be loans in non-accrual status, they are considered impaired loans. A loan is impaired when the analysis of available information and current events are indicative, to a certain degree of probability, that FONPLATA could not recover the full amount of principal and interest accrued, based on the agreed upon loan covenants. When a loan is impaired, FONPLATA reduces the carrying amount of such loan to is net realizable value, based on the discounted cash flows using the loan's original effective interest rate, and reverts the discounted amount against loan revenues. Interest revenues on impaired loans are recognized using the original effective interest rate.

#### 2.9 Property and equipment

Property and equipment are carried at their historical cost less depreciation. The historical cost includes all directly related acquisition expenses.

Subsequent costs are either included as part of the carrying amount of property and equipment or recognized as a separate asset, only when it is probable that there are future economic benefits to be derived from that asset and its cost can be reliably determined. The carrying amount of each component recognized as a separate asset is written-off at the time of its disposal or replacement. Repairs and maintenance expenses are included in the income statement during the period in which they are incurred.

Increases to the carrying amount or property resulting from revaluations are included in other comprehensive income and reflected as part of the accumulated balance of revaluation reserves within net equity. Subsequent increases to the carrying amount due to revaluations should be recognized affecting income to the extent that revaluation increases had been previously reverted affecting the income statement. Any decreases reverting revaluation increases of the same assets are initially recognized in other comprehensive income to the extent there are revaluation surpluses attributable to those assets. All other decreases are reflected in the income statement. Each year, the difference between the depreciation calculated on revalued assets and the depreciation calculated on the historical amount is reclassified from the revaluation reserve into retained earnings.

Note 7.1 shows the depreciation methods and useful lives used by FONPLATA. Assets' residual values and useful lives are reassessed and adjusted as appropriate at year end. In those instances, where the carrying amount of assets exceeds their recoverable value, carrying amounts are adjusted to their recoverable value.

Gains and losses on the sale of fixed assets are determined by comparing the carrying amount with the sale price and accounted for in the income statement. In case of sale of revalued assets, it is the Fund's policy to transfer the amounts carried in revaluation reserves into retained earnings.

Assets in transit include the cost of capital projects such as computerized applications in process of implementation, as well as furniture and equipment acquired at cost and risk of FONPLATA that have not been received at financial statements closing date. The total amount invested is capitalized and starts being amortized upon completion when the asset is ready to be put in service.

#### 2.10 Borrowings

Borrowings are initially recognized at their fair value, net of related transaction costs. Subsequently, borrowings are valued at their amortized cost. Any difference between the value initially recognized for the liability and the amount effectively paid, is reflected in the statement of income based on the effective interest rate method.

#### 2.11 Other liabilities and commitments

These amounts represent outstanding liabilities for goods and services received by the Fund prior to the date of the financial statements. Other liabilities do not include guarantees and are usually paid within 30 days of their initial recognition. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost based on the effective interest rate method.

#### 2.12 Special funds

These amounts represent liabilities equaling to the amount of investments administered on behalf of special funds. These liabilities do not represent guarantees and are usually paid based upon request for funds from the special Funds. These liabilities are initially recognized at their fair value and subsequently measured at amortized cost using the effective interest rate method.

#### 2.13 Other benefits to employees

This benefit consists of a severance payment at the time of termination of the employment contract, equivalent to a month of salary for each year of service, based on the last salary paid to each employee. Per existing regulations, this benefit is vested upon three months of employment. The present value of future payments is estimated to approximate the amount of the accrued liability as of the date of the financial statements.

#### 2.14 Paid-in capital

Paid-in capital consists of the amount of capital subscriptions actually paid-in to FONPLATA by its member countries.

#### NOTE 3 - SIGNIFICANT ESTIMATES AND JUDGEMENTS

The financial statements are prepared in accordance with International Financial Information Standards, which require the Executive President of the Fund to make assumptions and estimates affecting the amounts shown for assets and liabilities, as well as revenues and expenses during the fiscal year. The estimates and judgements are continuously assessed and are based on legal requirements and other prevailing factors, including the expectation of future events considered reasonable within the current circumstances.

This note provides a general overview of the areas that entail a greater degree of management judgment or inherent complexity to each estimate, and the items that are more likely to be materially adjusted due to the fact that actual results could differ from those estimates. Detailed information pertaining each estimate and judgement made are included in Notes 6 and 7, together with the information regarding the basis used for computing each item affecting the financial statements.

The most relevant estimates affecting the preparation of FONPLATA's financial statements relate to:

- Impairment of investments carried at amortized cost Nota 6.3.
- Impairment of the loan portfolio Nota 6.4.

#### NOTA 4 - FINANCIAL RISK MANAGEMENT

This note explains FONPLATA's financial risk exposures and how could they potentially affect the Fund's future financial performance.

Risk	Source of Exposure	Measurement	Risk Management
Market risk – Exchange risk	Risk that financial assets and liabilities are denominated in currencies other than the U.S. dollar (functional currency)	Cash flow budget.	All loan and investment transactions, as well as the most relevant liabilities shown in the financial statements have been transacted in U.S. dollars.
Market risk – Interest rate risk	Risk of experiencing fluctuations in lending and borrowing rates applicable to FONPLATA'S loans, and debt.	Sensitivity analysis.	FONPLATA has established policies for the determination of interest rates, allowing it to mitigate the potential effects of interest rate fluctuations.
Market risk	FONPLATA does not have investments in equity instruments that might be exposed to price risk.	Nil.	FONPLATA does not have investment in equity instruments that might be exposed to market risk.
Credit risk	Cash and its equivalents, available for sale investments, investments held to maturity.	- Aging analysis - Credit risk analysis.	Diversification of bank deposits and applicable limits on loans.  Policies and guidelines on available for sale and held to maturity investments.
Liquidity risk	Other liabilities and obligations with special funds	Cash flow budget.	Availability of funds required to meet obligations and commitments.

FONPLATA manages its risks exposures in accordance with its enterprise-wide risk management policy. This policy encompasses the management of market and interest rate risks, operational and strategic risks. The focus of FONPLATA's enterprise-wide risk management is to ensure risks will remain within established limits. Those limits are formally established in the institution's financial policies and reflect its capacity to assume risks as defined by its governance bodies. Within the scope of its enterprise-wide risk management policy, risk management is oriented to avoid those risks that may exceed FONPLATA's tolerable risk level, and to mitigate all financial, operational and strategic risks in accordance to the limits established for each risk related to its operations.

In line with international best practices for risk management, FONPLATA adopted the risk classification and definitions issued by the Office of the Comptroller of the Currency of the United States ("OCC") and Basie II.

#### 4.1 Currency risk

All financial assets and approximately 99% of liabilities are denominated in U.S. dollars, which constitutes FONPLATA's functional currency. Consequently, FONPLATA's financial statements are not exposed to significant levels of risk resulting from potential changes in exchange rates.

#### 4.2 Interest rate risk

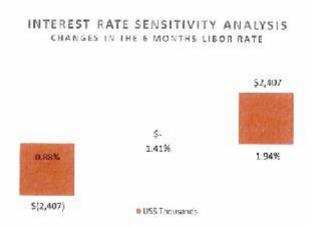
FONPLATA's lending interest rate consists of a fixed and a variable margin (6 months Libor). In accordance with its income management and financial charges policy, FONPLATA's fixed margin is reassessed annually for all new loans with the objective of reaching a balance between the accumulation of long-term capital to guarantee the Fund's sustainability as well as to provide favorable financial conditions to its member countries. FONPLATA applies a net income management model as a tool to manage income in accordance to its medium and long-term planning objectives. The model allows, through managing various parameters and variables, to ensure that financial charges applied would be stable and sufficient to satisfy all expected goals established in FONPLATA's financial policies, making in a timely basis all required adjustments to the fixed margin to respond to significant changes in the assumptions and estimates used. This exposure is periodically measured and evaluated, to ensure the management of the interest rate risk.

In compliance with its income management and financial charges policy, FONPLATA annually establishes a fixed margin applicable to new loans to be granted in the upcoming year (Operating Lending Rate or "TOR"). In 2017, FONPLATA maintained the same TOR approved for 2016.

The Executive President was authorized to set lending rates applicable to loan maturities for periods shorter than 15 years, approving operating lending rates as an incentive for member countries to borrow at shorter terms.

FONPLATA's interest rate risk is limited to the risk associated to the variable component of its lending rate, which is based on the 6 - month Libor. FONPLATA performs sensitivity analysis to determine the variance in income or in net equity associated to changes in the 6 - month Libor rate.

Based on its 2018 Administrative and Capital Investment Budget approved by the Assembly of Governors, calculation of the sensitivity analysis was performed using a 6 - month Libor rate of 141.3 bps with a positive and negative variation of 53 bps. Accordingly, the analysis yields a maximum and a minimum 6 months Libor rate of 194.3 bps and of 88.3 bps, respectively. Should the estimated 53 bps variation materialize, future net income could be increased or reduced by \$2,407, respectively.



#### 4.3 Market risk

Market risk, is the risk of losses in the value of financial assets and liabilities as a result of changes in market conditions. FONPLATA manages market risks affecting mainly its investment and loan portfolios through various measures to ensure risk exposures would remain within established policy limits.

#### 4.4 Credit risk

Credit risk, is the risk resulting from non-compliance with contract terms by the borrower. Financial policies establish individual limits of credit by member country, with the objective of reducing excessive risk exposures and to comply with an equitable distribution of the lending capacity. The capital adequacy coefficient relating the amount of loans with the amount of net equity ensures a reasonable coverage against exposure to credit risk, both for the lending portfolio as a whole and at the level of each borrowing member country.

Currently, FONPLATA only grants loans with sovereign guarantee and has lending guidelines establishing the actions to be taken in connection with overdue loan balances and non-compliance, which form an integral part of loan covenants included in all loan contracts.

The credit risk associated to the investment of liquid assets is based on internal guidelines governing the investment of liquid assets, which establish the prudential investment limits by each asset class, sector and issuers, to guarantee an adequate diversification and mix of investment sources and maturities. At year end, the average credit risk rating of the investment portfolio was AA-, as required by the investment policy. Compliance with current policy limits is validated by having attained an average return on investments that exceeds the original assumptions that served the basis of the determination of the expected level of net income for 2017 and 2016, respectively, as part of the annual financial programming and budgeting required by the policy on net income management and financial charges.

#### 4.5 Liquidity risk

Liquidity risk, is the risk originated in the inability of the institution to meet its obligations without incurring in unacceptable losses. The institution has a minimum required level of liquidity which is defined by its liquidity policy as the level required to comply meet all obligations, payments and disbursements for a 12-month period. As of December 31, 2017, and 2016, the Fund did not have commitments and obligations that would carry liquidity risk either in the short or medium term. As of December 31, 2017, liabilities amount to \$35,827 (2016 - \$25,597), and liquid assets, including cash, amount to \$183,024 approximately (2016 - \$210,970). Liquid assets coverage of gross estimated disbursements was equivalent to 1.1 years as of December 31, 2017 and 2016.

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#### NOTE 5 - MANAGEMENT OF OTHER NON-FINANCIAL RISKS

#### 5.1 Operational risk

Operational risk is defined as the risk of an economic or financial loss resulting from a failure in internal processes or systems, due to either commission or omission. FONPLATA has in place, an organized and updated set of policies, procedures and practices for the administration of its operations that prevent and prepare it for inherent risks associated to its day-to-day operations. FONPLATA has an effective governance and system of internal controls, as well as ethical and reputational standards, with clear norms to ensure compliance with applicable fiduciary, environmental, and legal matters required by its policies as well as those required by its member countries.

#### 5.2 Management of strategic risks

Strategic risk — Is the risk derived from the adverse or incorrect application of decisions or the absence of responses to changes affecting development financial institutions' sector. FONPLATA has a Strategic Institutional Plan ("PEI") approved by its Board of Governors, which establishes the strategic objectives to be attained, as well as the indicators required to measure progress over time. Annually, the Board of Governors approve the Budget for the upcoming year, which contains a summary of all achievements attained in the previous fiscal year, as well as the objectives and results to be attained in the next fiscal year. FONPLATA's budget summarizes the work plan and contains results-based indicators and their related costs, which are all based on the PEI's results matrix. This ensures an adequate alignment between the long-term strategic objectives and results to be attained in the short run to move towards the attainment of those strategic objectives.

The financial statements show the compatibility and consistency between results and the strategic objectives established in institutional mission and vision in terms of the attainment of annual goals for the approval of operations and their related costs.

Non-compliance risk — Is the risk derived from violations of laws, norms, regulations, prescribed practices, and ethics policies or norms. Non-compliance risk could negatively affect the institution's reputation. FONPLATA is a self-regulated supra-national international institution that is governed by its Charter, policies and regulations. FONPLATA has an Administrative Tribunal, an Audit Committee of the Board of Executive Directors, a Legal Counsel, a Compliance Officer, and an Internal Auditor, who oversee compliance with those matters that could otherwise trigger non-compliance risks.

**Reputational risk** — Is the risk derived from a negative public opinion. This risk affects the capacity of an organization to establish new relationships or to maintain existing ones, directly affecting current and future revenues. This risk could expose the entity to litigation or to a financial loss or jeopardize its competitiveness. Through its Communications Area, the institution periodically monitors this risk, and the Operations Department specifically follows-up on each current financed project under implementation. To date, no evidence exists of this risk to the Fund.

#### NOTE 6 - FINANCIAL ASSETS AND LIABILITIES

This note provides information about FONPLATA's financial instruments, including:

- · A general overview of all financial instruments held by the institution
- Specific information about each type of financial instrument
- Accounting policies

 Information on the determination of fair values of financial instruments, including the professional judgment used, and the uncertainties affecting those estimates

The institution maintains the following financial assets:

		Financial assets at fair value with changes in OCI	Financial assets at amortized cost	<u>Total</u>
	Note	<u>\$</u>	\$	\$
2017				
Cash and cash equivalents	6.1		34,092	34,092
investments available for sale	6.2	11,679	55	11,679
Investments held to maturity (including	6.3			
interest and other charges)		55	137,700	137,700
Loan portfolio (including interest and other	6.4			
charges)		-,-	662,827	662,827
Total		11,679	834,619	846,298
2016				
Cash and cash equivalents	6.1	-1-	31,038	31,038
Investments available for sale	6.2	12,193	-,-	12,193
investments held to maturity (including	6.3			
interest and other charges)		*/*	168,289	168,289
Loan portfolio (including interest and other	6.4			
charges)			543,524	543,524
Total		12,193	742,851	755,044

The institution maintains the following financial liabilities:

		Financial liabilities at amortized cost Ti	
2017	<u>Nota</u>	<u>\$</u>	Total \$
2017			
Other liabilities		912	912
Borrowings	6.5	26,000	26,000
Special funds	6.6	8,222	8,222
	Total	35,134	35,134
2016			
Other liabilities		204	204
Borrowings	6.5	16,000	16,000
Special funds	6.6	8,816	8,816
	Total	25,020	25,020

The exposure of the institution to the various risks related to financial instruments is disclosed in Note 4. The maximum exposure to credit risk at year end corresponds to the balances shown for each of the above mentioned financial assets.

#### 6.1 Cash and cash equivalents

Cash at banks and deposits with original maturities of up to three months, consist of:

	December 31,		
		2017	
		<u>\$</u>	\$
Cash at banks		24,092	12,320
Time deposits		10,000	10,992
Bonds		••	7,726
	Total	34,092	31,038

#### (i) Classification of cash equivalents

Time deposits are considered as cash equivalents provided their original maturity is of up to three months from the time of their acquisition. Note 2.6 includes a disclosure of the cash and cash equivalents policy.

#### 6.2. Investments available for sale

Investments classified under this category, correspond to holdings of bonds issued by multilateral development institutions, and include the following:

		December 31,	
		2017	2015
		<u>\$</u>	\$
Multilateral development institutions – Bonds		_ 11,679 _	12,193
	Total	11,679	12,193

#### (i) Investments with related parties

As of December 31, 2017, and 2016, the institution did not maintain investments available for sale with related parties.

#### (ii) Classification of investments available for sale

Investments are designated as "available for sale" financial assets if: i) they do not have a maturity date, ii) their face value is neither a fixed or a determinable amount of money, and iii) management has the intent to maintain those investments in the medium to long term. Financial assets that cannot be classified within the other categories of financial instruments (fair value with changes in income, loans or investments held to maturity), are also included in the category of "available for sale."

As detailed under Note 11, financial assets are presented as non-current assets unless their maturity occurs within 12 months from the end of the fiscal year or management is intent on selling them during that period.

#### (iii) Indicators of impairment of available for sale investments

An investment is considered impaired when its fair value suffers a prolonged and material reduction below its cost. See Note 2.8 for more detail on impairment policies for financial assets.

#### (iv) Amounts recognized in the statement of comprehensive income

During the fiscal year, the institution recognized a gain of \$42 in the statement of comprehensive income (2016: loss of \$3).

#### (v) Fair value, impairment and exposure to risk

Information regarding the methods and assumptions used in the determination of fair value is disclosed in Note 6.7. There are no investments classified as available for sale that are either matured or impaired.

All investments classified as available for sale have been and are denominated in U.S. dollars, which is the functional currency in which the financial statements are expressed.

#### 6.3 Investments held to maturity

Investments classified under this category correspond to certificate of deposits and investments in bonds and commercial paper, as follows:

	December 31,		r 31,
		2017	2016
		\$	<u>\$</u>
Investments in time deposits (1)			
Multilateral development institutions		17,686	13,438
	Subtotal	17,686	13,438
Investments in other values (2)			
Sovereign bonds		78,110	96,403
Multilateral development institutions' bonds		18,070	30,697
Financial sector bonds		18,899	23,211
Argentine treasury bonds [3]		4,488	3,990
	Subtotal	119,567	154,301
Principal invested		137,253	167,739
Accrued interest and commissions receivable		447	550
	Total	137,700	168,289

Investments correspond to time deposits with original maturities greater than three months.

#### (i) Classification of held to maturity investments

The institution classifies its investments as held to maturity, if:

- Financial assets are not derivatives.
- Investments do not quote on an active capital market.
- Investments have scheduled payments for either a determinable or fixed amount.
- The institution has both the ability and intent to hold those investments until their maturity.

<sup>(2)</sup> Investments include sovereign bonds issued by multilateral development institutions and commercial paper issued by other financial institutions with a risk profile falling within FONPLATA's investment risk guidelines.

<sup>(3)</sup> Corresponds to an investment in Argentinian Treasury Bonds "PAR" and "DISCOUNT", received in exchange for FONPLATA's holdings of bonds "BONTE-04" in 2005.

#### (ii) Impairment and exposure to risk

Argentine's bonds amounting to \$4,488 as of December 31, 2017 (2016: \$3,990), correspond to the issuances identified as "PAR" and "DISCOUNT," that were received as part of the Argentine's debt swap program in 2005, in exchange for FONPLATA's holdings of "BONTE - 04" bonds. The bonds received in exchange have maturities ranging from 2033 to 2038. Impairment on these bonds is calculated on the basis of the fair values quoted by Bloomberg for those two issuances. The amount of impairment recognized as of December 31, 2017, is of \$1,359 (2016: \$1,833). During 2017, these investments experienced a recovery giving rise to the recognition of a net reduction in the total impairment of \$473 (2016: \$665).

All investments classified as held to maturity are denominated in U.S. dollars. Consequently, there is no exposure to the risk of currency exchange. Furthermore, there is no material exposure to the risk of changes in fair value of the investments due to: their overall quality (i.e. credit risk of the issuer), ii) their scheduled maturity, which by in large is lower than 12 months, and iii) their return, which is based on a variable rate.

#### 6.4 Loan portfolio

Composition of the balance of loan portfolio outstanding, by member country, is as follows:

	Decembe	r 31,
	2017	2016
Country	<u>s</u>	\$
Argentina	114,395	80,225
Bolivia	169,188	141,711
Brazil	73,437	83,155
Paraguay	121,579	99,896
Uruguay	183,368	138,767
Subtotal gross loan portfolio	661,967	543,754
Less: Unaccrued commitment fee	(1,995)	(1,210)
Subtotal loan portfolio	659,972	542,544
Less: Provision for potential impairment on loans	(2,885)	(3,027)
Net loan portfolio	657,087	539,517

Accrued loan interest receivable amounts to \$5,740 and to \$4,007, as of December, 31 2017, and 2016, respectively.

Based on their scheduled maturities, the gross loan portfolio is classified as follows:

	December 31,	
	2017	2016
Maturity	\$	Ş
Up to one year	58,505	5,315
Greater than one and up to two years	71,856	7,717
Greater than two and up to three years	61,719	46,322
Greater than three and up to four years	48,798	15,193
Greater than four and up to five years	50,502	
Greater than five years	370,577	468,207
Total gross loan portfolio	661,967	543,754

#### (i) Loan portfolio classification

The loan portfolio consists of amounts to be received from member countries that conform the River Plate Basin, in exchange for sovereign loans granted to them. The financings conforming the loan portfolio, based on their nature and relevant terms, do not constitute derivative instruments. Collections or principal repayments are based on fixed or determinable amounts, and they do not quote on an active market. As explained in Note 11, the amount of principal repayments to be received within 12 months following year end, is classified as current, with the remaining balance classified as non-current. Notes 2.7 and 2.8, describe accounting policies used in connection with the accounting of the loan portfolio and the recognition of its impairment, respectively.

#### (ii) Fair value of the loan portfolio

The book value of the loan portfolio is believed to approximate its fair value. This assessment considers that future cash flows from loans approximate their stated book value.

#### (iii) Impairment and exposure to risk

The provision for potential impairment on loans is maintained at a level considered adequate by FONPLATA to absorb potential losses related to the loan portfolio as of the date of the financial statements.

The provision for potential impairment on sovereign loans is based on the individual credit risk rating for long-term debt of borrowing member countries, and is determined as the lowest risk rating as of the date of the financial statements issued by three internationally recognized credit rating agencies. Those credit risk ratings incorporate a probability of default. Due to its preferred creditor status, and considering the immunities and privileges afforded to FONPLATA by its member countries, which are stated in its Charter and other specific documents signed with each country, the credit risk rating used reflects a lower default probability – generally equivalent to three levels above each country's credit risk rating.

The accrual of interest on loans is discontinued for loans balances that have been overdue for more than 180 days. The amount of loan interest accrued receivable on loans declared on non-accrual status is recognized at the of collection until such date when those loans are in accrual status. Accrual status requires the borrower to pay in-full, the amount of principal and interest or commissions in arrears, as well as the assurance that the borrowing member country has resolved the financial difficulties that caused it to fall behind on meeting its obligations on a timely basis.

FONPLATA did not have nor it currently has loans balances in non-accrual status. Nonetheless, and consistent with its enterprise-wide risk management policy, FONPLATA accounts for provision to reflect the potential impairment on its loan portfolio.

Moreover, FONPLATA maintains policies on risk exposures to avoid concentrating its lending on one country only, which could be affected by market conditions or other circumstances. In this regard, FONPLATA uses certain measurements or indicators, such as: net equity and total loan portfolio. FONPLATA semiannually reviews the status of its loan portfolio to identify potential impairments affecting its collectability, in full or in part. Information about the overall credit quality of the loan portfolio, its exposure to credit risk, currency exchange and interest risk is disclosed Note 4.

#### 6.5 Borrowings

The outstanding balance from borrowings received by FONPLATA, is as follows:

		Decemb	oer 31,
		2017	2016
		\$	\$
Medium-term certificates of deposit		10,000	
Corporacion Andina de Fomento		16,000	16,000
	Total	26,000	16.000

Based on the composition of the capital structure approved as part of the second capital replenishment, approximately 45% of the lending capacity are associated to callable capital. This in turn, requires FONPLATA to supplement the available liquidity required for on-lent operations with external funding. Accordingly, FONPLATA has designed its borrowing strategy and its financial programming to diversify its funding sources and to achieve the best possible average cost of borrowings considering its credit risk rating and preferred creditor condition. As part of the prevailing Framework Agreement ("Agreement") with the "Corporación Andina de Fomento" (CAF), signed on November 14, 2016, CAF provides FONPLATA with a conditional revolving line of credit of up to \$75 million. On December 19, 2016, FONPLATA received \$16 million from CAF, which were used to finance loan disbursements on approved loans. The applicable terms for this financing are based on the 6 months Libor rate plus a spread, based on a five-year maturity with a two-year grace period. Principal is scheduled to be paid over 6 equal semi-annual installments, including the corresponding interest, beginning June 19, 2019 and ending on December 16, 2021.

On December 1, 2017, FONPLATA subscribed a loan agreement in the amount of \$100 million with the Inter-American Development Bank. This loan is based on the 3-months Libor rate and provides for a 5-year disbursement period, 5 % years of grace period and a 25 - year amortization period. Under this financing agreement, which entered into effect upon being signed, FONPLATA can draw funds against previously incurred project expenditures effected from June 15 through November 15, 2017, for an amount not to exceed \$20 million. As of December 31, 2017, no funds have been disbursed against this loan.

Furthermore, FONPLATA entered into an agreement with the Central Banks of its member countries to accept deposits in the form of medium-term certificates denominated in United States dollars. In February 2017, FONPLATA accepted a \$10 million certificate of deposit with the Central Bank of Bolivia.

Borrowings outstanding classified based on their scheduled maturities are as follows:

		Decembe	er 31,
Control of the Contro		2017	2016
Maturity		\$	<u>\$</u>
Up to one year		10,000	-,-
More than one and up to two years		5,333	*,*
More than two and up to three years		5,333	5,333
More than three and up to four years		5,334	5,333
More than four and up to five years		***	5,334
More than five years		**	
	Total	26,000	16,000
			-

#### (i) Fair value of borrowings

It is estimated that the book value of borrowings approximates its fair value since future cash flows to be received are very similar to the recorded amount for the borrowing.

#### (ii) Risk exposure

Note 5 provides information regarding the risk exposure associated to borrowings.

#### 6.6 Special Funds

The balance held with special funds by FONPLATA as of December 31, 2017, and 2016, includes the following:

	December 31,		
	2017	2016	
	S	\$	
FOCOM:			
Investments managed by FONPLATA	5,232	5,457	
Return on investments due to FOCOM	44	36	
Balance at Banco do Brazil	103	81	
Subtotal due to FOCOM	5,379	5,574	
PCT:			
Investments managed by FONPLATA	2,641	3,039	
Return on investments due to PCT	23	20	
Balance at Banco do Brazil	179	204	
Technical cooperation expenses paid by FONPLATA	-,-	(21)	
Subtotal PCT	2,843	3,242	
	8,222	8,816	

FONPLATA's Board of Governors can create special funds for specific purposes. Special funds are considered as separate and independent legal entities from FONPLATA, which are controlled by the member countries through the Board of Governors. Consequently, the balances held under those funds do not need to be consolidated by FONPLATA.

Special funds are funded through distribution of retained earning maintained in the general reserve. In 2014, the Board of Governors created and funded the following special funds:

- a. <u>"Fund for the Compensation of the Operating Margin (FOCOM)"</u>: This fund pursues the objective of helping to reduce the financial cost incurred by Bolivia, Paraguay y Uruguay on their loans with FONPLATA, through the payment of a portion of the interest to be paid semiannually by these borrowing member countries. The payment of the part of the interest accrued on loans by FOCOM on behalf of the borrowers is contingent and determined annually. In May 2014, the Board of Governors assigned as a contribution to this fund, the amount of \$5,510, from retained earnings as of December 31, 2013. No additional contributions were assigned by the Board of Governors during 2017 and 2016, respectively.
- b. <u>"Technical Cooperation Program (PCT)"</u>: This fund was created through the restructuring and transfer of resources from the "Fondo para Desarrollo de Proyecto de Integración Regional" (FONDEPRO), to the PCT. The PCT pursues the purpose of fostering regional development and integration, through financing studies,

technical knowledge exchange programs, and other initiatives that form an integral part of FONPLATA's strategic focus. No additional contributions were assigned by the Board of Governors during 2017 and 2016, respectively.

The PCT is managed by FONPLATA independently from the management of its own affairs and its funds and resources are invested in accordance with FONPLATA's investment guidelines.

In accordance with the operational guidelines of the special funds and to optimize investment returns, liquid investments are managed by FONPLATA, together with its own funds.

Accrued income on investments attributable to each fund is calculated pro-rata, based on the proportion resulting from comparing the amount of liquid investments managed by FONPLATA for of each fund to the total amount of investments, multiplied by the total return on investment earned during the period.

Accounting of investment amounts and investment returns due to each fund by FONPLATA as a result of the investments managed on behalf of these special funds is handled through specific inter-fund accounts.

#### 6.7 Recognition and measurement of fair value

This note includes information about judgments and estimates used in the determination of fair values of financial instruments in the financial statements. Determination of fair values attributable to investment assets is made by obtaining values in accordance with the three levels described in the accounting standards. An explanation for each of these three levels follows:

	Note	Level 1 \$
2017 Investments available for sale	6.2	11,679
2016 Investments available for sale	6.2	12,193

During the fiscal year FONPLATA did not have holdings of financial instruments requiring valuation at fair value in accordance with the fair value measurement methodologies prescribed under either level 2 or 3. Should changes in the methodology of obtaining applicable fair values for financial investment instruments exist, it is FONPLATA's policy to recognize the effect from such changes.

- Level 1: Fair value of financial instruments transacted in an active market (such as investments available for sale), are based on prevailing quoted market prices at year end. The market price used for financial assets held by the institution is the quoted market price. These instruments are included under level 1.
- Level 2: Fair value of financial instruments not quoting in an active market is determined through valuation techniques, using as much as possible reliable and observable market information. If all information required to determine the applicable fair value for a financial instrument is observable information, then such instrument is classified under level 2. The institution does not have financial instruments classified under this category.

Level 3: If the information considered either significant or relevant for the determination of fair values cannot
be obtained by reference to market sources, then the financial instrument is classified under level 3. The
institution does not have financial instruments classified under this category.

#### NOTE 7 - NON-FINANCIAL ASSETS AND LIABILITIES

This note provides information about non-financial assets and liabilities of the institution, including:

- Specific information of each type of non-financial asset and liability.
- Accounting policies used.
- Information about the determination of fair values attributable to those assets and liabilities, including
  professional judgments used and the uncertainties of the estimates applied.

#### 7.1 Property and equipment, net

The composition of property and equipment includes the following:

	Property	Equipment and Furniture	<u>Art</u>	<u>Vehicles</u>	Total
Bardan I.	\$	\$	\$	\$	\$
Book value					
Balances as of December 31, 2015	1,860	739	8	49	2,656
Additions	7,7	168	-,-	-,-	168
Write-offs	*,*	(64)	-,-	+,+	(64)
Construction in progress	240	501	0.00	-,-	741
Balances as of December 31, 2016	2,100	1,344	8	49	3,501
Additions	1,813	161	37	350	2,011
Write-offs		(6)	17/7		(6)
Assets in transit	-,-	194	-,-	-,-	194
Balances as of December 31, 2017	3,913	1,693	45	49	5,700
Cumulative depreciation					
Balances as of December 31, 2015	7,*	256	-,-	23	279
Depreciation	-,-	88	***	2	90
Write-offs		(59)		*,*	(59)
Balances as of December 31, 2016	***	285		25	310
Depreciation	82	147		5	234
Write-offs	2.0	(5)		-,-	(5)
Balances as of December 31, 2017	82	427		30	539
Net book value 20	3,831	1,265	45	19	5,161
Net book value 20	2,100	1,059	8	24	3,191

In 2013, FONPLATA's Board of Executive Directors recommended the Board of Governors to approve a capital budget for the purchasing of a building for FONPLATA's headquarters in the city of Santa Cruz de la Sierra, Estado Plurinacional de Bolivia. The total amount approved by the Assembly of Governors between 2013 and 2017, amounted to \$5,136, encompassing the purchase of 5 ½ floors, storage and parking spaces in Edificio Ambassador Business Center, located in Ave. San Martin 155, Santa Cruz de la Sierra, Estado Plurinacional de Bolivia. The above amount encompasses the cost of electrical, networking and communications wiring and outlets, office partitions, interior finishing, windows treatment, furniture and fixtures.

Con fecha 1 de marzo de 2017, con base a la entrega provisoria acordada con la empresa constructora, FONPLATA comenzó a funcionar en su nueva sede.

On March 1, 2017, FONPLATA moved to its new premises based on a provisional acceptance agreed upon with the builder.

Of the total amount budgeted for the purchase of FONPLATA's headquarters, as of December 31 2017, \$4,935, have been already incurred, leaving an available balance of \$100 and of \$101.5, to be used in the purchase of art and to open and finish additional offices and work stations, respectively. The new work stations would help accommodate the additional staff positions contemplated in the approved Programs & Budget Document for 2018 – 2020.

Furthermore, the capital budget and its subsequent supplementary increases included \$514.7 earmarked for basic information technology infrastructure for data processing and communications, data security, computer equipment and data integration through a data warehouse.

#### (ii) Depreciation methods, revaluation and useful lives

All assets included under this caption are carried at their historical cost net of cumulative depreciation.

Depreciation is calculated using the straight-line method either on the historical cost or on the revalued amount, and based on the estimated useful live the asset. Applicable useful lives for the assets, are as follows:

Asset	Useful Live
Property:	
Land	Not amortized
Buildings	40 years
Furniture and equipment:	
Improvements on leased property	Over lease contract
Furniture and equipment	8 to 10 years
Computer equipment and software	4 years
Vehicles	5 years
Art	Not amortized

Note 2.9 contains additional information on accounting policies applicable to property and equipment.

#### 7.2 - Miscellaneous

This caption includes small balances owed to FONPLATA, resulting from advances to suppliers, guarantee deposit on the premises previously and currently leased to host FONPLATA's headquarters in the city of Santa Cruz de la Sierra, Bolivia, as well as for the offices located in Asunción, Paraguay.

The composition of other assets includes the following:

		December 31,		
		2017	2016	
		\$	\$	
Unreconciled expenses		5	4	
Advances to suppliers		19	55	
Expenses paid in advance		57	74	
Account receivables		26	203	
CODETEL's shares		33	33	
Guarantee deposits		3	11	
	Total	143	380	

#### 7.3 - Provisions

It includes the balance of all pending liabilities related to the provision for severance payment. The balance for this benefit as of December 31, 2017, and 2016, amounts to \$ 692 and \$577, respectively.

#### NOTE 8 - NET EQUITY

#### 8.1. Paid-in capital

On January 28, 2016, FONPLATA's 14<sup>th</sup> Extraordinary Governors' Assembly approved a new capital increase in the amount of \$1,375,000, raising the authorized from \$1,639,200 to \$3,014,200. On October 11, and on November 1, 2016, Bolivia and Uruguay, respectively, subscribed the whole amount of their respective share of the new capital increase and committed the totality of their respective callable capital.

The new capital increase became effective in 2017 with the subscription by all member countries of their respective installments of paid-in capital in the amount of \$550,000 and their commitment of the totality of their respective portion of callable capital in the amount of \$825,000. Paid-in capital subscriptions would be made effective in eight annual installments commencing in 2018 and through 2024. Upon completion of the integration process paid-in capital would amount to \$1,349,200, while callable capital as of December 31, 2017, amounts to \$1,665,000. Payment of subscribed and committed callable capital will proceed when required and based on FONPLATA's Governors' approval should FONPLATA be unable to comply with its financial obligations and commitments using its own resources.

A break-down of FONPLATA's capital, by country, as of December 31, 2017, and 2016, is as follows:

#### As of December 31, 2017:

		Subscribe	ed capital	-	iding ription	Authorize	ed capital		
Memb	er country!	Paid-in \$	Callable \$	Paid- in \$	Callable \$	Paid-in \$	Callable \$	<u>Total</u> S	<u>%</u>
	Argentina	449,744	555,014	-,-	4,4	449,744	555,014	1,004,758	33.3%
	Bolivia	149,904	184,991		-,-	149,904	184,991	334,895	11.1%
	Brazil	449,744	555,014	-,-	*,*	449,744	555,014	1,004,758	33.3%
	Paraguay	149,904	184,991	*.*	10.0	149,904	184,991	334,895	11.1%
	Uruguay	149,904	184,991	-,-		149,904	184,991	334,895	11.1%
		1,349,200	1,665,000			1,349,200	1,665,000	3,014,200	100.0%

#### As of December 31, 2016:

		Subscrib	ed capital	Pending su	bscription	Authorize	ed capital		
		Paid-in	Callable	Paid-in	Callable	Paid-in	Callable	Total	<u>%</u>
Memb	er country '	<u>\$</u>	\$	\$	\$	\$	<u>s</u>	Ş	1000 E
•	Argentina	266,410	280,014	183,333	275,000	449,744	555,014	1,004,758	33.3%
•	Bolivia	149,904	184,991	*.*	***	149,904	184,991	334,895	11.1%
•	Brazil	266,410	280,013	183,333	275,000	449,744	555,014	1,004,758	33.3%
•	Paraguay	88,793	93,324	61,111	91,667	149,904	184,991	334,895	11.1%
•	Uruguay	149,904	184,991			149,904	184,991	334,895	11.1%
		921,422	1,023,333	427,778	541,667	1,349,200	1,665,000	3,014,200	100.0%

The amount of paid-in capital subscribed and pending subscription, including the new capital increase, as well as the amount of callable capital subscribed, committed and pending commitment as of December 31, 2017, and 2016, respectively, is as follows:

#### As of December 31, 2017:

		Paid-in Capital	Subscribed		
Member Country		Paid-in i	Receivable 1	Total	
		\$	5	\$	
•	Argentina	243,077	206,667	449,744	
	Bolivia	81,015	68,889	149,904	
•	Brazil	219,744	230,000	449,744	
•	Paraguay	81,015	68,889	149,904	
	Uruguay	81,015	68,889	149,904	
	Total	705,866	643,334	1,349,200	

#### As of December 31, 2016:

		Paid-in Capita	al Subscribed	
Mem	ber Country	Paid-in'	Receivable 1	Total '
		<u>\$</u>	Ş	S
•	Argentina	219,744	46,667	266,410
	Bolivia	73,238	76,667	149,904
	Brazil	203,827	62,583	266,410
	Paraguay	73,238	15,556	88,793
•	Uruguay	73,238	76,667	_149,904
	Total	643,283	278,139	921,422

#### As of December 31, 2017:

	Callable Capita	l Subscribed	
	Committed	Uncommitted !	Total !
Member Country	<u>\$</u>	<u>\$</u>	\$
Argentina	501,678	53,336	555,014
Bolivia	167,215	17,775	184,990
Brazil	555,014	4,4	555,014
Paraguay	184,991	*.*	184,991
Uruguay	184,991	*.*	184,991
Total	1,593,889	71,111	1,665,000

#### As of December 31, 2016:

	Callable Capi	tal Subscribed	
	Total <sup>i</sup>		
Member Country	<u>\$</u>	<u>\$</u>	<u>s</u>
Argentina	173,342	106,672	280,014
Bolivia	149,439	35,552	184,991
Brazil	280,014	*,*	280,014
Paraguay	93,324		93,324
Uruguay	184,991	· ·	184,991
Total	881,109	142,224	1,023,333
	The second secon		***

#### 8.2. Other reserves

The balance of \$37, gain shown under "Reserve for changes in the value of investments available for sale", reflects the amount of cumulative changes in market value of investment instruments available for sale (2016: \$5 cumulative losses).

#### 8.3. Retained earnings and reserves

Subtotals may differ from totals due to rounding.

Retained earnings as of December 31, 2017, amount to \$20,131, consists solely of current year's net income (2016: \$14,761).

FONPLATA's policies provide that Unappropriated Retained Earnings are to be used to finance the preservation of the value of its equity over time and to also finance the Fund for the Compensation of the Operating Return (FOCOM), and the Technical Cooperation Program (PCT).

On June 15, 2017, the Assembly of the Board of Governors allocated to the General Reserve the totality of Unappropriated Retained Earnings in the amount of \$14,761 (Resolution A.G. 161/2017).

On September 27, 2016, the Assembly of the Board of Governors allocated to the General Reserve the amount of \$9,325 of Unappropriated Retained Earnings (Resolution A.G. 156/2016).

General Reserve

The balance held in the General Reserve as of December 31, 2017, and 2016, respectively is as follows:

	<u>\$</u>
Balance as of December 31, 2016	74,979
Allocated by the Assembly of Governors in 2017:	
Net income	14,761
Balance as of December 31, 2017	89,740

#### NOTE 9 - REVENUES

The composition of net income is as follows:

	2017	2016
	\$	\$
Loan income		
Interest	21,407	15,554
Commitment fee	2,263	1,986
Administrative fee	1,109	1,396
Other	273	
Subtot	tal 25,052	18,936
Investment income		
Interest	2,246	1,318
Other	117	44
Subtot	al <u>2,363</u>	1,362
Other income	89	180
Total incom	ne 27,504	20,478

#### NOTE 10 - ADMINISTRATIVE EXPENSES

Since 2013, FONPLATA has adopted a result based budgeting system, including performance indicators allowing the measurement of results attained and their related cost. The system matches governance, operating and financial goals with the activities required to reach them and the resources required. During the years ended December 31, 2017 and 2016, FONPLATA reached a percentage of execution of its administrative budget equivalent to 95% y 88%, respectively. The break-down of administrative expenditures by functional activity is as follows:

		December 31,	
		2017	2016
Expenditures' classification		<u>\$</u>	<u>s</u>
Personnel expenses		4,720	4,080
Business travel expenses		507	573
Professional services		454	450
Credit risk rating		129	132
External auditors		57	28
Administrative expenses		1,051	834
Financial expenses		134	94
	Total administrative budget	7,052	6,191
Depreciation		234	91
Changes in provision of Argentine bonds -	Gain	(473)	(667)
Exchange differences		(15)	(27)
Loss on fixed-assets withdrawals		1	5
	Tatal administrative expenses	6,799	5,593
		William and the committee of the committ	the second secon

#### NOTE 11 - SCHEDULED MATURITY OF ASSETS AND LIABILITIES

The following tables provide an analysis of the expected time elapsed to maturity of assets and liabilities as of December 31, 2017, and 2016, respectively, based on their respective recovery or settlement date:

		Current (Up to 1 year)	Non-Current [More than 1	Total
As of December 31, 2017		(Up to 1 year)	<u>vear)</u> Ş	Total \$
ASSETS		2	₹	5
Cash and cash equivalents		34,092		34,092
Investments		34,092	7.7	34,092
Available for sale		11,679		11,679
Held to maturity		132,765	4,488	137,253
Loan portfolio		132,763	4,450	137,233
Outstanding loans		58,505	598,582	657,087
Interest and other accrued charges		36,303	370,302	037,007
On investments		447		-047
Loan interest and commissions			-,-	447
Other assets		5,740	*,*	5,740
Property and equipment, net				
Miscellaneous		110	5,161	5,161
Miscellaneous	Total assets	110	33	143
HARMITIES	i otal assets	243,338	608,264	851,602
LIABILITIES		40.000		0.000
Borrowings Other liabilities		10,000	16,000	26,000
(2.70) (1.70) (2.70) (2.70) (3.70) (3.70)		912	27.67	912
Special funds		8,222		8,222
Provisions			693	693
	Total liabilities	19,134	16,693	35,827
As of December 31, 2016				
ASSETS				
Cash and cash equivalents		31,038	4.4	31,038
Investments				
Available for sale		12,193	195	12,193
Held to maturity		161,425	6,314	167,739
Loan portfolio				
Outstanding loans		4,489	535,028	539,517
Interest and other accrued charges				
On investments		550	7.7	550
Loan interest and commissions		4,007	***	4,007
Other assets				
Property and equipment, net		-,-	3,191	3,191
Miscellaneous		348	32	380
	Total assets	214,050	544,565	758,615
LIABILITIES				
Borrowings		-,-	16,000	15,000
Other liabilities		204	-,-	204
Special funds		8,816	-,-	8,816
Provisions			577	577
	<b>Total liabilities</b>	9,020	16,577	25,597
			100000000000000000000000000000000000000	

#### NOTE 12 - IMMUNITIES, EXEMPTIONS AND PRIVILEGES

As stated in the Fund's "Agreement of Immunities, Exemptions and Privileges of the Fund for the development of the River Plate Basin Territory," an international legal instrument duly ratified by its five Member Countries, FONPLATA can hold resources on any currency, paper, shares, equities and bonds, and can freely transfer them from one country to the other and from one place to the other within the territory of any country and convert them into other currencies

Furthermore, the Agreement establishes that FONPLATA and its assets are exempt, within the territory of its Member Countries, of any direct taxes and custom duties with respect either imported or exported goods for official use. The Agreement also indicates that in principle, the Fund would not claim the exemption of consumption, sales taxes and other indirect taxes. However, Member Countries commit, to the extent possible, to apply any and all administrative provisions that might be available to exempt or reimburse FONPLATA for the amount of such taxes, in connection with official purchases involving large amounts when such taxes are included in the price paid.

Complementary, both the Agreement on Immunities, Exemptions and Privileges as well as the Treaties signed by the Fund with the Bolivian State and with the Republic of Paraguay, establish that FONPLATAS' properties, goods and assets are exempt from all taxes, contributions and charges, at the national, departmental, municipal or of any other type.

#### NOTE 13 - SEGMENT INFORMATION

#### (a) Segment description

Based on an analysis of its operations, FONPLATA determined that it only has an operational segment. This determination is based on the fact that it does not manage its operations allocating resources among operations measuring the contribution of those individual operations to the Fund's net income. FONPLATA does not distinguish between the nature of loans or the services rendered, their preparation process or the method followed in the preparation of loans and services rendered to its member countries. All operations are performed at FONPLATA's headquarters and the Fund does undertake operational activities at other geographical locations. FONPLATA's operations consist of granting financing to the countries conforming the River Plate Basin, which are considered as segments for purposes of this disclosure: Argentina, Bolivia, Brazil, Paraguay, y Uruguay.

#### (b) Assets by segment

Composition of the loan portfolio by country is as follows:

As of December	Gross partfolio S	Unaccrued commissions	Impairment §	Loan portfolio	Interest and commissions receivable	Total S
	The state of the s	1	10.000	443.500		
Argentina	114,395	(722)	(1,140)	112,533	1,489	114,022
Bolivia	169,188	(4)	(772)	168,412	1,822	170,233
Brazil	73,437	(259)	(335)	72,843	730	73,573
Paraguay	121,579	(546)	(348)	120,685	813	121,498
Uruguay	183,368	(464)	(290)	182,614	886	183,501
Total	661,967	(1,995)	(2,885)	657,087	5,740	662,827
				-		

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	Gross partfalio §	Unaccrued commissions	Impairment \$	Loan portfolio	Interest and commissions receivable	Total <u>\$</u>
As of December	31, 2016:					
Argentina	80,225	(446)	(1,352)	78,427	1,105	79,532
Bolivia	141,711	(275)	(828)	140,608	1,214	141,822
Brazil	83,155		(283)	82,872	871	83,743
Paraguay	99,896	(111)	(340)	99,445	513	99,958
Uruguay	138,767	(378)	(224)	138,165	304	138,469
Total	543,754	(1,210)	(3,027)	539,517	4,007	543,524

Composition of the gross loan portfolio by country and its distribution by industry segment is as follows:

As of December 31, 2017:	Communication, transportation, energy and logistics infrastructure \$	Infrastructure for productive development \$	Infrastructure for socio-economic development	<u>Total</u> §
Argentina	38,637	30,284	45,474	114,395
Bolivia	155,788		13,400	169,188
Brazil	26,685		46,752	73,437
Paraguay	115,483	6,096		121,579
Uruguay	180,155		3,213	183,368
Total	516,748	36,380	108, 839	661,967
As of December 31, 2016:				
Argentina	24,769	7,815	47,641	80,225
Bolivia	128,704	-,-	13,007	141,711
Brazil	30,678	-,-	52,477	83,155
Paraguay	99,896	25	51	99,896
Uruguay	138,767		747	138,767
Total	422,814	7,815	113,125	543,754

Furthermore, undisbursed loan balances on loans under execution and its break-down by country is as follows:

		December 31,		
		2017	2016	
Argentina		256,286	127,984	
Bolivia		180,451	178,689	
Brazil		35,373	*	
Paraguay		64,414	139,671	
Uruguay		45,435	94,903	
	Total	581,959	541,247	

The average return on loans is as follows:

		Decemb	er 31,		
	201	2017		2016	
	Amount \$	Average return %	Amount §	Average return %	
Loan portfolio	602,861	4.16%	497,904	3.80%	

#### (c) Segment revenues

Interest and other revenues by segment are as follows:

	Other operating			
	Loan revenues	revenues	Total	
	\$	\$	\$	
As of December 31, 2017:				
Argentina	3,591	1,146	4,737	
Bolivia	5,511	917	6,428	
Brazil	3,184	173	3,357	
Paraguay	3,491	766	4,257	
Uruguay	5,630	643	6,273	
Total	21,407	3,645	25,052	
As of December 31, 2016:		<del></del>	-	
Argentina	2,524	549	3,073	
Bolivia	3,637	791	4,428	
Brazil	2,828	615	3,443	
Paraguay	2,849	620	3,469	
Uruguay	3,715	808	4,523	
Total	15,553	3,383	18,936	

#### NOTE 14 - RELATED PARTIES

As indicated in Notes 1 and 6.4, FONPLATA only grants financings to its five borrowing member countries, who are also the owners and shareholders of the Fund. All lending operations are entered in full compliance with the policies and guidelines approved by the Board of Governors, the Board of Executive Directors or the Executive President, as required. Consequently, FONPLATA does not have transactions with its member countries in other terms than those established in its policies and guidelines.

The balances and transactions maintained with related entities as of December 31, 2017, and 2016, respectively, correspond to the balances held with the FOCOM and the PCT, as well as the Special Account for Paying Termination Benefits, as explained in further detail in notes 2.12 and 6.6, and notes 2.13 and 7.3, respectively.

#### NOTE 15 - CONTINGENCIES

No contingencies have been identified, that could materially affect FONPLATA's financial statements as of December 31, 2017, and 2016, respectively.

#### NOTE 16 - SUBSEQUENT EVENTS

The Fund has assessed events and transactions occurring after the date of the financial statements on December 31, 2017, and through February 9, 2018. No material events requiring either adjustment of the financial position and the results of operation or disclosure to the financial statements as of December 31, 2017, have been identified.

Juan E Notaro Fraga EXECUTIVE PRESIDENT

Jaqueline Koehnke Ferrufino CHIEFF ACCOUNTANT Gérónimo Frigério PRESIDENT OF THE BOARD OF DIRECTORS

Astricio E. Merlani MANAGER PIÑANCE AND ADMINISTRATION





### Strategic Alliances



As part of the Institutional Strategic Plan, FONPLATA has strengthened existing and established new strategic alliances with multilateral organizations and development agencies to find complementarity and synergy in our activities.

By the end of 2017, a \$100 million loan was secured from the Inter-American Development Bank (IDB) to supplement our loan portfolio to help promote integration and development in border regions, and encourage tourism in the Jesuit Missions corridor.

The loan will fund high-impact, high local value multi-sector investments boosting economic, social and cultural opportunities. The funding will be used for regional integration projects on tourism, connectivity infrastructure, development of border cities, institutional development and governance, among others.

Additionally, a loan is being sought from the European Investment bank (EIB) to co-finance projects for the mitigation of, and adaptation to climate change. Another funding from the French Development Agency (AFD) is also being sought to finance investments aimed at reducing greenhouse gas emissions.

It is important to note that these lending operations come alongside technical cooperation funds enabling the institutional strengthening of FONPLATA and implementing agencies.

In addition, a Memorandum of Understanding has been signed with the New Development Bank (NDB), established by Brazil, Russia, India, China and South Africa, to co-ordinate activities in areas of mutual interest.

Finally, FONPLATA created the Strategic Alliances Coordination Unit for purposes of serving as a bridge with banks, multilateral agencies and development organizations with which it has and will have agreements.

## **Supporting initiatives**

As part of FONPLATA's policy on involvement with the community of the city of Santa Cruz, our host department and host country, we have supported some cultural and sport-related activities throughout the year. During 2017, FONPLATA sponsored the following activities:

#### "Gente con Voz"

As part of the FENAVID international film festival and the initiative "Gente con Voz", young composers from the five member countries were encouraged to send their own compositions on the topic "integration and union between peoples". Performers of the top ten songs travelled to Santa Cruz de la Sierra to record the video clips of their songs together with film production students and professional filmmakers.





#### U-17 Women's Soccer -FONPLATA Cup

This initiative, taken jointly by our Executive President Juan Notaro and the President of Bolivia Evo Morales, aimed at promoting integration of different regions within the country and increasing visibility of women in sport, particularly among girls. The weekend of competition was organized together with the Ministry of Sports, and involved six teams from different regions of Bolivia.



## International Theater Festival

In 2017 FONPLATA was again among the sponsors of the International Theater Festival organized by APAC, with the aim of promoting art and culture as an instrument for unity and fraternity between peoples. Thirty-two groups from nine countries participated in the event, with 52 performances in Santa Cruz de la Sierra, Samaipata and Tarija. Over 200 artists performed in seven conventional theaters and ten open air areas.



#### International Meeting of Mayors and Governors of the Jesuit Missions

The event hosted by the government of the Department of Santa Cruz gathered mayors and governors from Argentina, Bolivia, Brazil, Paraguay and Uruguay, as well as representatives of international cooperation agencies working in the Jesuit Missions corridor. The purpose of the meeting, held for the second time this year, is to coordinate efforts and policies to position the corridor as a tourism destination and integration area among the five member countries.

#### Women's Entrepreneurship Day (WED)

FONPLATA embraced the celebration of this global event that aims to promote a network of women leaders, innovators and entrepreneurs to initiate startups, drive economic expansion, and advance communities around the world.

# Volunteering and Corporate Social Responsibility Committee

The Volunteering and Corporate Social Responsibility Committee is made up of FONPLATA officials involved in fundraising and community support activities, particularly among the most disadvantaged in the city of Santa Cruz de la Sierra.

Significant achievements in 2017 included:

- A steady pace of fundraising events through raffles, donations and other activities (see attached table).
- Drafting and approval of the Committee's statutes.
- Health costs support.
- Contribution to institutional campaigns.
- Donations to institutions in Santa Cruz de la Sierra:
  - Hogar "Madre María"
  - Christmas lunch for children from Suárez neighborhood, Plan 3000
  - Personal hygiene items for Chaco Güembé elementary school
  - Volunteers for breast cancer care fundraising dinner
  - Luncheon for the elderly Alto San Pedro 1 Education Unit
- Creation of the Scholarship program "Tíos y Tías" (Uncles and Aunts)
- Organization of the volunteering festival "Primavera solidaria" (Solidarity in Spring)







## Opening of the new FONPLATA headquarters

Our new headquarters were officially opened on July 4 2017. The offices are located at the Ambassador building, in the Equipetrol neighborhood in Santa Cruz de la Sierra. The event was attended by the President of the Plurinational State of Bolivia, Evo Morales.

The new offices are FONPLATA's first own headquarters since its creation in 1974, with appropriate facilities that meet operational needs and also versatile for future requirements.

The following ministers were also present at the inauguration ceremony: Danilo Astori, Minister of Finance of Uruguay who at that time was also the President of the Board of Governors; Mariana Prado, Minister of Planning and Development of Bolivia; and Lea Giménez, Minister of Finance of Paraguay.









