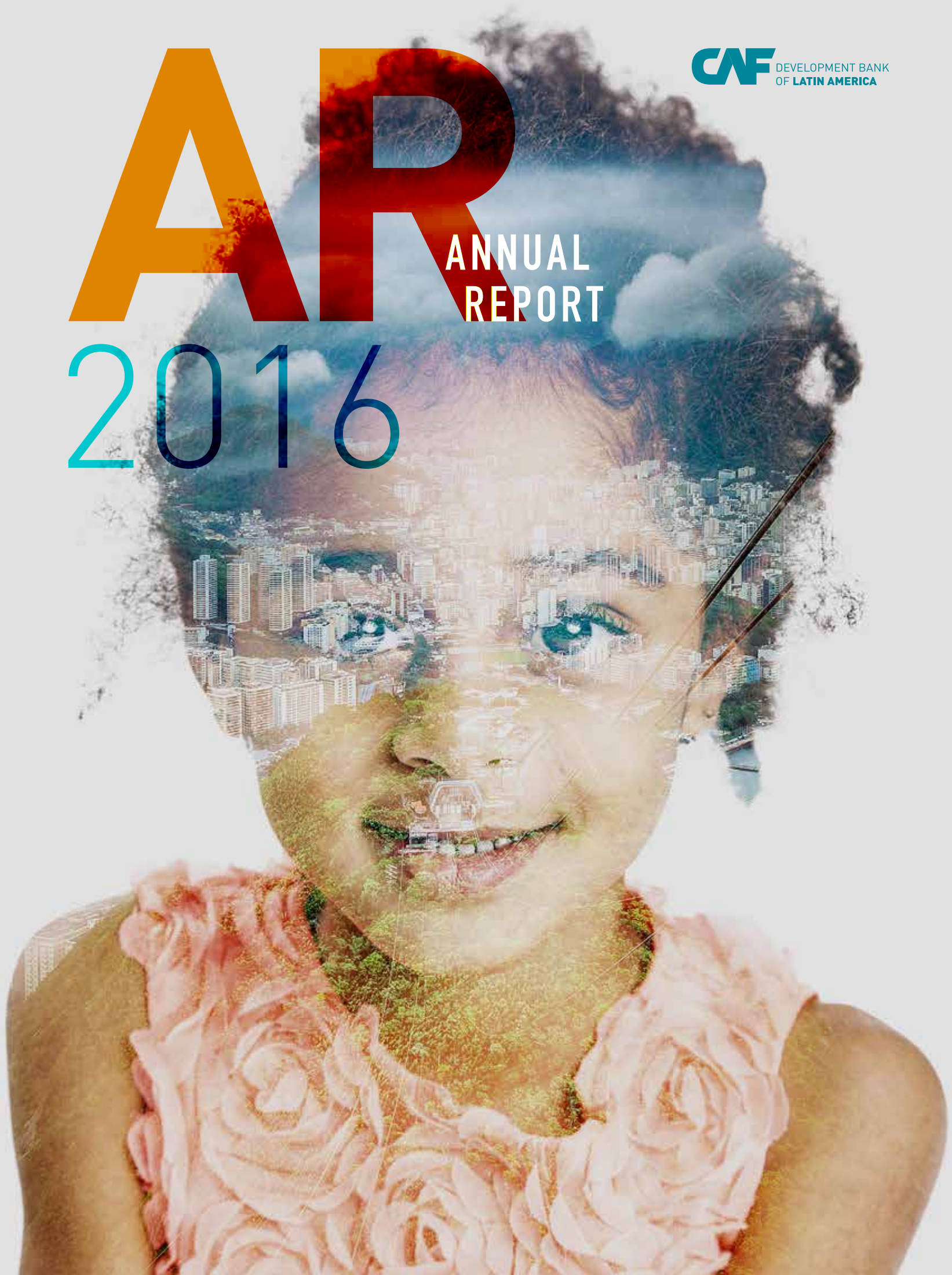


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2016



ANNUAL REPORT

2016

CAF

DEVELOPMENT BANK OF LATIN AMERICA

CAF is a multilateral financial institution whose mission is to support the sustainable development of its shareholder countries and the integration of Latin America. Its shareholders are: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad and Tobago, Uruguay, Venezuela and 13 private banks in the region.

CAF assists the public and private sectors, providing multiple products and services to a wide portfolio of clients constituted by shareholder countries, private companies and financial institutions. The institution's management policies integrate social and environmental variables, and all of its operations take into account sustainability and eco-efficiency criteria. As a financial intermediary, the bank mobilizes resources from international markets to Latin America to promote investment and business opportunities.

SHAREHOLDER COUNTRIES

ARGENTINA	2001
BARBADOS	2015
BOLIVIA	1970
BRAZIL	1995
CHILE	1992
COLOMBIA	1970
COSTA RICA	2002
DOMINICAN REPUBLIC	2004
ECUADOR	1970
JAMAICA	1999
MEXICO	1990
PANAMA	1997
PARAGUAY	1997
PERU	1970
PORTUGAL	2009
SPAIN	2002
TRINIDAD AND TOBAGO	1994
URUGUAY	2001
VENEZUELA	1970

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MESSAGE

FROM THE EXECUTIVE PRESIDENT

For Latin America, 2016 was a year marked by profound political and economic changes. In comparison with other areas of the emerging world, the region's economic performance was weaker. For the second consecutive year, the gross domestic product (GDP) of Latin America and the Caribbean in 2016 remained negative, although the prospects for 2017 are more promising. Again, the heterogeneous behavior among countries and subregions was the distinctive mark of the regional economic events.

The external front is one of the factors that explains this situation. The current global context is still pointing to a slow economic recovery, with weak global demand and risks of volatility in financial markets. On the other hand, the resurgence of nationalist and protectionist sentiments raise questions for the future and require that the region rethinks its position for facing the challenges ahead.

Given this complex global scenario, marked by a high dose of uncertainty, CAF –Development Bank of Latin America has decided this year to wholeheartedly fulfill its mission of promoting sustainable development and regional integration.

Given more restrictive financial conditions, CAF has prioritized its contra-cyclical and catalytic role in mitigating the negative effects of the current economic situation. In addition, we have strengthened our commitment to accompanying governments

and the productive and financial sectors of the region taking as a guide our comprehensive development agenda, aimed at achieving high, sustained, efficient, sustainable and quality growth in Latin America, based on the productive transformation of local economies.

This agenda, which is based on four pillars –economic stability, microeconomic efficiency, equity and social inclusion, and environmental balance– has served as a framework for action when making strategic and operational decisions throughout the year.

The annual balance sheet shows positive data. In 2016, CAF approved 156 operations for a total of USD 12.4 billion, which represents a record figure since the creation of the entity in 1970. In addition, rating agencies maintained their recognition of the credit quality and of the relevance that CAF has acquired as one of the main multilateral agencies in the region. In this regard, Fitch Ratings Japan Credit Ratings, Moody's Investors Service, and Standard & Poor's reaffirmed CAF's ratings. This reflects the strength and stability of CAF's financial indicators, the wise management of its credit policies, the independence with which it undertakes its operations, and the support it has always received from its shareholder countries.

In regard to the promotion of regional integration, CAF took a leading role in the incipient process of Cuba's international



insertion with the signing in September 2016 of the first agreement of understanding with Cuba to establish a joint working agenda. The agreement is an essential step toward creating the conditions for the entry of this country as a member of CAF in the future.

CAF's generation and dissemination of knowledge is also worth highlighting, as is its effort to deepen its international relations, which has converted the institution into a link between Latin America and the world. This has been achieved by linking the institution with an extensive network of universities, think tanks, and financial and development institutions at a regional and global level.

At an institutional level, our organization ends the year with a change in the Executive Presidency, a position I have held since 1991. Effective April 1, 2017, Luis Carranza Ugarte, former Minister of Economy and Finance of Peru, is the new Executive President of CAF for the period 2017-2022.

The past 25 years at CAF have comprised a cycle of enormous challenges and great satisfaction. Without losing sight of its mission to support sustainable development and regional integration, CAF has undertaken ambitious institutional transformations, supporting innovative projects and accompanying the region's countries under the most diverse political, economic and social circumstances.

They have been years filled with hard work and dedication. I am pleased to present our institution's Annual Report and the results for the 2016 fiscal year. In addition, there is a report outlining the milestones achieved over the 25 years of my tenure as Executive President of CAF.

I am honored to have been part of CAF's remarkable transformation to become the Development Bank of Latin America and be a firsthand witness of the huge commitment toward the region's development and growth. None of these achievements would have been possible without the commitment, effort and vision of the shareholder countries, governments, members of the board and CAF staff. I thank them for their trust shown me throughout this cycle and I invite them to continue working together to build a Latin America that offers better opportunities for everyone.

Enrique García
Executive President

2016

HIGHLIGHTS

FINANCIAL SOUNDNESS

CAF completed 21 bond issues in international capital markets for USD 3.96 billion, a new record for operations in terms of the value and the number of transactions.



GREEN FINANCING

CAF is the first multilateral development bank to enter into an Accreditation Framework Agreement (AMA) with Green Climate Fund. This will help develop climate-resilient and low-emissions development projects in Latin America, while providing access to new sources of green funding for the region.

TRINIDAD AND TOBAGO: FULL MEMBER

Trinidad and Tobago met all the compliance requirements to become a Full Member under Special Conditions.



NEW OFFICE IN MONTEVIDEO

The construction of a new CAF office in Uruguay is underway. This office will be a hub for the Southern Region: Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay.



TRANSFER OF LEADERSHIP

CAF's board of directors elected Peruvian economist Luis Carranza Ugarte as the institution's new executive president for the period 2017-2022. Carranza Ugarte was Peru's Minister of Economy on two occasions. He succeeds Enrique García Rodríguez, who is stepping down after a 25-year tenure during which he led CAF's transformation from a subregional Andean institution into the development bank of Latin America.

TOTAL ASSETS

2015	USD 32.5 billion
2016	USD 35.7 billion

LIQUID ASSETS

2015	USD 10.8 billion
2016	USD 12.0 billion

LOAN AND INVESTMENT PORTFOLIO

2015	USD 20.8 billion
2016	USD 22.4 billion

PAID-IN CAPITAL

2015	USD 6.8 billion
2016	USD 7.7 billion

EQUITY

2015	USD 9.5 billion
2016	USD 10.5 billion

OPERATING INCOME (*)

2015	USD 135 million
2016	USD 204 million

(*) Operating Income is defined as net income before changes in the fair value related to financial instruments and contributions to stockholders' special funds.



LATIN AMERICA'S ECONOMIC AND SOCIAL ENVIRONMENT



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Recent evolution and outlook**

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**Latin America:
Recent evolution and outlook**

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**International integration
and insertion**

The growth of the global economy seems to have stabilized around

3%

INTERNATIONAL ENVIRONMENT: RECENT EVOLUTION AND OUTLOOK

The growth of the global economy seems to have stabilized around 3%. Advanced and emerging economies alike are struggling to achieve more robust growth rates. After having gained ground in 2015, advanced economies lost traction in 2016. The slowdown appears to have bottomed out in 2016 in emerging economies, although their performance was heterogeneous between countries and regions. This establishes a panorama for a world economy with an expansion close to 3% in 2016. A slight economic acceleration is expected in 2017 based on higher growth in the United States and some recovery in emerging economies. The downside of the balance of risks persists, with the appearance of possible shocks such as a greater weakening of activity in China, problems in the European banking system, or disruptions generated by negotiations for the exit of the United Kingdom from the European Union starting in 2017, confounded by the uncertainty surrounding the economic policies that the United States may implement.

Despite the continued expansive monetary policy under the central banks in advanced economies, economic recovery remains fragile as shown by the weakening experienced in the United States and Europe in the first half of 2016. The prolonged weakness in the advanced economies is associated with their slowing potential growth derived, in turn, from lower productivity growth and demographic changes that have reduced the fraction of the working age population. The growth in the United States fell to 1.6% in 2016, after reaching 2.6% in 2015. The activity was based on consumption, boosted by a stronger job market, credit extended to the private sector and a recovery in the real-estate sector. The flip from the first half of 2016 was due largely to the decline in investment in the energy sector, derived from the sharp fall in oil prices until the beginning of 2016. In 2017, activity is expected to expand around 2.5%, thanks to a recovery of investment levels, particularly in the energy sector, and possible fiscal stimuli that the new administration plans to implement. On the other hand, inflation remains on course to converge with the central bank's goal (2% yearly), in line with a moderate trend of growth in wages. The Federal Reserve (FED) is expected to continue to raise benchmark interest rates. Considering that the economy has achieved near full employment, the path of rate hikes may possibly accelerate in 2017.

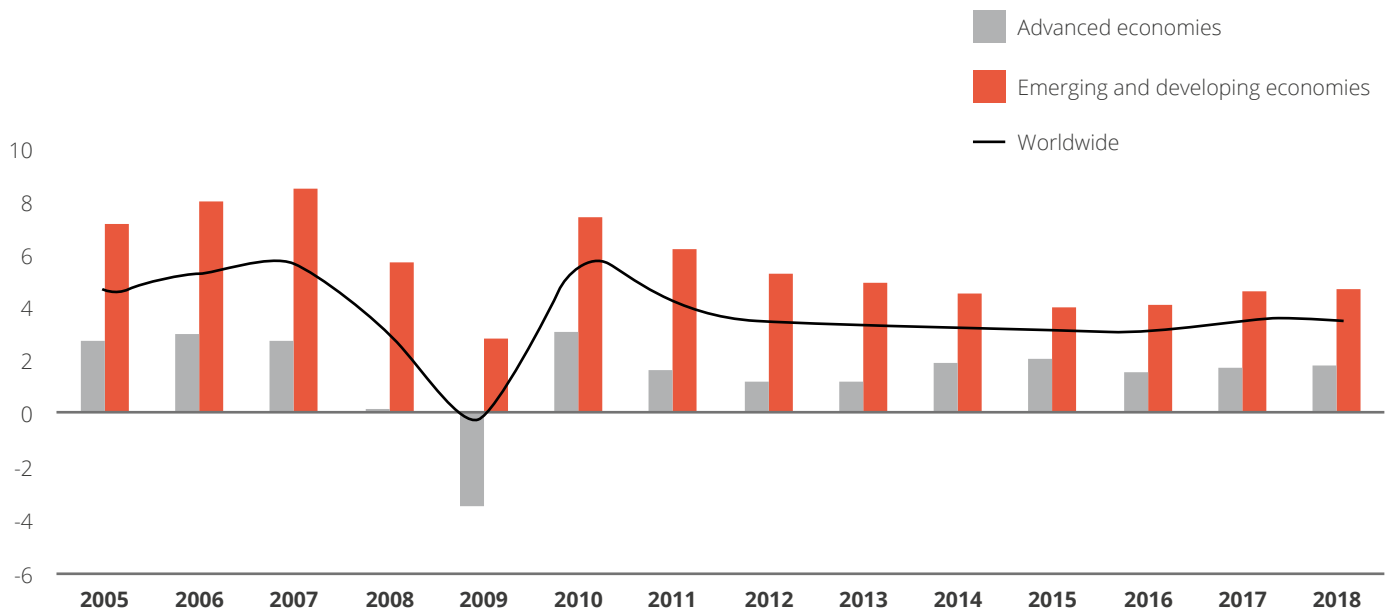
Activity in the euro zone expanded about 1.5% in 2016, down from the 2% recorded in 2015. Domestic demand, especially investment, weakened. External demand did not add any extra impetus. The monetary policy of the European Central Bank (ECB) sustains a strongly expansive bias. This has led to negative yields of an important fraction of sovereign bonds in the eurozone. Low interest rates also affect the profitability of banks and impair investor expectations regarding the banking system. Stress tests for banks in the euro zone revealed important weaknesses. The legacy of the systemic financial crisis still weighs on the balance sheets of some banks. This has helped to contain the spread of credit to the non-financial private sector, despite ECB's efforts to expand the money supply and bring down interest rates below zero. The result of the Brexit referendum (the United Kingdom leaving the European Union, Brexit) had a strong impact on the financial markets in mid-2016. However, the turbulence was short-lived and markets quickly recovered. The exception was the pound sterling, whose depreciation did not undergo a reversal.

Brexit's impact on the activity in the euro area was minimum in 2016. However, any difficulty in the negotiations could also affect activity in 2017. It is expected that the euro zone will grow around 1.5% in 2017, with a balance of risks with a downward bias, mainly due to aftershocks from the financial system, disruptions in the Brexit negotiation process or political tensions that put at risk the conservation of the euro.

In Japan, growth remained below 1% in 2016, due to the strengthening of the yen and the weakening of exports. The momentum of domestic demand thanks to the effect of fiscal and monetary stimuli is expected to support the economic activity. However, stimuli seem to be insufficient to underpin growth and achieve the inflation goal, making structural reforms necessary.

The slowdown in emerging economies deepened in 2016. After a turbulent start to the year, activity in China was stable throughout the year, thanks to fiscal and monetary stimuli. Uncertainty surrounding the performance of activity at the

FIGURE 1. Growth of world GDP and by groups of countries (%)



Source: IMF

In the second quarter of 2016, commodity prices started to show a moderate recovery.

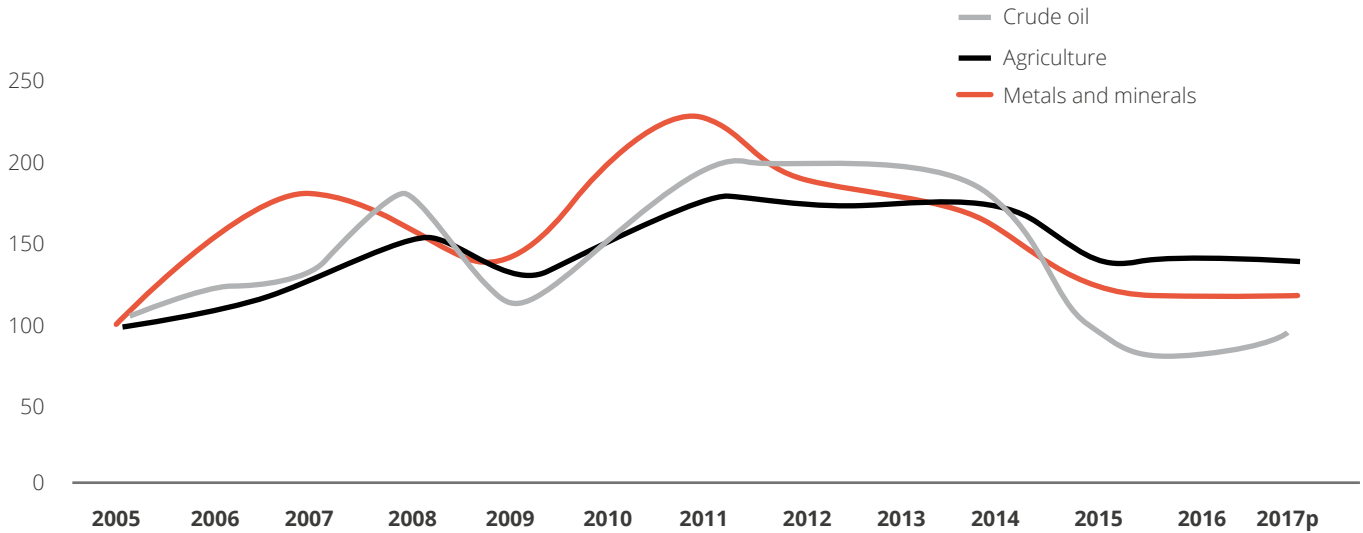
beginning of 2016 led to increased pressure on renminbi. Capital flows began to stabilize once trust in the economy was recovered starting in the second quarter of 2016, but net outflows remain at relatively high levels. The recovery of the real estate sector in China was a determining factor to bolster activity in 2016. This was achieved through a reduction in mortgage costs and the elimination of certain restrictions for the acquisition of properties. The sustainability of the expansion could be affected in the event that the central bank takes a more restrictive stance. The pace of growth is expected to decline in 2017 as authorities restrict credit to avoid financial imbalances. Although the risk of a hard landing in the short term appear to have decreased, the risk of weak growth in the medium term is on the rise. The expansion of productive investment has focused more on state companies, which face greater problems of excess capacity and lower efficiency than private companies. This could divert the economy away from the path toward structural reforms and weigh on productivity in the medium term. Efforts to maintain high growth rates in the short term may have an impact on the sustainability of this growth over time.

On the other hand, the recession deepened in Brazil in 2016. However, in the second half of the year, there were signs that suggested the fallback seems to have bottomed out. In Brazil, economic agents' trust in the economy improved after the political crisis passed and activity indicators reflected a slowdown in the economic decline. A reversal in inflation would create room for a less restrictive monetary policy, which would bolster economic activity in 2017. However, the recovery would be very gradual. The recession relented in Russia in 2016 and a recovery is expected in 2017, with increased support for activity in 2017 rooted in better oil prices. India, by contrast, kept growing at high rates in 2016 with growth projections for 2017 around a solid 6.5%, surpassing China. However, the consolidation of protectionist tendencies is an important risk factor for these economies, which may affect trade flows and foreign direct investment (FDI) decisions.

BASIC GOODS MARKETS

Prices of major commodities continued along the same downward trend registered since 2014 until early 2016, when the fall deepened. This was due to a weakening in the global demand over the period and the resurgence of fears of a sharp slowdown in China. In the case of the crude oil market, the surplus of supply accumulating since 2014 also weighed on prices, causing a fall in oil prices to the lowest level in 12 years. Since the second quarter of 2016, commodity prices began to show a moderate recovery, once the activity in China began to show signs of stability. The oil market saw the biggest recovery, which was bolstered by a reduction in the surplus of supply. The agreement to freeze production in the fourth quarter of 2016 gave a boost to prices. The recovery of production of non-conventional crude oil in the United States starting in late 2016 is likely to limit the rise in prices in 2017. The rest of the raw materials could be favored by a rebound in investment in infrastructure in the United States, base metals in particular.

FIGURE 2. Prices of the main commodities



FINANCIAL AND STOCK-EXCHANGE MARKETS

Financial markets were affected by incidents of volatility in 2016, as well as by fears of a further weakening in China, the turbulence that followed Brexit mid-year and the presidential elections in the United States in November. Net capital flows toward emerging economies fell significantly in 2015 and continued weakening in 2016. This largely responded to capital outflows from China, but also to the slower pace of capital inflows, including FDI and portfolio investment toward the rest of the emerging economies. Portfolio investment inflows continue to show a high volatility, marked by changes in the risk aversion in a context of deterioration of economic fundamentals in emerging economies and of search of high yields. After the Brexit referendum, the pound fell to its lowest level in 31 years and global equity markets recorded losses of USD 3 billion, an all-time high. However, stocks and currencies recovered a few weeks later. After the result of the presidential elections in the United States, emerging markets once again suffered the ravages of a move toward safe assets. Sovereign bonds suffered the biggest setback. Of the region's currencies, the Mexican peso suffered the greatest losses. However, stock market indexes in the United States rose, mainly driven by financial and energy stocks. In 2017, new incidents of market volatility are expected associated with US public policy decisions—surrounding which a high degree of uncertainty persists—, Brexit negotiations for the United Kingdom's exit from the European Union and a series of electoral events in Europe.

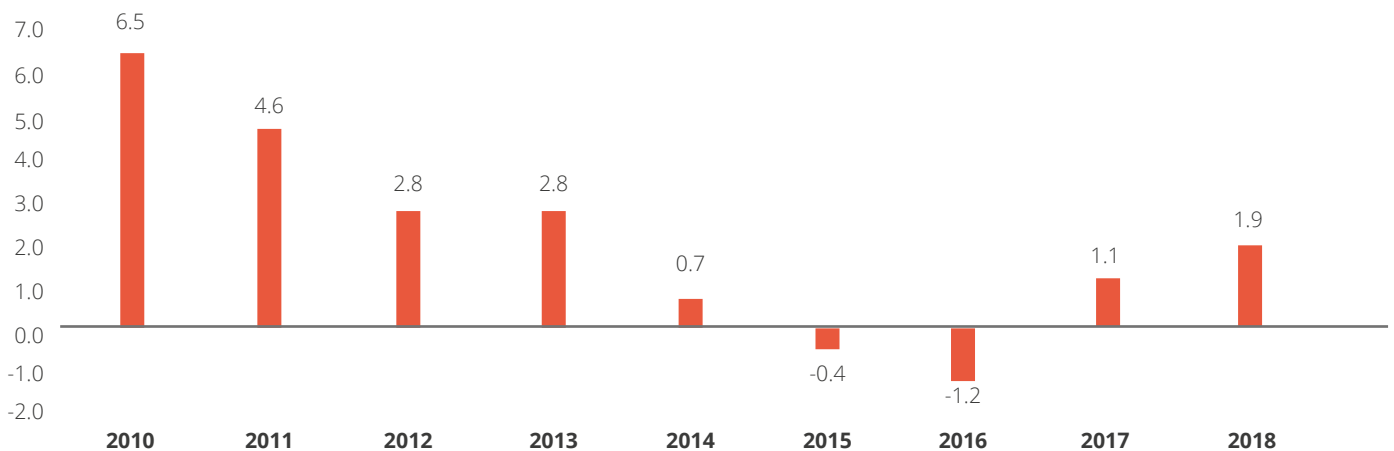
LATIN AMERICA: RECENT EVOLUTION AND OUTLOOK

ACTIVITY

The activity in Latin America contracted for a second consecutive year in 2016. GDP fell at least 1.2% in 2016 and a moderate recovery is expected in 2017. The main incidents that can put at risk these forecasts would be a greater weakening of the growth of China and a poor recovery in the United States.

The region is demonstrating a high degree of heterogeneity. Economies with greater ties to the United States and greater degree of integration in global production chains have registered a more stable performance than exporters of raw materials. The framework of public policies has marked the differences in the performance of commodity producers. This heterogeneity is reflected in the countries' cyclical positions. Activity shrank in Argentina, Brazil, Ecuador and Venezuela in 2016, while the rest of commodity producers in the region grew at a rate close to 3%. Argentina, Brazil and Ecuador are expected to emerge from their recessions in 2017, with the rest of the region's economies also performing better.

FIGURE 3. Latin America: GDP growth (%)



Source: CAF.

EXTERNAL ACCOUNTS

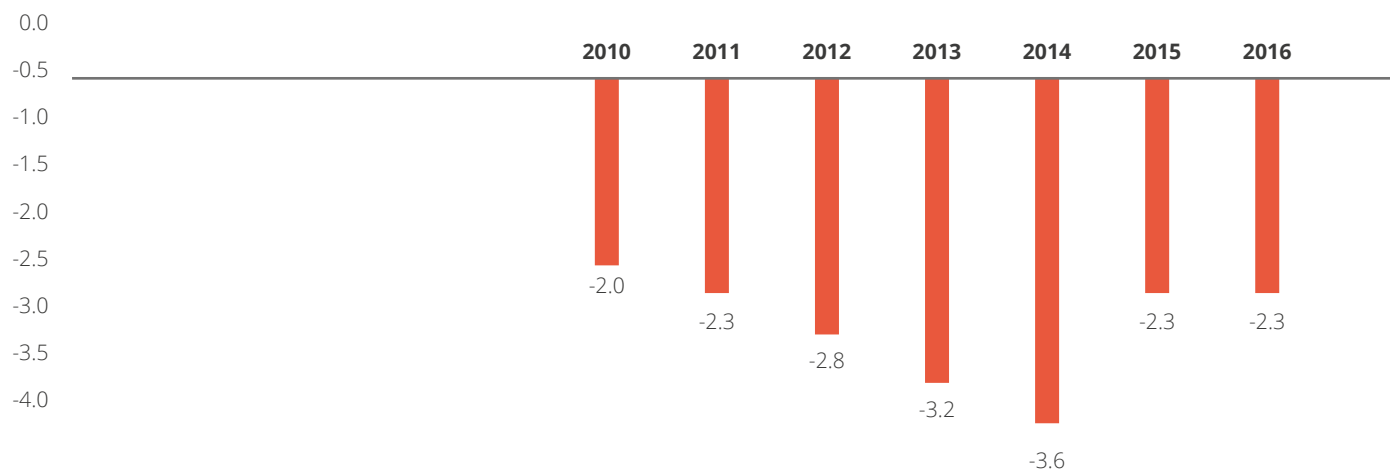
Current account deficits expanded for net exporter countries of raw materials in 2015, exceeding 5% of the GDP in some cases. In 2016, the external balances of some countries began to improve, due to a strong compression of imports, derived in turn from the weakness of demand and the depreciation of currencies. There was also an expansion of mining exports. In Central America, the fall in fuel prices had a favorable impact on the external accounts, compounded by an increase in workers' salaries.

In spite of that, current account deficits remain higher in countries that import raw materials (Central America and the Caribbean) than in the economies of South American countries.

Most of the Latin American economies' current account deficits hit an all-time level in 2016 and continued a progressive adjustment toward a more moderate deficit level.

FDI continues to be the main source of financing for the region's current account deficits, although banking and portfolio inflows remain an important source in some economies.

FIGURE 4. Latin America: Current Account/GDP (% of GDP)



Source: IMF.

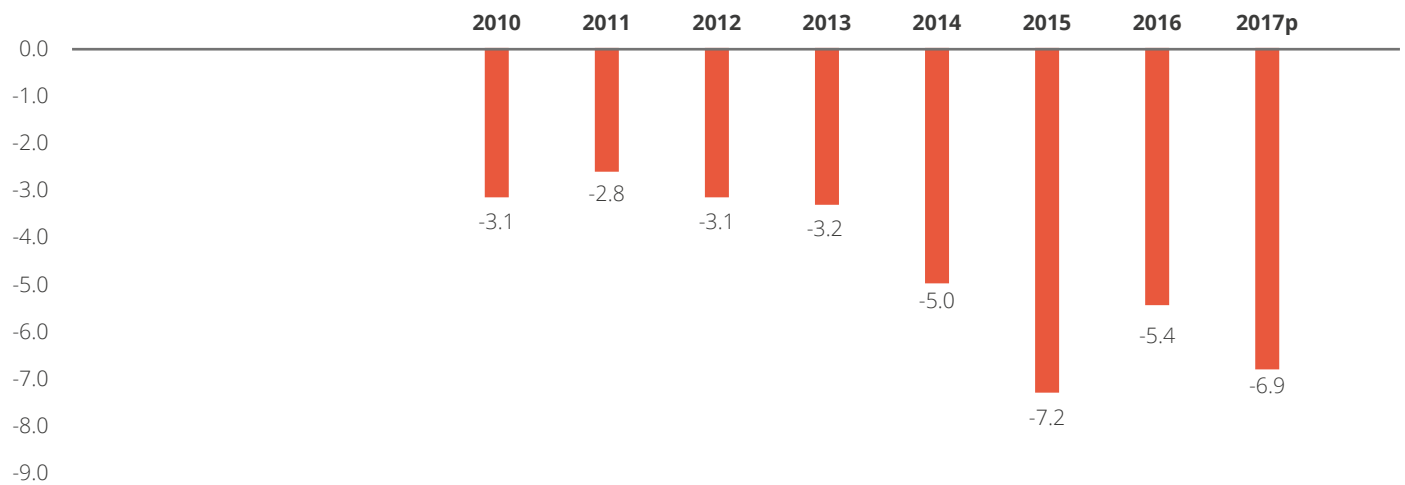
FISCAL ACCOUNTS

On the external front, current account deficits expanded for countries. Fiscal balances have deteriorated and reached deficit levels equivalent to 3% of GDP on average in 2015, due to slower growth and falling revenues from commodity exports. This has generated an increase in the debt levels in the majority of countries, and highlights the need for fiscal adjustments to preserve or restore debt sustainability in the mid-term.

There is considerable heterogeneity among the different countries' fiscal situations, marking important differences in the need, time and speed of adjustment. Economies like Peru and Chile, with low levels of debt and low tax pressure, have room to implement fiscal stimuli in the short term. At the other end of the scale are countries with high debt levels and high tax pressure, like Brazil and Uruguay, which should implement short-term adjustments, largely through spending cuts. However, moderate deficit levels in Uruguay mean that the needed adjustment is less severe than in Brazil. In intermediate cases such as Colombia and Mexico, where debt levels are moderate and tax pressure is low, the need for tax reform is essential.

In order to preserve investment in infrastructure, some economies in the region are turning to public-private partnerships schemes to finance these investments.

FIGURE 5. Latin America: Fiscal result (% of GDP)



Source: IMF.

MONETARY AND FOREIGN EXCHANGE SECTOR

Currencies in the region suffered the ravages of the decline in commodity prices and the appreciation of the US dollar. The Colombian peso and the Brazilian real registered the greatest depreciation between 2015 and 2016. However, the moderate recovery of raw material prices from the second half of 2016 conferred some support to currencies.

Given the correlation between these currencies and raw material prices, a good portion of the currency adjustments is expected to have already taken place. In the upcoming years, some currency stability is expected, although any disruption in the financial markets could hit them again. The intervention by some central banks has managed

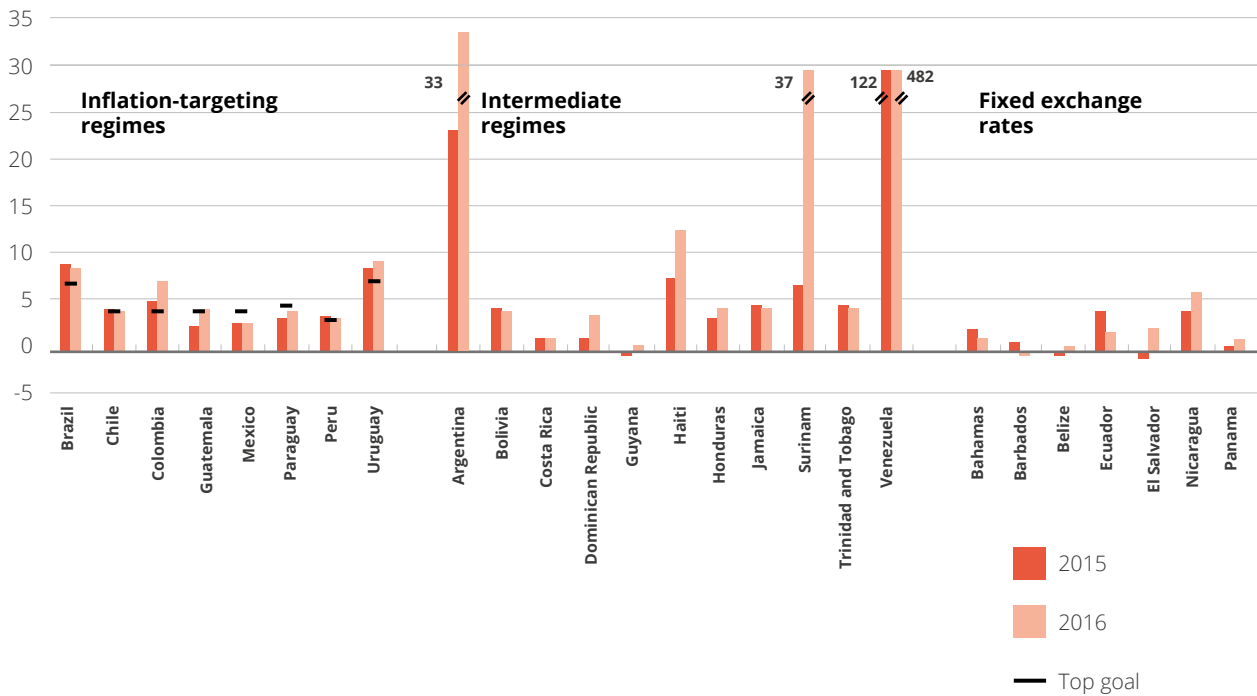
to contain the depreciation of some currencies, particularly in countries with a higher degree of dollarization.

In economies with fixed or dollarized regimes, a real appreciation of currencies prevailed, which affects the possibilities of adjustment of the external accounts.

Inflation soared in the region as a result of the depreciation of currencies and some supply shocks. In 2015, inflation exceeded the target range in the majority of countries with inflation-target schemes. This forced the central banks in these countries to raise interest rates, amid a weakening of activity. In economies with fixed exchange rate regimes, inflation rates remained relatively stable.

Starting in mid-2016 inflation began to slow down and to converge again with targets, once the price adjustment derived from depreciation is absorbed. In 2017, it is expected that inflation will return to target levels in several countries before continuing to shift downward in 2018. This could give more slack to central banks for the granting of monetary stimuli.

FIGURE 6. Latin America: Inflation for selected countries (%)



Source: Central Banks.

The main objective of the XXV Ibero-American Summit of Heads of States and Government, held in Colombia, was to create dialogue and contribute to the development of concrete actions on the issues: youth, entrepreneurship and economy.

INTERNATIONAL INTEGRATION AND INSERTION

In the face of multiple global challenges, throughout 2016 the consensus-building and integration processes that are underway in Latin America and the Caribbean prioritized the strengthening of political dialogue, intra-regional cooperation, the liaising with third parties and coordination of common positions on topics of the international agenda.

During the same year, in addition to the XXV Ibero-American Summit of Heads of State and Government, highlights the consolidation of the political dialogue and South-South cooperation, primarily within the framework of the Community of Latin American and Caribbean States (CELAC), the Union of South American Nations (Unasur), the Bolivarian Alliance for the Americas (ALBA); the advance of the agenda of the sub-regional integration blocs mainly the Common Market of the South (Mercosur), the Andean Community of Nations (CAN), the Mesoamerica Project (MP); the Pacific Alliance (PA) and the Association of Caribbean States (ACS).

The main objective of the XXV Ibero-American Summit of Heads of States and Government, held in Colombia, was to create dialogue and contribute to the development of concrete actions on the issues: youth, entrepreneurship and economy, achieving the commitment of countries to develop and implement public policies, integrated and coordinated education, employment, entrepreneurship and training for work, to strengthen the skills of young people according to the demands of the job market of each country for the purpose of accessing decent jobs and fostering entrepreneurial initiatives.

In this sense, the agreed commitments highlight the adoption of the Ibero-American Youth Pact as an institutional agreement that will form a partnership between various sectors and actors in an effort to improve intergovernmental and intersectoral articulation, guide investment and ensure the integral development and protection of the rights of young people. Also, the pact recognizes the role of entrepreneurship as one of the revitalizing axes of economic growth, the importance of education for acquiring specific skills for entrepreneurial development and the importance of deepening ties in the Ibero-American context in three priority areas: trade and investment, services, and science and technology.

In the framework of this Summit was the XI Ibero-American Business Congress, as well as the institutional act for the refounding of the international youth organization for Ibero-America, the presentation of the program “Democratizing Innovation in the Americas” of The Trust for the Americas, and the presentation of the “2017 Economic Outlook for Latin America” report, carried out by OECD-CAF-ECLAC, which addressed the theme of youth, their skills and opportunities of entrepreneurship in the region.

During 2016, CELAC, constituted as the broadest mechanism of political coordination and integration for Latin America and the Caribbean, held the IV Summit of Heads of State and Government; the meetings of Ministers for Foreign Affairs; the II Meeting of Environmental Ministers; the V Meeting of Energy Ministers; the III Ministerial Meeting of Family Agriculture and Social Development; the II Ministerial Meeting of Education; the III Meeting of the Working Group on the Advancement of Women; the III Ministerial Meeting on the World Drug Problem; and the IV Ministerial Meeting of Culture. In addition, within the framework of dialogue with extra-regional partners, the CELAC-European Union (EU) Ministerial Meeting was held, agendas for political dialogue and cooperation were established with Korea, India, Japan, Russia and Turkey. Meanwhile there was continuity with the work agenda initiated with China, during 2015, with a second forum planned for 2018.

CELAC's IV Summit of Heads of State and Government, held in Ecuador, with the challenge of increasing regional integration and addressing the inequity, reflected developments in political, economic, social and cultural integration of the region, reiterating the commitment to promote a common space in the face of challenges in a world in transformation. In this context, countries spoke out in favor of the eradication of hunger and poverty and sustainable development with social, economic and

financial inclusion. During its tenure at the head of the Pro Tempore Presidency (PPT), Ecuador concentrated efforts on five priority areas: poverty eradication; improvement of investments in infrastructure; combating climate change; and promotion of linkages between countries in matters of education, science and technology. Then, assuming the PPT in 2016, Dominican Republic proposed a Plan of Action that prioritizes mainly areas such as: fight against drugs, defense of natural resources, infrastructure and connectivity, food security, education, science and technology, production and trade.

During the II Meeting of Environmental Ministers in Panama, countries exchanged experiences on the implementation of mitigation and adaptation proposals to combat climate change in the region. Equally, the proposal for Reducing Emissions from Deforestation and Degradation (REDD+) developed by parties aligned under the framework of the United Nations Convention on Climate Change (UNFCCC), was reiterated. The REDD+ proposal seeks to recognize developing countries' efforts and provide them with incentives to protect their forest resources, and improve their management and use in a sustainable manner to contribute to the global fight against climate change and its effects. Finally, several agreements and commitments made at COP21 were addressed. Topics included mitigation and adaptation to climate change, access to financing, clean technologies and improvement of capabilities, as well as topics of climate vulnerability and loss and damage from hurricanes, floods, droughts, receding glaciers, increase in sea levels, among others.

The V Meeting of Energy Ministers, which was held in Dominican Republic, made it possible to validate the roadmap called "Productive and Sustainable Energy Development" for the strengthening of the regional energy agenda with the Latin American Energy Organization (OLADE). This document seeks to create an energy strategy for CELAC-member countries aimed at meeting the sustainable development goals 2030: ensure universal access to energy services, double the rate of energy efficiency worldwide and double the participation of renewable energies in the overall energy matrix.

At the III Ministerial Meeting of Family Agriculture and Social Development in El Salvador, member countries analyzed the implementation of a plan for Food Safety, Nutrition and Eradication of Hunger by 2025, developed with the support of FAO, ECLAC and ALADI in order to create a poverty and hunger-free zone in Latin America and the Caribbean. They also pledged to improve public food procurement programs to benefit family farms and the creation of comprehensive programs for rural youth.

Meanwhile, the II Education Ministerial Meeting in Costa Rica addressed three themes: equity, inclusion and quality educational opportunities. The objective of the meeting was to propose actions with a regional scope so that member countries can develop initiatives to achieve equality of quality educational opportunities, foster education for sustainable development from the classrooms and discuss the importance of education in early childhood for the development of nations. Also, a specialized, high-level technical team was formed to follow up on the commitments made at the ministerial meetings, making it possible to position this space worldwide.

At the III Meeting of the Working Group on the Advancement of Women, held in Dominican Republic, the Gender Strategy for the Implementation of the Food Safety, Nutrition and Eradication of Hunger Plan (Plan SAN-CELAC) was presented and the draft statement of commitment entitled "Food and nutrition security: rural women's empowerment" was approved. These documents aim to empower women by means of an effective recognition of the contributions and the role that they perform in society as pillars of small-scale agriculture, farm work and the daily family subsistence.

The III Ministerial Session on the World Drug Problem in Dominican Republic adopted the Declaration of Santo Domingo, which brings together the common stance of the member countries for the special session of the General Assembly of the United

The V Meeting of Energy Ministers, which was held in Dominican Republic, made it possible to validate the roadmap called "Productive and Sustainable Energy Development" for the strengthening of the regional energy agenda with the Latin American Energy Organization (OLADE).

Nations (Ungass) on the issue of drugs. The topics that stand out include cooperation, addressing gender issues, the impact of HIV and other communicable diseases, as well as the training of health personnel and human resources working for the social reintegration of addicts.

Moreover, the IV Ministerial Meeting of Culture in Bolivia focused on the integration and defense of regional heritage, and cultural, economic and social development based on sustainable and responsible tourism management. It was agreed that a working group would be created to develop a proposal to update the United Nations Convention on Export and Illicit Transfer of Cultural Assets.

Within the framework of the dialogue with extra-regional partners, the first CELAC-European Union (EU) Ministerial Meeting was held in Dominican Republic, where it was agreed to collaborate on fiscal-related issues, recognizing the need to address the fiscal evasion and erosion of the tax base between the two regions. In addition, they agreed to hold periodic meetings in between presidential summits to ensure a comprehensive follow-up to the presidential resolutions and high-level dialogue between the two regions.

To follow up with the consolidation of the political dialogue and South-South cooperation, Unasur made progress with the work plan contained in the document "From vision to action," which puts forth several objectives. The main ones are: the creation of a prescription-drug price database in partnership with the South American Institute of Governance in Health (ISAGS); the development of a map of generic-drug production in South America; collaboration on a proposal for an alternative drug policy to be presented at Ungass; and the promotion of a project of South American citizenship.

For the second consecutive year, Unasur's General Secretariat organized in Ecuador the seminar "Social value chains: an agenda to overcome the crisis" with the aim of consolidating the concept of social value chains, disseminating related public policies and ensure a space for exchanging ideas for joint proposals to overcome the region's economic difficulties. Additionally, within the framework of the regional health agenda, the details were defined for the implementation of a prescription-drug price database, which will include the publication of price lists of medications in different countries, joint procurement of products and production of generics with 34 products, including drug therapies for diseases like HIV and hepatitis C.

At the VI Meeting of the Unasur South American Energy Council, held in Ecuador, progress was made in the development of the South American Energy Treaty, a document that will regulate the integration of member countries in the field of energy. Also at the meeting, the draft of the statutes to regulate the council's inner workings and organization was approved. Participants also discussed issues related to the South American energy equilibrium, energy planning and a feasibility study for the creation of a Research Institute.

At the meetings held by Unasur's Financial Integration Group, it was decided to give continuity to the joint discussion on trade relations, the financing of infrastructure in the region, the role of multilateral development banks for development, and sovereign debt. Additionally, at the III Ordinary Board Meeting of Banco del Sur, in Ecuador, participants reached a consensus regarding the aspects needed to strengthen the entity's institutional capacity. These included the approval of board members, the updated schedule of capital contributions in 2016 and the operating mode for the integration of capital contributions. The Bank will have a cash capital of USD 90 million and contributions shall be deposited in the central banks of each country for its subsequent transfer to Banco del Sur. The total capital of countries that signed the bank's constitutive agreement will add USD 4.9 billion over the next 10 years.

For its part, meetings held by the Executive Technical Group on integration and border facilitation included several activities: a proposal to gather information to examine the border control and land management models at different border crossings; the

At the UNASUR
Financial Integration
Group meetings,
continuity was given to
the joint discussion on
trade relations.

associated communities in the area of influence of border areas at each crossing and their unique circumstances; and the achievements, experiences, lessons learned and challenges in cross-border integration.

In conjunction with Petrocaribe, ALBA-TCP has carried out important work in the Caribbean in relation to the health and wellbeing of the local population. Under this strategy, emphasis was placed on the importance of converging all of the regional integration mechanisms on social issues in order to contribute to the reduction of existing asymmetries.

In regard to the agenda of the subregional integration blocs, in 2016, Mercosur put into motion an initiative to eliminate intra-regional trade barriers, improve the customs union and effectively coordinate the positions of the four member countries. These efforts were made with the goal of signing agreements with several countries, including Canada, China, South Korea, Japan and India. The initiative will allow the trade union to optimize the opportunities afforded by the consolidation of the bloc as a platform of inclusion within the global economy for the member countries.

The work carried out in 2016 by the sub-working group No. 18 'Border integration' addressed issues such as health, education, jobs, migration, transport, infrastructure, urban development, economic development, indigenous peoples, cooperation and productive integration between Mercosur's border communities. The first meeting of the sub-group, held in Uruguay, made it possible to regulate the powers of this body as a tool to promote both the integration and development of the member countries' border areas. Participants in the sub-group include CAF, the Inter-American Development Bank (IADB), the Financial Fund for the Development of the River Plate Basin (Fonplata) and the Fund for the Structural Convergence of Mercosur (FOCEM).

The central theme of the XXI Summit of Mercocities was "Building societies resilient in a context of regional integration." At the event, held in Argentina, local governments addressed ways for minimizing disasters and assumed commitments to achieve sustainable urban development, as well as to strengthen of local governance to establish greater bonds of trust with citizens, civil society and the private sector, assuming greater responsibility toward these groups.

Over the course of several meetings held by the Andean Council of Ministers of Foreign Affairs of the Andean Community of Nations (CAN) member countries, participants reached agreements related to the action areas prioritized in the process of institutional re-engineering, with emphasis on market access, agricultural health, quality and technical barriers to trade, physical integration, productive transformation, services and investments, social affairs, intellectual property, and special areas.

Within the framework of the different meetings held by the CAN Commission throughout the year, the common nomenclature classification system of goods for the member countries of the Andean Community (Nandina) was adopted. In addition, progress pertaining to the reengineering of the Andean Integration system, Decision 792, was prioritized, giving way to a community agenda that strengthens social aspects, trade integration and electrical interconnection.

The Andean Parliament organized the I Andean Meeting: Youth leaders for peace and post-conflict "Peace in Colombia is peace in the region" held in Colombia, with the aim of carrying out an exercise in debate and discussion between youth leaders and experts and international authorities, on issues such as: the responsibility of the media in building peace; the role of young people in the institutional development of the countries; the role of young people in the post-conflict agenda; education as a tool for the consolidation of peace, among others. As a result, several initiatives were constructed, framed around issues such as security and coexistence, education, reconciliation and forgiveness, employment and entrepreneurship to work actively for the post-conflict era.

At the XXI Summit of Mercocities, local governments addressed the issue of disaster reduction, and assumed commitments to achieve sustainable urban development.

At the meeting of the liaison committee of the Mesoamerican Strategy for Environmental Sustainability (EMSA), a new action plan was drafted for 2016-2019.

In relation to the Mesoamerica Project (MP), within the framework of the next Summit of Heads of State and Government for the Mechanism of Dialogue and Consultation of Tuxtla, countries have made progress on an agenda focused on five pillars: democratic security, disaster and climate change risk management, social integration, economic integration and the strengthening of regional institutions.

At the meeting of the liaison committee of the Mesoamerican Strategy for Environmental Sustainability (EMSA) held in Mexico, a new action plan was drafted for 2016-2019, which sets broad and ambitious objectives for EMSA that will contribute to the achievement of the millennium development goals, and to the fulfilment of the commitments made by countries of the region expressed in the diverse international treaties and agreements. The Center of Virtual Excellence for Forestry Monitoring in Mesoamerica and the EMSA website were launched.

Notably, at the XXIV Meeting of the Mesoamerican Forum of Telecommunications Authorities, held in El Salvador, the first report on the Mesoamerican Information Highway (AMI) was presented. The report outlined a high-capacity fiber optics network with hotspots in major Mesoamerican cities. The implementation of strategic guidelines and an action plan for the Mesoamerican Agenda for the Integration of Telecommunication Services (AMIST) was also evaluated.

At the Mesoamerican Meeting of Transport Ministers in Chile, authorities agreed to the development of a Mesoamerican strategic framework of transport, as well as the prioritization of the Mesoamerican calendar of transport that integrates the different lines of work in progress, including work on integration indicators of logistics infrastructure and the monitoring of activities carried out by the Commission in accordance with the mandates issued at the Summit of Presidents.

Also, the MP's Executive Directorate led a workshop, an initiative of Colombia, aimed at building a strategic vision for MPs for the next five to 10 years to ensure the development of a regional effort planned and coordinated based on current realities and future challenges, taking into account the experience gained in the regional development mechanism.

In another area, over the course of the XI Summit of the Pacific Alliance held in Chile, the implementation of the agreement framework was evaluated, as was the progress in the improvement process of the additional protocol and the agreement that created the cooperation fund. The Declaration of Puerto Varas established the mechanism's aim to advance in the construction of an area of deep integration through initiatives that allow the strengthening of human capital, innovation and entrepreneurship, science and technology, development and internationalization of SMEs, infrastructure, among others, related to diversification productive efforts and the promotion of construction and participation of member countries in global value chains.

Throughout the year, countries advanced in the consolidation of the Venture Capital Fund, which will boost the financing for new projects with high growth potential for SMEs; as well as the launch of the SME Observatory, a virtual space for access to information for the purposes of strengthening public policies for SMEs. On the other hand, a public-private innovation agenda was established. The agenda includes a business accelerator network and an angel investor network, as well as the mapping of the ecosystem for innovation within the PA. A memorandum of understanding on the accelerated procedure for patents was also signed. The technical environment and green growth group was constituted.

On the other hand, the Ministers of Finance of the Pacific Alliance incorporated the axes of financial integration –investment in infrastructure; catastrophic risk management; management and fiscal transparency– to the agenda. In the area of infrastructure investment, technical assistance was requested from multilateral banks (CAF-IADB)

for the pre-feasibility study for the infrastructure fund. This financial vehicle proposal aims to encourage the participation of private investors in infrastructure projects across the region. The Ministers also agreed to strengthen dialogue to promote understanding of the regulatory framework of the four countries, and the exchange of international best practices for the development of public-private partnership projects.

In regard to relations with third parties, approval was granted for the accession of eight countries as observers (Argentina, Egypt, Slovakia, Norway, Czech Republic, Romania and Ukraine). A task plan focused on four thematic areas—education; science, technology and innovation; internationalization of SMEs and trade facilitation—was established for all observer states. On the other hand, the PA countries reached an agreement with countries of the Asia-Pacific Economic Cooperation (APEC) to move forward in the process of integration and the opening of global markets.

Throughout the year, during the various meetings of the high-level group consisting of the deputy ministers of foreign affairs and foreign trade of the four countries, in order to make progress in the established mandates, the work of the technical groups was coordinated mainly on issues of innovation, SMEs, trade facilitation, one-stop trade shops, technical-productive education, movement of people and culture. In addition, they agreed to promote in all countries the adoption and entry into force of a trade protocol that will liberalize most trade between the Pacific Alliance countries and will contribute to significantly boost its trade integration.

Finally, the VII Summit of the Association of States of the Caribbean held in Cuba approved an action plan for the period 2016-2018, which will focus on the following areas: sustainable tourism (establishment and consolidation of sustainable tourism of the greater Caribbean zone); development of trade and external economic relations (giving continuity to the development of projects like international transit of goods, short-distance maritime shipping and the strengthening of the hydrographic capacities); transport (implementation of the program “Uniting the Caribbean by air and sea”); disaster risk reduction; preservation of the Caribbean Sea; and promotion of educational cooperation between universities and other higher education institutions in the great Caribbean.

At the VII Summit
of the Association
of States of the
Caribbean in Cuba, its
2016-2018 action plan
was approved.



OPERATIONS

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OPERATIONS MANAGEMENT 2016

In 2016, for the second consecutive year, Latin America's GDP shrank slightly, just over 1%, mainly due to the influence of the international environment, marked by a decline in prices of raw materials and global demand. This context of slower international growth threatens to reverse progress made in the region in the first decade of the new century and the beginning of the current decade in terms of the supply of goods and services and improvements in quality of life for the Latin American population.

Given this adverse scenario, in 2016, CAF continued to gear its efforts toward helping its shareholder countries meet their priority needs by playing a counter-cyclical and catalytic role vis-à-vis resources to mitigate the short-term negative impacts of the international environment. CAF remained focused on supporting its shareholder countries to promote an agenda aimed at productive transformation, increasing levels of private savings and investment, and reduced levels of poverty and inequality. This strategy is funded by long-term investment programs and projects aimed at responding to the huge structural challenges of the region, while supporting each shareholder country's development goals.

Along these lines, in 2016, CAF approved 156 operations for a total of USD 12.4 billion in financing, an unprecedented amount for the institution. Consensus was reached with shareholder countries to prioritize specifically general budget support operations to accompany them in their counter-cyclical programs, while boosting public sector investment projects and programs—particularly in the road, water and sanitation, and energy sectors. This high demand for sovereign loans offset a lower demand for corporate loans, which followed the year's pro-cyclical trend.

In addition, disbursements amounted to USD 8.4 billion, covering mainly a demand for fast-disbursing sovereign operations and a higher turnover of short-term credit lines. The direct portfolio, in turn, totaled USD 22.4 billion at year-end, representing a 7.7% annual growth and a net increase of USD 1.6 billion

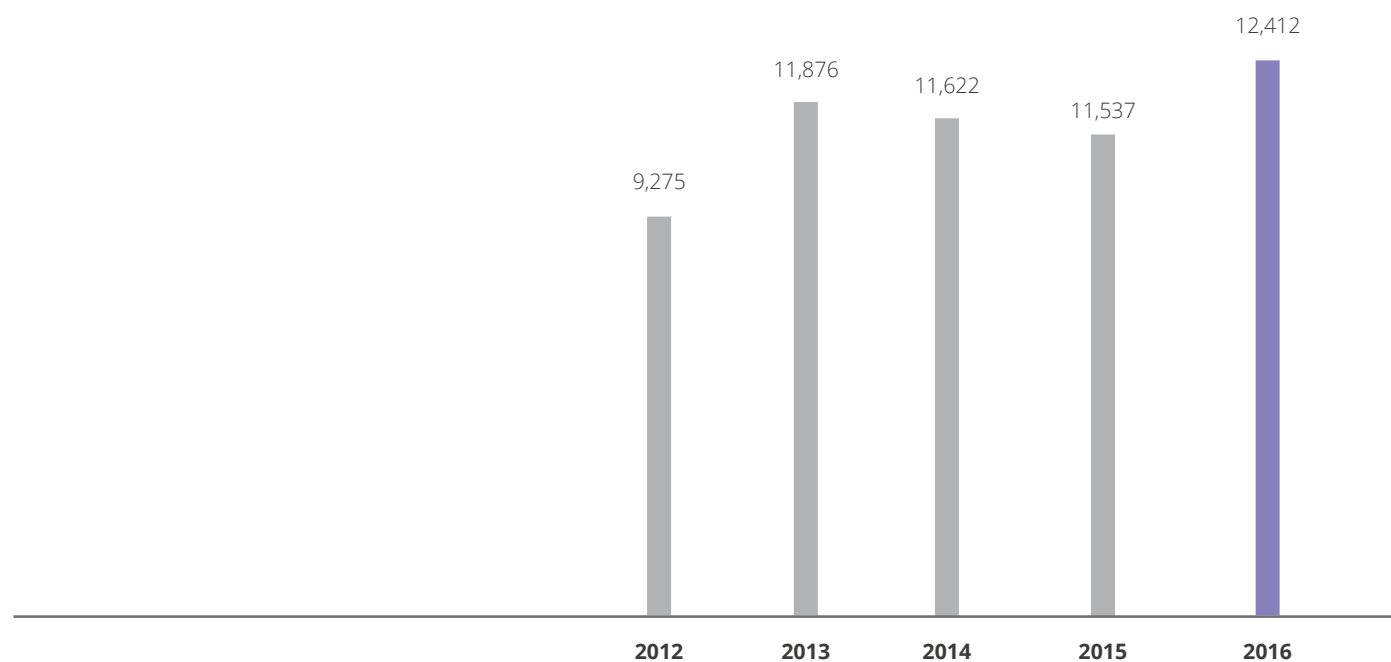
APPROVALS

Approvals by product

The program of annual approvals related to loans in 2016 included 43 medium and long-term operations, divided into 34 loans with sovereign guarantee for USD 4.2 billion, and 9 non-sovereign guarantee loans for USD 303 million (including B tranches). Sovereign-guaranteed operations include a USD 1.9 billion general budget support loans earmarked to assist shareholder countries in their efforts to overcome the adverse economic context in the region. The remaining USD 2.2 billion were approved for projects and programs in support of the shareholder countries' development strategies.

In addition, private and public banks and companies were awarded USD 6.4 billion in credit lines to boost the productive transformation process in the region. Furthermore, CAF approved USD 1.5 billion for contingent credit lines, both for capital markets and the relief of emergency situations caused by natural phenomena. Finally, an amount of USD 65 million was approved for equity investments and technical cooperation funds.

The supply of products and services that can meet the needs of countries has evolved into an agile source of funding that enables the exchange of successful practices favoring inclusion and improved opportunities across the region.

FIGURE 1. Total approvals (in USD millions)*

* Mobilization of third-party resources not included (B tranches only included)

TABLE 1. Approvals in 2016 by product (in USD millions)

Sovereign	6,497
Loans	4,162
Investment programs and projects	2,202
Policy-based loans and Swaps	1,960
Contingent credit lines	1,500
Credit lines	835
Non-sovereign	5,864
Corporate loans (including A tranches)	183
B tranches	120
Credit lines	5,549
Corporate	546
Financial	5,003
Equity investments	13
Cooperation funds	52
Total approvals	12,412
Mobilization of third-party resources (exclusive of B tranches)*	654
Total	13,066

* In previous reports, these were called "catalytic approvals."

BOX 1. Strategic strengthening



In 2016, several strategic initiatives were further advanced with the aim of achieving greater impact on the region's development through CAF's interventions. In the private sector, actions were oriented toward focusing institutional efforts and resources on priority sectors in CAF's corporate strategy, taking productive transformation as a cross-cutting theme and boosting productivity and innovation. Support operations for SMEs with high potential were prioritized. Financial intermediaries were used to reduce the access barriers to funding encountered by these companies; opportunities were explored in renewable energy projects driving energy security in the region; partnerships were established with highly specialized agribusiness entities to deepen knowledge about the agro-industrial chains with the greatest potential; and the mobilization of third-party resources was given a new impulse for the support of major infrastructure projects.

Along these same lines, CAF's corporate strategy was strengthened to promote the mobilization of third-party resources through intensified rapprochement and coordination with CAF's leading financial partners. To achieve this objective, corporate goals were set as an incentive to enhance the catalytic role played by the institution.

In 2016, as a complement to direct financing and approved A/B loans, CAF mobilized third-party resources through a wide range of catalytic mechanisms, such as co-financing, theme investment vehicles and technical cooperation funds, in the amount of USD 654 million. This figure exceeds by more than 80% the goal established in early 2016, which reflects the success of the new co-financing strategy and CAF's promotion of its catalytic role. The Green Climate Fund (GCF) approved USD 49 million for the Atacama Solar S.A. project in Chile is worth highlighting. It represents the first GCF approval for CAF. In addition, portfolio sales in the amount of USD 53 million will open spaces for new operations.

TABLE 2. Third-party resource mobilization in 2016 (in USD millions)

Sovereign co-financing	214
Non-sovereign co-financing	75
Theme investment vehicles	350
Catalytic funds	15
Total third-party resources mobilized	654
Portfolio sales	53

Approvals by country

The distribution of approvals by country in 2016 shows greater diversification than in previous years. Funds were approved in 18 of the 19 shareholder countries, 49% of which were allocated to the founding countries (Bolivia, Colombia, Ecuador, Peru and Venezuela), 36% to full members (Argentina, Brazil, Panama, Paraguay, Trinidad and Tobago, and Uruguay), and 15% to C-series countries (Barbados, Chile, Costa Rica, Spain, Mexico, Portugal and Dominican Republic) and multinational operations.

The approval of USD 300 million for Trinidad and Tobago, the first in this country, is one of the highlights of the year. Equally important, a significant portion of approvals in the case of Brazil, Colombia and Peru were allocated to corporate, financial and contingent credit lines, which is why these represent a greater proportion of total approvals.

TABLE 3. Approvals by country (in USD millions)

Country	2012	2013	2014	2015	2016	2012-16
Argentina	839	1,100	674	694	706	4,012
Bolivia	485	684	625	505	564	2,863
Brazil	1,903	2,234	1,903	1,234	1,371	8,646
Colombia	841	1,563	1,552	2,008	2,077	8,041
Dominican Republic	10	43	60	66	16	194
Ecuador	766	835	800	814	766	3,981
Mexico	82	380	549	522	575	2,107
Panama	328	325	299	527	595	2,074
Paraguay	189	431	181	307	548	1,655
Peru	1,749	2,497	2,415	2,336	2,139	11,136
Trinidad and Tobago	0	0	0	0	300	300
Uruguay	729	516	651	588	959	3,443
Venezuela	327	417	475	501	541	2,261
Other countries	1,027	851	1,438	1,436	1,258	6,009
Total approvals	9,275	11,876	11,622	11,537	12,412	56,722
Mobilization of third-party resources (exclusive of B tranches)	22	245	170	718	654	1,809
Total	9,297	12,121	11,792	12,255	13,066	58,531

MAP 1. Main approvals-2016



Approvals by economic sector

A breakdown of 2016 approvals by economic sector reveals the support given to the productive infrastructure area (energy, transport and telecommunications) through a large variety of initiatives aligned with the different countries' development strategies. A total of USD 2.1 billion was approved for this sector, including financing for road programs, and electricity generation and distribution projects. Highlights include the Paseo del Bajo Project in Argentina; the El Salto - Monteagudo Highway and Cazaderos and Cazaderitos Tunnels in Bolivia; the Electricity Transmission and Distribution Grid Improvement Project for the Metropolitan System of Paraguay; and the III Rehabilitation Program for Secondary and Tertiary Road Networks in Uruguay.

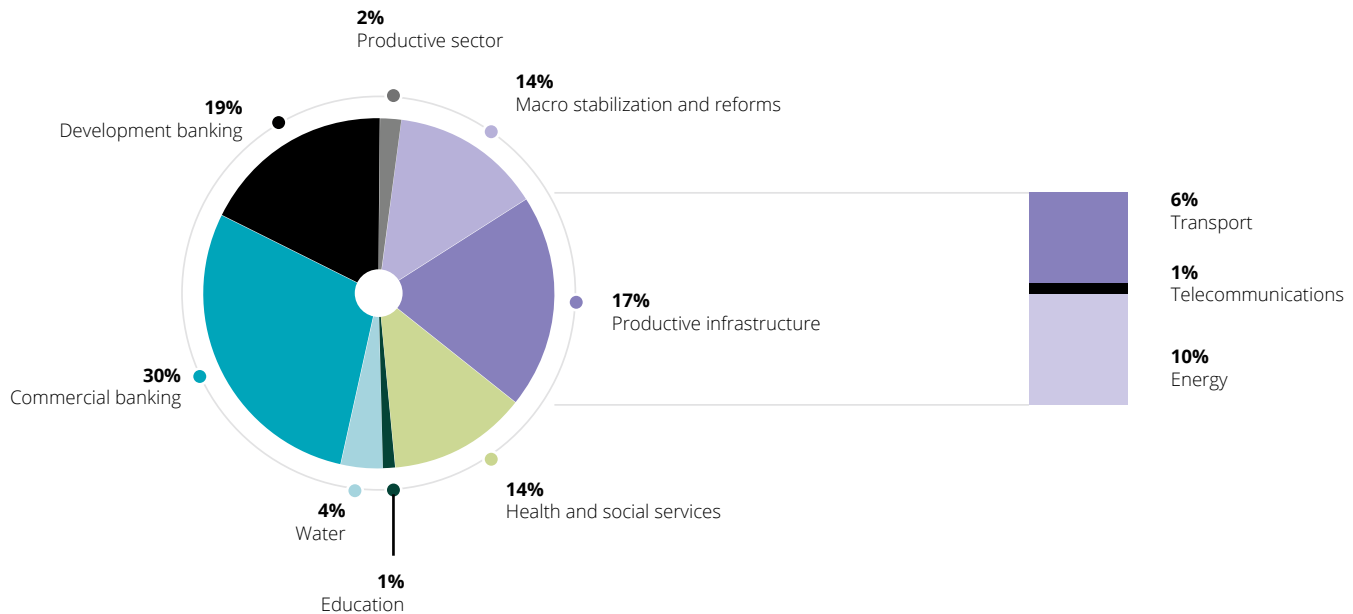
In terms of social development, an amount of USD 2.4 billion was approved, of which USD 660 million were allocated to social infrastructure (water and sanitation, and education). The remaining amount was earmarked for urban development projects, and for the immediate relief of emergency situations caused by natural phenomena. This reflects CAF's efforts to diversify its interventions and help countries address their unmet structural challenges. Highlights in this sector include the Sao Bernardo do Campo Urban Infrastructure Program in Brazil; the Sector-Wide Approach for Urban Development and Housing in Ecuador; the Instituto Técnico Superior del Este (ITSE) Project in Panama; and the Sector-Wide Approach for Habitat and Urban Development in Venezuela.

In 2016, a total of USD 1.7 billion was approved for operations related to macroeconomic stability and structural reforms, accompanying shareholder countries in their counter-cyclical programs. Initiatives include the Modern Cities and Infrastructure for Sustainable Territorial Integration Program in Colombia, and the Program for the Medium-Term Fiscal Consolidation Strategy 2015-2020 in Trinidad and Tobago.

Finally, in the productive and financial sectors, USD 6.3 billion were approved for loans and credit lines allocated to both public and private businesses and banks targeted to strengthening and establishing new relations with customers. Particularly, in 2016 rapprochement was strengthened with entities linked to the agroindustrial sector and CAF's presence in financial development was boosted by creating new lines of credit or raising the already existing ones. Of this amount, USD 2.3 billion will be awarded to national development banks to facilitate support of the shareholder countries' development strategies through these financial intermediaries.

TABLE 4. Approvals in 2016 by economic sector (in USD millions)

Transport	707
Telecommunications	100
Energy	1,275
Social services and health	1,692
Education	150
Water	510
Macro stability and reforms	1,720
Productive sector	198
Commercial banking	3,741
Development banking	2,319
Total approvals	12,412

FIGURE 2. Approvals by economic sector in 2016 (in percentage)

Approvals by type of risk

In 2016, for the first time in the past five years, sovereign risk exceeded non-sovereign risk approvals, representing 52% of total approvals, equivalent to USD 6.5 billion. This figure is the result of a greater demand for sovereign loans, which totaled USD 4.2 billion, offsetting the slowdown of the corporate sector. Additionally, an amount of USD 2.3 billion was approved as sovereign-risk contingent credit lines and financial credit lines granted public development entities.

Of the total sovereign-risk approvals, 44% (equivalent to USD 2.9 billion) was allocated to operations that play a counter-cyclical role in the region. Thus, USD 820 million was approved in the form of public policy-based loans (PBL), USD 1.1 billion in the form of sector wide approaches (SWAp) and USD 900 million in the form of contingent credit lines for liquidity as preventive financing instruments in the event of difficulties to access international capital markets under competitive conditions.

TABLE 5. Approvals by type of risk (in USD millions)

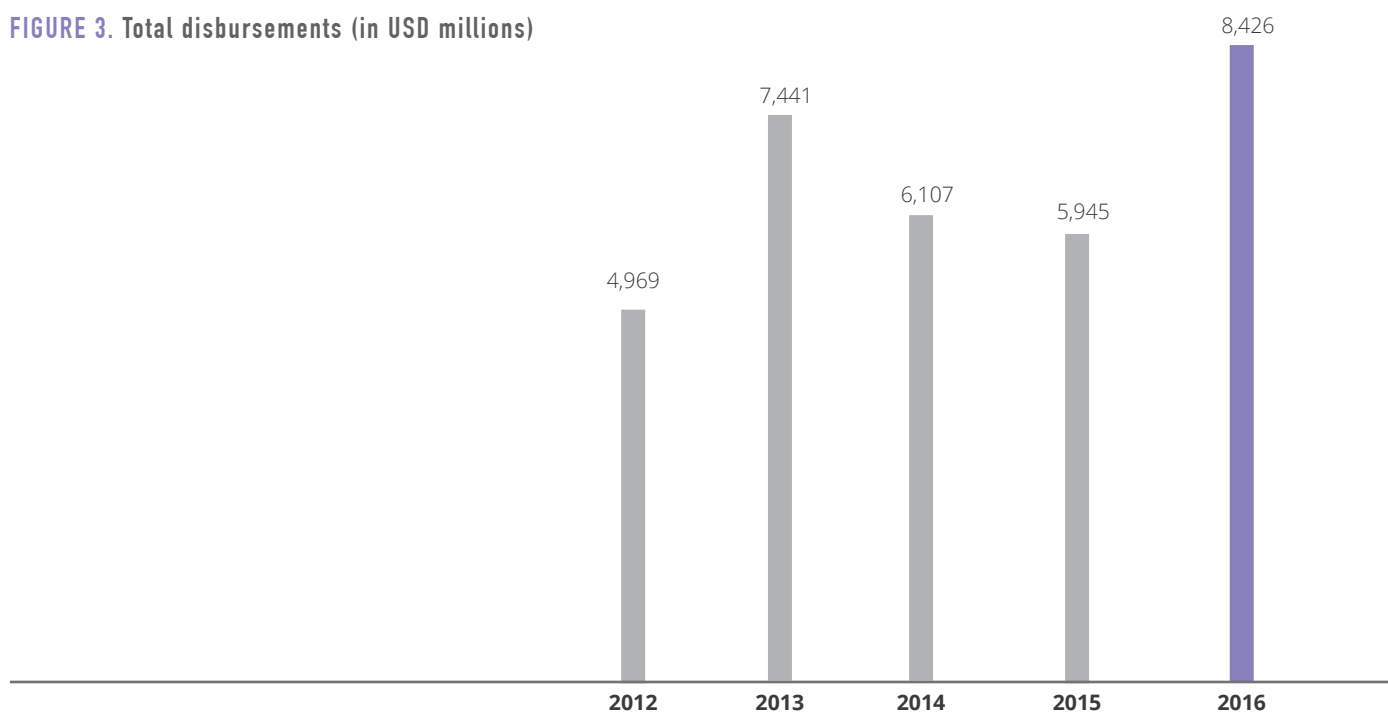
Risk	2012	2013	2014	2015	2016	2012-16
Sovereign	4,586	5,453	5,052	5,616	6,497	27,204
Non-sovereign	4,689	6,423	6,570	5,921	5,916	29,518
Total approvals	9,275	11,876	11,622	11,537	12,412	56,722

DISBURSEMENTS AND PORTFOLIO

Disbursements by product

In 2016, CAF disbursed USD 8.4 billion to its shareholder countries, which, in the same vein as approvals, represents a record amount for the institution. It is the equivalent to a 42% increase over disbursements in 2015, which totaled almost USD 2.5 billion. Disbursements for sovereign loans totaled USD 3 billion, a rise of almost USD 635 million with respect to the amount disbursed in 2015.

FIGURE 3. Total disbursements (in USD millions)



Additionally, in 2016, short-term credit lines for businesses and banks showed greater dynamism and turnover, which is reflected in the USD 5.1 billion disbursed for this sector, almost 64% more than in 2015.

TABLE 6. Disbursements in 2016 by product (in USD millions)

Medium and long-term loans	3,230
Sovereign	3,089
Investment programs and projects	1,620
Public policy-based loans (PBLs) and swaps	1,469
Non-sovereign	141
Credit lines (corporate and banks)	5,090
Equity investments	71
Cooperation funds	35
Total	8,426

BOX 2. Operations Management and Contributions to Development Framework



The Operations Management and Contributions to Development Framework (MIGOD in Spanish) was created in 2016 as a system to quantify and follow-up on CAF's activities through the definition, implementation, consolidation and monitoring of operation indicators. The methodology seeks to quantify the impact on development of CAF interventions in the region, learn from interventions through ongoing monitoring of indicators, support strategic and operational decision-making, enhance the comparative advantages of the institution and strengthen internal and external accountability. MIGOD's three action fronts are related to the following:

- **Contributions to development:** this refers to the added impact of project financing in the region. From a corporate and quantitative standpoint, the results for all CAF-financed projects and programs can be assessed.
- **Quality of operations:** it measures priority cross-cutting concepts, such as additionality, catalytic role, productive transformation, environment, gender equity, institutional development and customer satisfaction.
- **Operating efficiency:** it quantifies the traditional variables of this business, such as amounts of approvals, disbursements, portfolio, financial indicators, and the time lapse to reach the main milestones of the credit process.

Disbursements by country

In 2016, greater activity of credit lines generated a concentration of disbursements in Brazil, Colombia and Peru. The three countries represented 51% of total disbursements. Sovereign disbursements contributed to increased levels of disbursements to countries such as Argentina, Bolivia, Uruguay or Venezuela compared to previous years. The implementation of policy-based and sectoral loans—fast-disbursing operations supporting priority needs in shareholder countries—are the main contributing factors to this trend.

Disbursements for the founding countries represented 50% of the total amount disbursed over the year, 34% corresponding to full member countries and 16% to C-series countries.

TABLE 7. Disbursements by country (in USD millions)

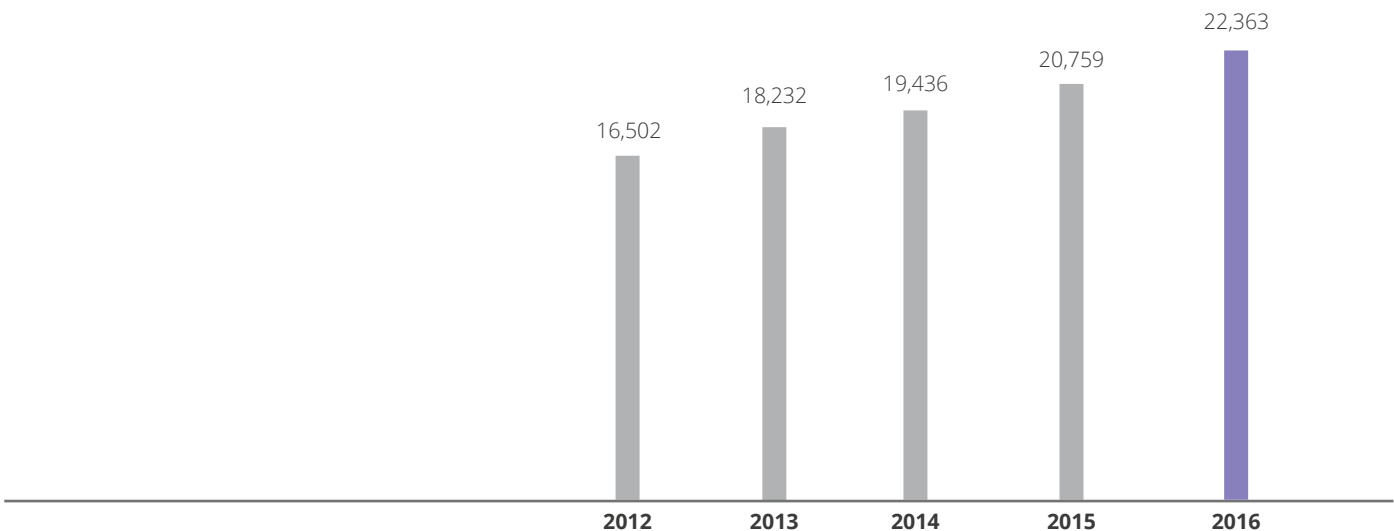
Country	2012	2013	2014	2015	2016	2012-16
Argentina	464	585	560	481	486	2,576
Bolivia	338	323	322	315	407	1,705
Brazil	1,028	1,833	728	677	1,726	5,992
Colombia	855	1,146	1,081	1,221	1,515	5,818
Dominican Republic	27	11	12	74	18	142
Ecuador	736	661	637	754	711	3,499
Mexico	7	190	791	604	812	2,404
Panama	256	326	420	155	223	1,380
Paraguay	47	73	96	102	82	400
Peru	618	1,403	525	545	1,039	4,130
Uruguay	9	108	244	200	325	886
Venezuela	359	365	276	364	525	1,889
Other countries	224	418	416	452	555	2,065
Total	4,969	7,441	6,107	5,945	8,426	32,887

Direct portfolio

CAF's direct portfolio (loans and investments) totaled USD 22.4 billion at year-end, which represents a growth of 7.7% over 2015. This translates into a net increase of USD 1.6 billion, up from levels recorded in 2014 and 2015, in the order of 6.6% and 6.8%, respectively. High growth enabled CAF to address priority demands from its shareholder countries without putting at risk the institution's financial solvency.

As in 2015, portfolio growth in 2016 was largely driven by policy-based and sectoral loans, which helped mitigate the adverse impacts of the international economic context on CAF's shareholder countries. In this regard, CAF continues to provide support at a time of regional economic weakness to help its shareholder countries achieve their development goals.

FIGURE 4. Direct portfolio (in USD millions)



Direct portfolio by country

In regard to the structure of the direct portfolio broken down by country, it is important to highlight the institutional effort throughout the year to improve the portfolio's geographical distribution. Thanks to this effort, the relative share of each CAF member country at the close of each month and at year end was below 15%. In addition, by the end of the year, 18 of the 19 shareholder countries held an interest in CAF's direct portfolio.

An analysis of the direct portfolio's distribution by region at the end of the year shows that 61% of the direct portfolio was allocated to the northern region (Barbados, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Portugal, Peru, Spain and Venezuela), while 38% was in the southern region (Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay). The remaining 1% was allocated to multinational operations. Like in 2015, in 2016 the portfolio of the institution's founding countries grew more than that of the non-founding countries, 58% versus 42% growth, respectively.

BOX 3. Quality of CAF's interventions



In 2016, CAF continued to develop several products and services to improve the quality of its interventions. These tools under the umbrella of a concept called non-financial additionality help generate a benefit or added value for operations that cannot be offered by other sources of funding. Among the core components to provide non-financial additionality to countries and improve the quality of operations, the following stand out: financial risk mitigation for project feasibility; generation, transfer and dissemination of knowledge for each intervention; and the advancement of multi-sectoral interventions that can complement each other. This last component is paramount, since it allows CAF to promote overarching policies aimed at improving social inclusion and productivity in Latin American cities. An example of this type of intervention is CAF's Cities with a Future program. The initiative aims to accompany Latin American authorities in their creation of increasingly inclusive, interconnected and environmentally responsible cities that are spatially, economically and socially integrated, offering universal access to basic services and training opportunities. This work is developed through the generation of practical knowledge, facilitating regional integration at the local level by information exchanges among authorities. Thus, the different sectors are articulated under a territorial vision that orients operations toward a search for integral solutions, generating synergies and placing citizens at the heart of planning.

TABLE 8. Portfolio by country (in USD millions and percentages)

Country	2012	2013	2014	2015	2016	Dist. 2016
Argentina	2,117	2,459	2,720	2,773	2,840	12.7%
Bolivia	1,605	1,761	1,919	2,037	2,222	9.9%
Brazil	1,258	1,681	1,972	2,098	2,022	9.0%
Colombia	1,850	1,848	1,832	2,142	2,409	10.8%
Dominican Republic	176	178	172	224	212	0.9%
Ecuador	2,649	2,736	2,825	3,045	3,318	14.8%
Mexico	29	212	159	274	471	2.1%
Panama	479	783	1,155	1,177	1,306	5.8%
Paraguay	135	190	249	291	337	1.5%
Peru	2,670	2,493	2,347	2,310	2,286	10.2%
Uruguay	332	379	509	655	919	4.1%
Venezuela	2,816	2,962	3,002	3,094	3,321	14.8%
Other countries	387	551	575	639	699	3.1%
Total	16,502	18,232	19,436	20,759	22,363	100,0%

Direct portfolio by economic sector

At year end, the direct portfolio by economic sector was mainly concentrated in productive infrastructure (energy, transport and telecommunications), accounting for 60% of the total, and social infrastructure (mainly water and education), accounting for 9% of the total. As a result, CAF's infrastructure-associated portfolio represented 69% of the total direct portfolio. In addition, the health and social services sector direct portfolio reached 9% of CAF's direct portfolio. Concentration in these sectors ratifies the institution's strategic interest in supporting the disadvantaged segments of the population through the provision of basic services such as roads, transport, energy, drinking water, sanitation and urban development. Furthermore, the relative concentration in infrastructure has given CAF expertise in knowledge and technical assistance, which positioned the institution as a leader of priority projects with a positive impact on the region's overall productivity.

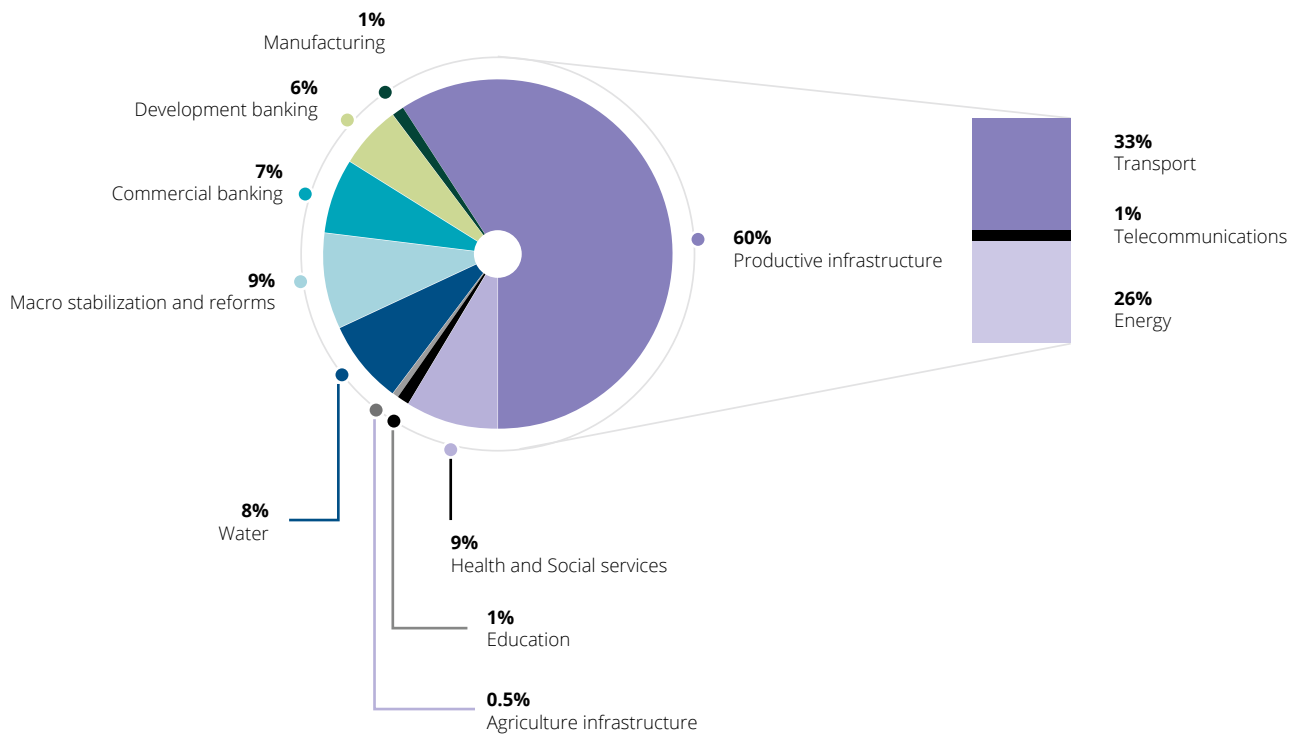
Furthermore, the portfolio associated with productive and financial sectors was 14%, which reflects the greater dynamism of the region's commercial and development banking. Finally, the portfolio corresponding to macroeconomic stability activities and structural reforms was 9% as a result of increased demand from shareholder countries for fast-disbursing, general budget support loans.

BOX 4. Credit process optimization



Throughout the year, CAF continued to implement its cross-cutting and comprehensive credit process optimization strategy with the aim to enhance the main attributes it offers to its shareholders and customers: agility, flexibility, efficiency, productivity and customer guidance. Along these lines, tools were designed to capture and exploit more efficiently the knowledge generated by credit operations, while progress was made to strengthen the administrative stage of operations through standardized activities within the institution. At the close of the first year of the efforts to promote, coordinate and implement these cross-cutting credit process improvements, results worth underscoring were achieved, such as a 25% reduction in the time required for sovereign loan approval, combined with an improved quality of supporting documents for credit evaluation.

FIGURE 5. 2016 direct portfolio by economic sector (in percentage)



Direct portfolio by type of risk

In 2016, the structure of the direct portfolio by type of risk was characterized by an increased share of the sovereign risk portfolio, accounting for 81% of CAF's total direct portfolio. This share is larger than in recent years as a result of a higher demand for sovereign loan approvals and disbursements. In fact, the sovereign risk portfolio's growth accounts for 96% of the institution's direct portfolio expansion.

TABLE 9. Direct portfolio by type of risk (in USD millions)

Risk	2012	2013	2014	2015	2016	Dist. 2016
Sovereign	13,230	14,491	15,383	16,482	18,028	81%
Non-sovereign	3,273	3,740	4,054	4,277	4,335	19%
Total	16,502	18,232	19,436	20,759	22,363	100%

DEVELOPMENT COOPERATION FUNDS

The roadmap of international cooperation was strongly marked by the Sustainable Development Agenda adopted by countries in September 2015 within the framework of the United Nations. This ambitious and universal agenda comprised of 17 goals and 169 associated targets requires the mobilization of all-encompassing domestic and international, public and private efforts.

For several years, CAF has positioned itself before the United Nations, through the International Development Finance Club (IDFC), as an entity voicing the needs of its shareholder countries. This position has been enhanced through the signing of a memorandum of understanding with the United Nations Development Program (UNDP), whereby both institutions undertake to work jointly to promote initiatives that will help the region achieve its sustainable development goals (SDGs) by 2030.

With this in mind, since late 2015 and throughout 2016, CAF's development cooperation actions have been systematized as a practice to derive greater accuracy in the measurement of their level of alignment with several strategic priority criteria. At present, besides the United Nations Sustainable Development Agenda, these criteria include the Institutional Development Goals (strategic lines of action prioritized by CAF, for example, infrastructure, social development), Cross-Cutting Axes (for example, the environment and climate change, gender, innovation) and Action Fields (productive transformation, integration, etc.).

In addition, for these purposes, CAF has been using the following reimbursable and non-reimbursable sources of funding:

- Special Funds, with CAF's net profits.
- Third-party resources administered or managed by CAF, of a catalytic nature.

These resources mostly finance operations that complement the countries' technical capacity, contribute to the driving force behind CAF's renewed development agenda and generate sectoral knowledge for the region.

In 2016, the total number of approvals from these resources was USD 67 million, both sources considered: 78% financed by Special Funds and 22% from third-party resources.

Below are the main funds administered or managed by CAF:

Fund for Technical Cooperation (FCT)

The Fund for Technical Cooperation (FCT) is the main source of technical assistance resources managed by CAF and these funds come from net profits. In 2016, under FCT, operations were approved for a total amount of USD 30 million, representing 45% of total resources committed to technical cooperation operations. These operations finance programs, projects and activities for the generation and strengthening of individual and institutional capabilities; the transfer of knowledge and best practices; the generation and dissemination of knowledge on development; the promotion and positioning of shareholder countries and the region as a whole; and, finally, the support, promotion and viability of CAF's business.

In 2016, regional outreach programs were geared mainly toward the region's productive transformation, energy efficiency, the mitigation and adaptation to climate change and institutional development. Among these, the following should be mentioned: Program of Access to Financial Services; implementation of the Graduate Program on Energy Integration and Planning; Program for Electric Power Generation using Biogas (ProBio); Portfolio of Geothermal Projects in South America; Governance, Political Management and Public Management Program; Program Youth Leaders 2016-2017; Active Mobility Program.

Human Development Fund (Fondeshu)

The main objective of this fund is to contribute to development and the fight against poverty through financing or investment in projects that promote sustainable human development among marginalized social sectors in CAF shareholder countries with a high demonstrative impact. Therefore, it has become the main tool for enabling and promoting CAF's Social Innovation Initiative launched in 2013.

Fondeshu approvals in 2016 accounted for 15% of total resources, equivalent to approximately USD 10 million, including credit and technical cooperation operations. In this period, several operations should be highlighted: Energy Efficiency as a Social Aid; Program Sustainable Homes, Communitarian Development and Social Innovation in Indigenous Towns of the Binational Guajira; implementation of a Municipal Program of Inclusive Business; Constructing a Human Model for Prisons in Paraguay; Impact Platform for Social Innovation in Latin America; My Bathroom, My Kitchen, My Pride; Program Leadership for Transformation.

Fund resources were also used for humanitarian aid operations, including relief actions after natural disasters in Brazil and Ecuador.

Third-party technical cooperation funds

CAF manages and/or implements third-party resources to finance technical cooperation operations in the region, mainly intended for the hiring of consultants and technical assistance. In 2016, close to USD 15 million from third-parties were channeled, originating in the following sources:

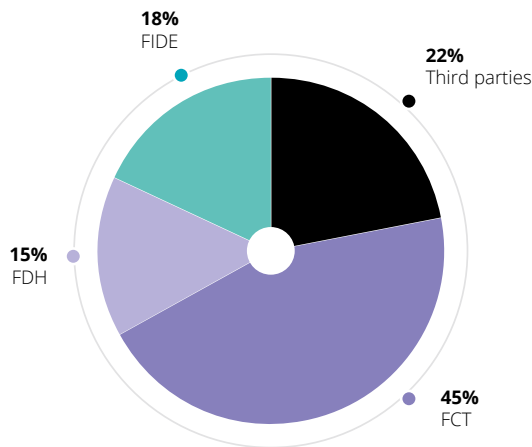
1. Program of Strategic and Financial Association with the French Development Agency (AFD): approvals using AFD funds in 2016 totaled close to USD 200,000 for the co-financing of initiatives regarding sustainable cities and climate change.
2. Global Environment Facility: this entity approved donation funds for CAF in the amount of USD 10 million for the project Andes Adaptation to Impacts of Climate Change on Water Resources and donation resources for Colombia in the amount of USD 3 million for the project supporting the *panela* industry value chain.

3. The Latin America Investment Facility (LAIF), whereby the European Commission approved several programs for CAF that are managed by the German and French development agencies (KfW and AFD, respectively). The resources are being invested in studies for urban transport, energy, water and sanitation, and climate change, playing an important catalytic role for the region. Approved programs underway are: Public Transport Infrastructure (AFD); Urban Public Transportation Improvement Programme (KfW); Performance Based Climate Finance - Climate in Latin America (KfW); Water and Wastewater Investment Programme (KfW); and Urban Transport (KfW). In 2016, the implementation of these facilities continued under the signing of contracts for an estimated amount of USD 2.1 million. Similarly, in 2016, a new facility managed by AFD for EUR 4.2 million was subscribed for the conduction of studies on sustainable cities and climate change.

In addition, projects for the consideration of the UN Adaptation Fund, the Global Environment Facility and the Green Climate Fund were submitted and are expected to be approved next year.

Finally, in order to continue its efforts to channel resources for the region, CAF has filed for the initiation of its accreditation process to the European Commission's Caribbean Investment Facility.

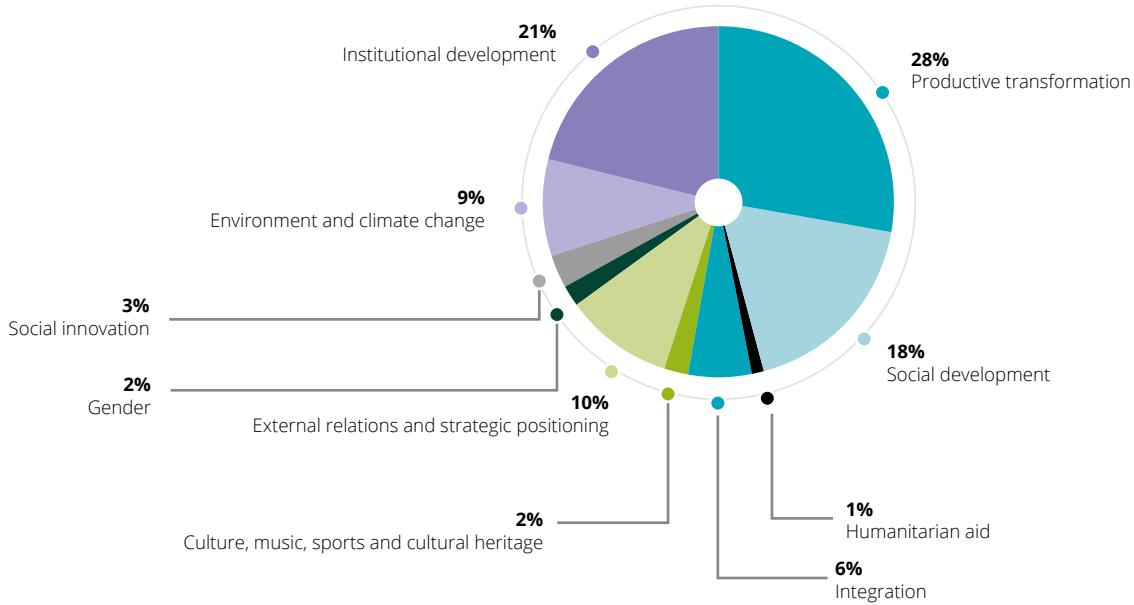
FIGURE 6. Amount approved under Cooperation Funds (% of the total)



The figure below shows the distribution of approvals using Special Funds (FCT and FDH) broken down by Action Fields. Action Fields are groups of activities that promote sustainable development and regional integration in an atmosphere of stability, competitiveness, equity and institutional support by mobilizing existing social capital.

A strong emphasis was placed on projects aimed at: (1) productive transformation (28%), understood as interventions focused on increasing sectoral productivity by generating more quality jobs and higher value-added economies integrated to global chains; (2) institutional development (21%), understood as the structuring of planned, systematic, coordinated changes undertaken by the region's institutions in search for increased levels of quality, equity and relevance of offered services; and (3) social development (18%), understood as the development of human and social capital in a society, with the ultimate goal of increasing their well-being and quality of life. The other action fields represent the remaining 33% of approvals.

FIGURE 7. Amount approved by action fields (% of the total)



Other special funds

CAF supports projects and initiatives through funds other than technical cooperation funds. They include the Business Development and Investment Fund (FIDE), the Compensatory Financing Facility (FFC) and the Latin-American Program on Climate Change (PLACC).

Business Development and Investment Fund (FIDE)

It contributes to the strengthening of small and medium-sized enterprises (SMEs) and promotes the development and regulation of the venture capital industry in CAF's shareholder countries. It can invest resources directly in businesses or indirectly through venture capital funds. In 2016, USD 12 million in equity investments were approved with FIDE resources.

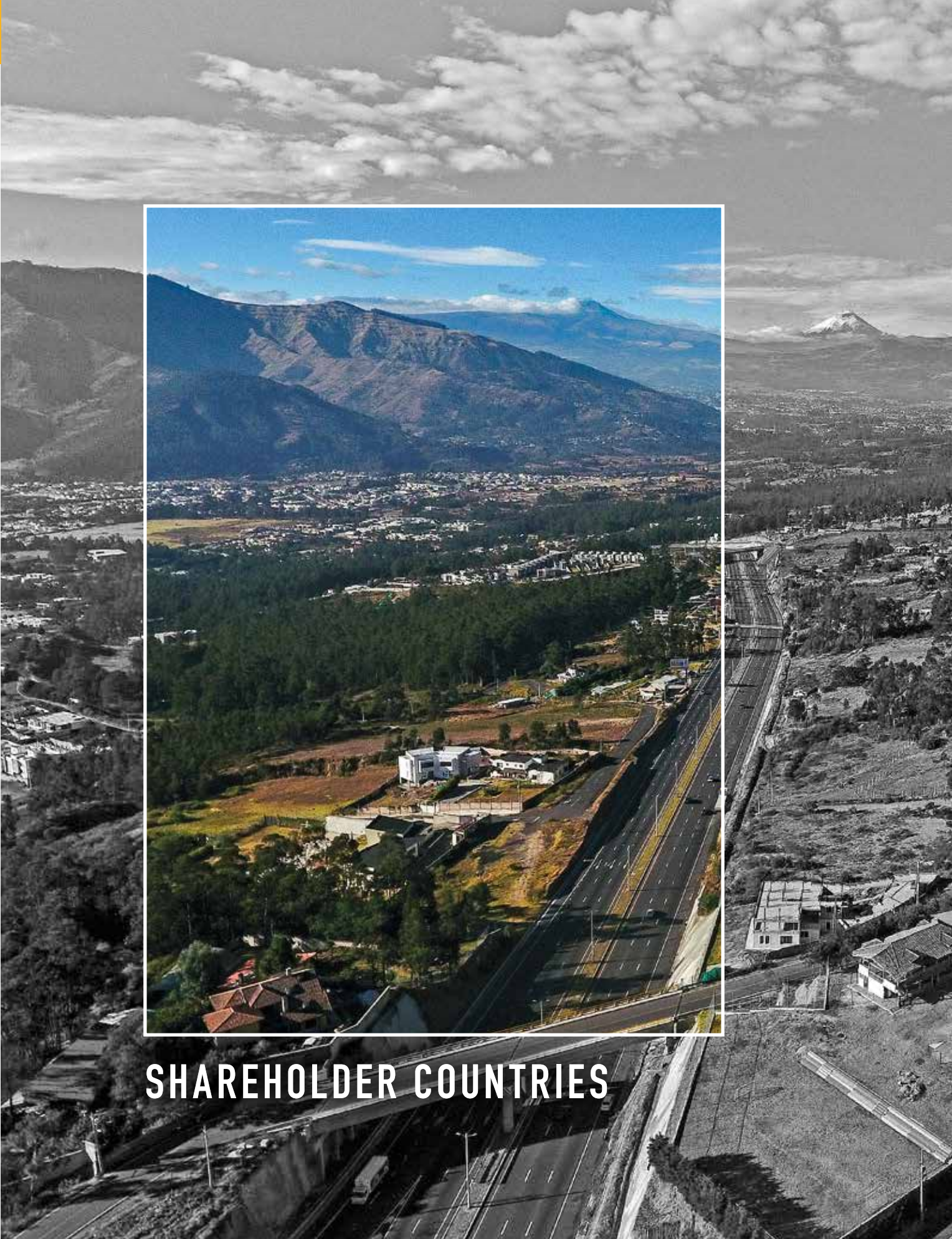
Compensatory Financing Facility (FFC)

The Compensatory Financing Facility (FFC) reduces the financial costs of sovereign-risk loans, either directly through a national government or indirectly through subnational governments and public companies provided they are secured by their relevant national government. In countries with a reduced relative development, priority will be given to projects that directly benefit disadvantaged populations in terms of potable water and sewerage, health care, environmental health, education, and rural and community development. The FFC subsidizes the interest for a period of eight years. In 2016, CAF approved loans eligible for an FFC subsidy in the amount of USD 4.2 billion. Also, throughout 2016, the FFC compensated approximately USD 75 million in interest.

Latin American Program on Climate Change (PLACC)

In 2016, USD 808,244 were approved using resources from the PLACC fund to meet the region's needs in regard to climate change, including:

- Development of national appropriate mitigation-type actions (NAMA) in different countries and in coordination with CAF's business areas for transport, energy efficiency, agribusiness and municipal solid waste.
- Development of applied knowledge products such as a study of cities and climate change and three urban indices of climate vulnerabilities in São Paulo (Brazil), Guayaquil (Ecuador) and Arequipa (Peru) to identify potential climate adaptation projects for CAF financing.



SHAREHOLDER COUNTRIES

48

Shareholder countries

50	Argentina
56	Bolivia
62	Brazil
68	Colombia
74	Ecuador
80	Panama
86	Paraguay
92	Peru
98	Trinidad and Tobago
100	Uruguay
106	Venezuela

112

Other shareholder countries

113	Barbados
113	Chile
114	Costa Rica
114	Dominican Republic
114	Jamaica
115	Mexico
116	Portugal
116	Spain
117	Other CAF actions in Europe
118	Multinational

ARGENTINA

IN 2016, CAF APPROVED OPERATIONS FOR ARGENTINA IN THE AMOUNT OF USD

706
MILLION

of which 71% (USD 499 million) corresponded to sovereign risk operations and 29% (USD 207 million) to non-sovereign risk operations and non-reimbursable cooperation funds.

The Paseo del Bajo project aims to optimize urban traffic flows and improve the system of mobility of the Autonomous City of Buenos Aires

Among approvals in 2016, those related to water supply and sanitation stand out. In this sector, USD 119 million in funding was approved for the province of Buenos Aires for the Water Treatment Plant Construction Project in La Plata, Ensenada and Berisso, which will increase the provision of drinking water and improve the quality for the three districts. In addition, to prevent rivers from flooding, handle flows in a controlled manner and moderate the effect of flooding in the Lujan River Basin, in 10 districts in the province of Buenos Aires, CAF approved a USD 100 million credit operation for the province's Project to Implement the Comprehensive Management Plan of the Lujan River Basin-Stage I.

In relation to integrated urban development, CAF approved a USD 75 million credit operation for the Integral Habitat Program with the purpose of helping improve the quality of life for residents in a subset of vulnerable locations in the Argentine region known as Greater North, through the improvement of access to safe drinking water, basic household sanitation, reduced overcrowding conditions, paving, construction and/or improvements like sidewalks, street lighting, community infrastructure and public spaces, and titling of housing. In addition, the program will foster human development activities with the objective of promoting the social sustainability of interventions through training, education and empowerment of the community.

In regard to roads, a credit operation for USD 150 million for the construction of the Paseo del Bajo [Downtown Promenade] was approved, with the aim to optimize urban traffic and improve the mobility system of the Autonomous City of Buenos Aires. This project will involve the construction of a road corridor to speed up the North-South and South-North connectivity and achieve greater integration with the transportation network of the metropolitan region.

In addition, a credit operation for USD 55 million was approved for the Constitución-Belgrano Sur Railway Connectivity Improvement Project, targeted to enhancing mobility and connectivity of the transportation services in the Buenos Aires metropolitan region toward the central area of the city of Buenos Aires.

As to non-sovereign risk activity, CAF approved lines of credit for a total of USD 205 million for both public and private banks and companies, with the aim of continuing to provide support to the financing of foreign trade, mainly in the agricultural export sector.

Finally, CAF approved USD 1.5 million in operations with cooperation funds for development, as a complement to the institution's financing actions.

ARGENTINA IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	706	4,012
Sovereign risk	499	2,698
Non-sovereign risk	207	1,315
Disbursements	486	2,576
Sovereign risk	283	1,891
Non-sovereign risk	203	685
		2016
Portfolio		2,840
Sovereign risk		2,641
Non-sovereign risk		199

APPROVALS IN ARGENTINA

Paseo del Bajo [Downtown Promenade] Project

Client/Executing agency: Argentine Republic / National Ministry of Transport

Total amount: USD 150 million
Term: 15 years

Objective: Provide a solution to improve regional mobility, reduce logistics costs associated with foreign trade and the domestic supply chain, and improve road safety.

Water Treatment Plant Construction for the districts of La Plata, Berisso and Ensenada

Client/Executing agency: Province of Buenos Aires / Ministry of Economy of the Province of Buenos Aires

Total amount: USD 119 million
Term: 15 years

Objective: Improve the effectiveness and efficiency of the system that supplies drinking water to La Plata, Berisso and Ensenada, in the province of Buenos Aires, through the construction of a new water treatment system to complement the existing one.

Project to Implement the Comprehensive Management Plan of the Lujan River Basin-Stage I

Client/Executing agency: Province of Buenos Aires / Ministry of Economy of the Province of Buenos Aires

Total amount: USD 100 million
Term: 15 years

Objective: Prevent river flooding, handle the river flow in a controlled manner and moderate the effect of flooding in the Lujan River Basin, in 10 districts in the province of Buenos Aires.

Integral Habitat program

Client/Executing agency: Argentine Republic / Ministry of the Interior, Public Works and Housing

Total amount: USD 75 million
Term: 15 years

Objective: Improve the habitat through access to drinking water, basic household sanitation, the paving of streets, construction and improvements to sidewalks and street lighting, among other actions.

Constitución - Belgrano Sur Railway Connectivity Improvement Project

Client/Executing agency: Argentine Republic / National Ministry of Transport

Total amount: USD 55 million
Term: 15 years

Objective: Improve the mobility and connectivity of transportation services in the metropolitan region of Buenos Aires toward the central area of the City of Buenos Aires.

Uncommitted revolving credit line

Client: Banco de Inversión y Comercio Exterior – BICE

Total amount: USD 75 million
Term: Multiple

Objective: Finance credit operations for bank clients, aimed at foreign trade and working capital. The line was increased from USD 50 million to USD 75 million.

CAF - BNPP short-term co-financing program for corporate clients of the agro-industrial sector

Client: Vicentin S.A.I.C.

Total amount: USD 20 million
Term: Multiple

Objective: Pre-export financing.

Uncommitted revolving credit line

Client: Banco Santander Río S.A.

Total amount: USD 35 million
Term: Multiple

Objective: Finance credit operations for bank clients, aimed at foreign trade and working capital.

Uncommitted revolving credit line

Client: Banco de Galicia y Buenos Aires S.A.

Total amount: USD 30 million
Term: Multiple

Objective: Finance foreign trade operations, investment and capital goods.

Uncommitted revolving credit line

Client: Banco Ciudad S.A.

Total amount: USD 20 million
Term: Multiple

Objective: Finance working capital, foreign trade operations, investment and capital goods.

Uncommitted revolving credit line

Client: Banco Supervielle S.A.

Total amount: USD 10 million
Term: Multiple

Objective: Finance credit operations for bank clients aimed at foreign trade and working capital.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 1.5 million
Term: Multiple

Uncommitted revolving credit line

Client: Banco Itaú Argentina, S.A.

Total amount: USD 10 million
Term: Multiple

Objective: Finance credit operations for bank clients aimed at foreign trade and working capital.

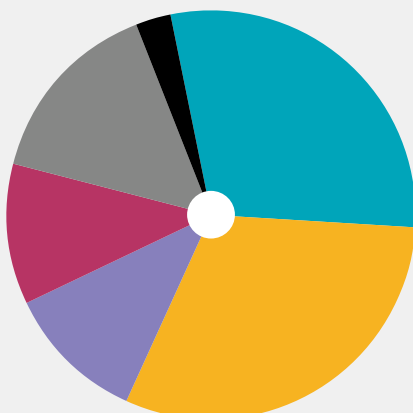
Uncommitted revolving credit line

Client: Banco de la Provincia de Buenos Aires S.A.

Total amount: USD 5 million
Term: Multiple

Objective: Finance credit operations for bank customers within the framework of the Supplier Financing Program.

**Approvals
by economic sector 2016**



- **31%** Social infrastructure
- **29%** Productive infrastructure
- **15%** Commercial banking
- **11%** Development banking
- **11%** Health and social services
- **3%** Productive sector

USD
706
MILLION

**Total approvals
in ARGENTINA
during 2016**

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ARGENTINA

INFRASTRUCTURE

- Support for the “Comprehensive Transportation Program” with the goal of designing transport management public policies that should incorporate environmental and social sustainability criteria through the use of production and information processing technologies.

SOCIAL DEVELOPMENT

- Support for the drafting of the Belgrano Plan Strategic Guidelines, which will help to prepare a framework for present and future actions under the Belgrano Plan.

SOCIAL INNOVATION

- Creation of a trust that articulates a public-private ecosystem for housing improvements in vulnerable communities in Greater Buenos Aires. Bankomunales were opened as a financial self-management tool, mobilizing more than USD 30,000.
- Adaptation of the “sustainability” methodology for vulnerable housing in partnership with the municipality of Bariloche. Energy efficiency assessments were performed, municipal technicians were trained, and cooperatives in the area carried out housing improvements with multidimensional impacts on health, residential security, productive work, comfort and savings in the family budgets.
- Deepening of the B movement via the certification of 40 companies, a bill for B-corps and the linking of universities to Academy B, a global network to generate knowledge and systematize Triple-Impact business models.
- Boost from the innovation platform *Innovación con Sentido* to remote-economy community centers, digital literacy, training in entrepreneurship and productive and artisanal strengthening in vulnerable communities.
- A volunteer management course was organized within the framework of the Union of University Social Responsibility from Latin America, along with the launch of a website as a research repository. University Social Responsibility Diploma programs were opened and the theme of ethical banking has been disseminated.
- Strengthening of the Ashoka network and boost for the scalability of solutions via the Globalizer X Argentina program.
- Sustainable livestock practices were promoted in Pilcomayo, Greater Chaco (Argentina, Bolivia, Paraguay); progress was made in the production and marketing of handicrafts; and the commercialization of ecotourism was strengthened. In addition, progress was made in the production of handicrafts, sustainable livestock and beekeeping in the three countries.



Support for educational infrastructure

ENVIRONMENT AND CLIMATE CHANGE

- Development of the Program of Multiple Environmental Actions for the Promotion of the Objectives of Sustainable Development in Argentina (PAAM/ODS), with the aim of contributing to the achievement of these objectives through multiple actions on environmental issues for the global promotion of development. The actions include: systematization of environmental information, development and implementation of a national coastal management strategy and the generation of capacities to incorporate new clean technologies to Argentina's transport system.
- Support for the implementation of the Rio de la Plata River Basin Strategic Action Program in order to develop and deepen the pre-investment activities and lines of action identified within the framework of the GEF Project for the Rio de la Plata River Basin.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Support for the Secretariat of Development and Investment in the Province of Tierra del Fuego to enhance the design of its organization structure, its management and administrative procedures, and define the tasks and activities of its human resources, along with the introduction of technological resources essential for task performance.
- Support for the Secretary General of the government of the Province of Buenos Aires for the "Comprehensive Plan of Readjustment" as a tool to drive the process of ministerial restructuring and strengthen institutional capacities.
- Implementation of the Governance, Policy Management and Public Management Program with the support of Universidad de San Andrés and the Universidad Católica in Buenos Aires, Cordoba, Parana, San Luis and Salta. Also, for the first time, the Leadership for Transformation Program was delivered, in partnership with CEFAS/UNSAM, in the City of Buenos Aires, La Matanza, San Miguel, Resistencia and Salta.

PRODUCTIVE AND FINANCIAL SECTORS

- CAF participated as the main promoter of the Regional FinTech Acceleration Program in partnership with NXTP Labs, an Argentine acceleration fund, to accompany 43 firms from Argentina, Colombia, Chile and Mexico; 13 Argentine companies were fast tracked.
- An endorsement for the 2016 event WeXchange for female entrepreneurship was approved. The forum was based on the WeXchange platform, founded by the Multilateral Investment Fund (MIF) of the Inter-American Development Bank (IADB), which seeks to enhance the impact of high-growth women entrepreneurs in Latin America and the Caribbean. The event focused on female entrepreneurs in STEM activities (Science, Technology, Engineering and Mathematics).

PUBLIC SAFETY

- Support for the Freedom Foundation, the National Institute of Technical Education (INET) and the National Ministry of Justice and Human Rights for the development of an online basic education program for the resocialization of convicts.
- Organization of the international seminar "Prison, drug and recidivism: can the vicious circle be ended?" in partnership with the Ministry of Justice of the Province of Buenos Aires, the Organization of American States (OAS) and the United Nations Office on Drugs and Crime (UNODC) in order to analyze lessons learned about the prison treatment of addictions and form working alliances for the health and psychological improvement of prisoners.
- Technical assistance in crime analysis and monitoring of prevention programs of public safety to the governments of the Provinces of Cordoba, Tucuman and the Municipality of Tres de Febrero in the Province of Buenos Aires, which conducted workshops, technical update seminars and surveys of crime prevention experiences.



USD

1.5

MILLION

CAF TECHNICAL
COOPERATION FUNDS
GRANTED TO ARGENTINA

BOLIVIA

IN 2016, CAF APPROVED OPERATIONS FOR BOLIVIA IN THE AMOUNT OF USD

564
MILLION

of which 81% (USD 456 million) corresponded to sovereign risk operations and 19% (USD 108 million) to non-sovereign risk operations and non-reimbursable cooperation funds.

Mi Agua Program



The country continued prioritizing funding for road infrastructure in accordance with the government’s National Roads Plan. In this regard, a loan for USD 220 million for the El Salto - Monteagudo highway and for Cazaderos and Cazaderitos tunnels—a portion of the Jaime Mendoza Diagonal—was approved to assist in the integration of Oruro, Potosi, Chuquisaca and Santa Cruz. From an engineering perspective, this road corridor is one of the most advanced in the country given its graded slopes of more than 60 meters, two tunnels and the opening of a new path where the road will be located. In addition, USD 75 million in financing was approved for the Anzaldo-Rio Caine highway, a project that will integrate the departments of Potosi and Cochabamba, and can help develop of a potential tourism center in Toro Toro.

On the other hand, social development operations represented 20% of the total number of approvals. The water program *Mi Agua* IV-Phase II with USD 30 million, which includes sustainability measurements, training and new projects, will contribute to the achievement of the sustainable development goals in Bolivia. In addition, with the intention of contributing to the country’s water and food security USD 61 million were approved for the Dams Program, which aims to build dams in areas of high agricultural and productive potential to increase the available volume of water, plus an additional 8,000 hectares under irrigation to benefit more than 10,000 families.

To comply with the institution’s counter-cyclical role, in an unfavorable international context for the country’s economy, CAF approved USD 70 million for the Support Program for the Planning and Management of Public Investment in order to promote the efficiency and optimal use of fiscal resources earmarked for public investment.

CAF also allocated a total of USD 103 million in favor of projects in corporate, financial and productive sectors. Of this amount, a total of USD 15 million was earmarked for the Santa Cruz Utilities Cooperative (SAGUAPAC) to finance sewer infrastructure for low-income populations. In the financial sector, a subordinated loan for USD 7.5 million was approved for Banco FIE with the aim of strengthening the institution’s equity. In addition, an amount of USD 80.5 million was approved in lines of credit for brokering in the sector of SMEs as well as entities that channel funds to the microenterprise sector.

Moreover, CAF approved USD 4.8 million in operations using cooperation funds for development, as a complement to the institution’s financing actions.

In addition to CAF’s direct financing, third-party funds were mobilized via co-financing for USD 82 million by the European Investment Bank (EIB) for the Caracollo-Colomi dual-carriageway highway: Section 2B Confital-Bombeo, a project that CAF awarded funding in 2015.

BOLIVIA IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	564	2,863
Sovereign risk	456	2,203
Non-sovereign risk	108	660
Disbursements	407	1,705
Sovereign risk	368	1,477
Non-sovereign risk	39	228
		2016
Portfolio		2,222
Sovereign risk		2,088
Non-sovereign risk		134

APPROVALS IN BOLIVIA

Project to build El Salto - Monteagudo highway and Cazaderos and Cazaderitos tunnels

Client/Executing agency: Plurinational State of Bolivia / Bolivian Highway Administration

Total amount: USD 220 million
Term: 15 years

Objective: Promote an efficient regional road connection through investment in the rehabilitation and construction of a road corridor for the export integration of the south-west region of the country, domestic supply and improved road safety.

Dams Program

Client/Executing agency: Plurinational State of Bolivia / Ministry of Environment and Water

Total amount: USD 61 million
Term: 15 years

Objective: Contribute to higher agricultural production and productivity per hectare and per family benefited in a sustainable manner, through the rise and regulation of the available volume of water in reservoirs.

Uncommitted revolving credit line

Client: Banco FIE S.A.

Total amount: USD 10 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Paving of Km 25-Tarata-Anzaldo-Toro Toro highway

Client/Executing agency: Plurinational State of Bolivia / Bolivian Highway Administration

Total amount: USD 75 million
Term: 15 years

Objective: Improve road infrastructure to increase the tourism and economic exploitation in the area of influence of the Toro Toro National Park.

More investment for the water program MIAGUA IV - Phase II

Client/Executing agency: Plurinational State of Bolivia / Ministry of Environment and Water

Total amount: USD 30 million
Term: 15 years

Objective: Contribute to improving the conditions of the life and health of the population through better access to and increased quality in the provision of drinking water and basic sanitation services in the country

Short-term uncommitted revolving credit line

Client: ADM SAO S.A.

Total amount: USD 10.5 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Support Program for the Planning and Management of Public Investment

Client/Executing agency: Plurinational State of Bolivia / Ministry of Development Planning

Total amount: USD 70 million
Term: 15 years

Objective: Contribute all-purpose budgetary support to the efforts spearheaded by the Bolivian government to improve the planning and management of public investment at the three levels of government (national, regional and local).

Corporate loan for the financing of sewer infrastructure

Client: Cooperativa de Servicios Públicos "Santa Cruz" R.L. - SAGUAPAC

Total amount: USD 15 million
Term: 12 years

Objective: Improve the living conditions and the social and environmental surroundings of close to 68,700 inhabitants living in the southern part of Santa Cruz de la Sierra, through the construction of 239 km of wastewater pipes and sewage networks.

Uncommitted revolving credit line

Client: Banco Los Andes ProCredit S.A.

Total amount: USD 10 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Subordinated loans

Client: Banco FIE S.A.

Total amount: USD 7.5 million
Term: 7 years

Objective: Strengthen the institution's equity.

Uncommitted revolving credit line

Client: Banco Solidario S.A.

Total amount: USD 6.5 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Uncommitted revolving credit line

Client: Asociación Civil Crédito con Educación Rural - Crecer

Total amount: USD 5 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia. The line of credit was raised from USD 3.5 million to USD 5 million.

Uncommitted revolving credit line

Client: Fundación Pro Mujer

Total amount: USD 3 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia. The line of credit was raised from USD 2 million to USD 3 million.

Uncommitted revolving credit line

Client: Banco Unión S.A.

Total amount: USD 20 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia. The line of credit was raised from USD 10 million to USD 20 million.

Uncommitted revolving credit line

Client: Cooperativa Jesús Nazareno Ltda.

Total amount: USD 4 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Uncommitted revolving credit line

Client: Banco PyME Eco Futuro S.A.

Total amount: USD 1.5 million
Term: Multiple

Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Uncommitted revolving credit line

Client: Banco Ganadero S.A.

Total amount: USD 10 million
Term: Multiple

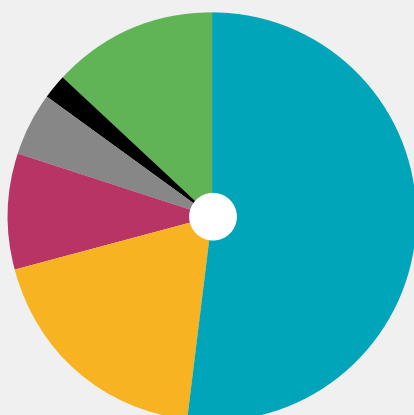
Objective: Finance trade, working capital and investment projects to micro and small enterprises in Bolivia.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 4.8 million
Term: Multiple

Approvals by economic sector in 2016



- **52%** Productive infrastructure
- **19%** Social infrastructure
- **13%** Macroeconomic stability and structural reforms
- **9%** Development banking
- **5%** Commercial banking
- **2%** Productive sector

USD
564
MILLION

Total approvals in BOLIVIA during 2016

OTHER CONTRIBUTIONS TO BOLIVIA'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support of the Bolivian Highway Administration for the improvement of the technical construction conditions of the Basic Road Network through technical assistance on asphalt concrete to improve the durability of pavement, as well as the promotion of methods for recycling materials that reduce the environmental impact.
- Technical and institutional assistance granted Bolivian cities to improve their urban transport systems with the approval of the Urban Transportation Program for Bolivian Cities. In this context, CAF continued to support the city El Alto to develop an urban transport system, Wayna Bus, optimizing routes and fleet maintenance.
- Completion of pre-investment studies, developed in partnership with the French Development Agency (AFD) for the construction, equipment and implementation of integrated public transport systems in the cities of Tarija and Sucre, with the aim of improving urban mobility in cities and their areas of influence.

SOCIAL DEVELOPMENT

- Strengthening capacities through studies and technical assistance to improve the sustainability of water and sanitation services in rural areas, with the aim of creating a technical and institutional climate conducive to meet the coverage goals provided for in the Economic and Social Development Program (PDES 2015-2020) to contribute to the country's water and food security.
- Support for the implementation of the National Dam Safety Plan with the aim of contributing to the efforts of the Ministry of Environment and Water to improve the country's water security.
- Support of contemporary art through the art gallery Artespacio CAF, showing eight exhibitions and a presentation at the X Long Night of Museums. In addition, Artespacio Virtual was launched to disseminate online artistic expressions exhibited at Artespacio CAF since its inception in 2007.

SOCIAL SUSTAINABILITY

- Delivery of the II Orchestral Training Workshop within the framework of the Música para Crecer (Music to Grow) program, with the objective of forming a network of youth and children's orchestras in Santa Cruz.
- Organization of the VIII edition of the La Paz 3600 10K race, under the slogan: "I run for a marvelous La Paz," with the participation of 10,000 athletes.



Consolidation of a social enterprise in the Obrajés prison for the production of woven and knit products under the brand OUT

SOCIAL INNOVATION

- Consolidation of a social enterprise in the Obrajes prison run by inmates and prison officials for the production of baked goods and woven and knit products. Female inmates received training in areas like pastry, savory turnovers and weavings. The brand OUT was launched with a collection of knitwear and a couture fashion show. The company's sales financed health care services, psycho-emotional assistance and recreational activities for the inmates.
- Support to the use of gastronomy as a tool for inclusion and education, as well as a driver of the local economy via the creation of four Manq' schools in El Alto. Six hundred and twenty youths graduated as culinary technicians, 275 young people were trained in entrepreneurship and commercial kitchen management, and three community kitchens were opened. This initiative, recognized throughout the world as innovative, contributes to social and environmental sustainability, job creation, health, and cultural identity.
- Further development of the Bankomunales model as an educational and community organization tool, as well as an instrument to access financial services, thanks to the formation of 80 local groups of financial self-management. A boost was given to the local development platform through "Club Bk," which grants members access to protective liability and life insurance, dental coverage, a revolving credit facility for the associative purchase and distribution of food (pasanaku), discounts for technical training and drug vouchers.
- Sustainable livestock practices were promoted in Pilcomayo, Greater Chaco (Argentina, Bolivia and Paraguay). Progress was made in the production and marketing of honey and handicrafts.

ENVIRONMENT AND CLIMATE CHANGE

- The municipal government of La Paz was given support to develop the Environmental Management Plan for Water Conservation Areas in Hampaturi (ENC) to reduce risks to water sources in terms of quantity and quality, for the city of La Paz, and to promote opportunities for intervention from an ecosystem perspective.
- Support for the structuring of the financing proposal for the Mother Earth's Life Systems Management Program, within the framework of joint climate change mitigation and adaptation initiatives.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Organization of the I Meeting of Bolivian Graduates from the Governance, Political Management and Public Management Program, and the Leadership for Transformation Program, held in La Paz, where 100 participants reflected on public values, the design of public policies, conflict management and ICT management to strengthen regional development.
- Municipal strengthening regarding crime-related issues through support for a model observatory aimed at preventing crime in Tarija, Santa Cruz, Cochabamba and El Alto. This activity was part of assistance for the drafting of a proposal for the strategic security plan in the El Alto municipality, which was based on three axes: a program for safe schools, strengthening of police capacity in the training and research phase, and a municipal public safety observatory.



USD
4.8
MILLION

CAF TECHNICAL
COOPERATION FUNDS
GRANTED TO BOLIVIA

BRAZIL

IN 2016, CAF APPROVED OPERATIONS FOR BRAZIL IN THE AMOUNT OF USD

1.4
BILLION

of which 35% (USD 477 million) corresponded to sovereign risk operations and 65% (USD 893 million) to non-sovereign risk operations and non-reimbursable cooperation funds.

Urban development in Aparecida de Goiânia



Sovereign-risk approvals include financing granted to operations related to urban development and urban mobility for a total of USD 405 million. The municipality of Hortolândia was awarded USD 53 million for its Urban Infrastructure and Sustainable Development Program; the local government of Maceió received USD 70 million for its Urban Neighborhood Renewal Program; a USD 125 million loan was approved for São Bernardo do Campo for PROINFRA, its urban infrastructure program; Goiânia's Sustainable City Program received USD 100 million; and USD 57 million were awarded for the Urban Mobility and Redevelopment Program for Jabotão dos Guararapes's coastal area.

In addition, a total of USD 72 million in financing was approved for the Sustainable Tourism Development Program in the state of Tocantins, which seeks to provide infrastructure to the state's priority tourism resorts and to increase the competitiveness of the "Tocantins Destination" in the national, regional and international market.

In addition, in the financial sector, revolving lines of credit were renewed for banks to fund foreign trade operations and working capital in the productive sector.

An infrastructure fund is being developed in Brazil to support infrastructure-related debt issuances in local capital markets. The fund is part of CAF's strategy to promote financial products to support member countries in their efforts to reduce their infrastructure gaps by mobilizing third-party funds. For this purpose, two memoranda of understanding were signed. The first one was with the National Bank of Economic and Social Development (BNDES) and the second one with BNP Paribas Asset Management, whose financial closing is scheduled for the first quarter of 2017.

Finally, CAF approved USD 3.4 million in operations with cooperation funds for development, as a complement to the institution's financing actions.

BRAZIL IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	1,371	8,646
Sovereign risk	477	2,637
Non-sovereign risk	893	6,008
Disbursements	1,726	5,992
Sovereign risk	146	1,317
Non-sovereign risk	1,580	4,675
		2016
Portfolio		2,022
Sovereign risk		1,315
Non-sovereign risk		707

APPROVALS IN BRAZIL

PROINFRA - Urban infrastructure program in São Bernardo do Campo

Client/Executing agency: Municipality of São Bernardo do Campo / Municipal Secretariat of Transport and Public Roads

Total amount: USD 125 million
Term: 15 years

Objective: Contribute to the development of the municipality's economic and social integration through investments in road works, urban mobility and drainage.

Urban Neighborhood Renewal Program in Maceió

Client/Executing agency: Municipality of Maceió/ Municipal Secretariat of Infrastructure and Urbanism

Total amount: USD 70 million
Term: 16 years

Objective: Extend basic sanitation services and improve urban mobility conditions in the municipality through the laying of a sanitary sewage system, and the paving and construction of new roads.

Uncommitted revolving credit line

Client: Banco Bradesco S.A.

Total amount: USD 250 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Goiânia's Sustainable City Program

Client/Executing agency: Municipality of Goiânia/ Executive Cabinet for the Growth Acceleration Program

Total amount: USD 100 million
Term: 16 years

Objective: Improve mobility conditions for the population and access to essential health care public services through the implementation of a set of integrated actions.

Urban Mobility and Redevelopment Program for Jabotão dos Guararapes's coastal area

Client/Executing agency: Municipality of Jabotão dos Guararapes / Municipal Secretariat of Infrastructure and Mobility

Total amount: USD 57 million
Term: 16 years

Objective: Promote the improvement of the municipality's conditions of habitability through comprehensive urban interventions necessary to expand mobility opportunities for the population, improve the city's storm drain systems and reconfigure Jabotão dos Guararapes's shoreline.

Uncommitted revolving credit line

Client: Itaú Unibanco S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Promote industry and develop competitiveness in sectors of high impact for national development.

Sustainable Tourism Development Program in the state of Tocantins

Client/Executing agency: State of Tocantins/ Secretariat of Economic Development, Science, Technology, Tourism and Culture

Total amount: USD 72 million
Term: 16 years

Objective: Improve the tourism development in the state of Tocantins through the provision of sustainable infrastructure to stimulate regional economic activity.

Urban Infrastructure and Sustainable Development Program in the municipality of Hortolândia - Via Viva

Client/Executing agency: Hortolândia Municipality / Municipal Department of Works

Total amount: USD 53 million
Term: 12 years

Objective: Contribute to the municipality's development and economic and social integration by improving the efficiency of urban mobility; increasing the number of green areas, schools and health centers; and reinforcing public safety.

Uncommitted revolving credit line

Client: Banco Santander Brasil S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco do Brasil S.A

Total amount: USD 200 million

Term: Multiple

Objective: Promote industry and competitiveness in sectors of high impact for national development.

Uncommitted revolving credit line

Client: Banco Regional de Desenvolvimento do Extremo Sul

Total amount: USD 40 million

Term: Multiple

Objective: Provide all-purpose funding for the bank and its clients.

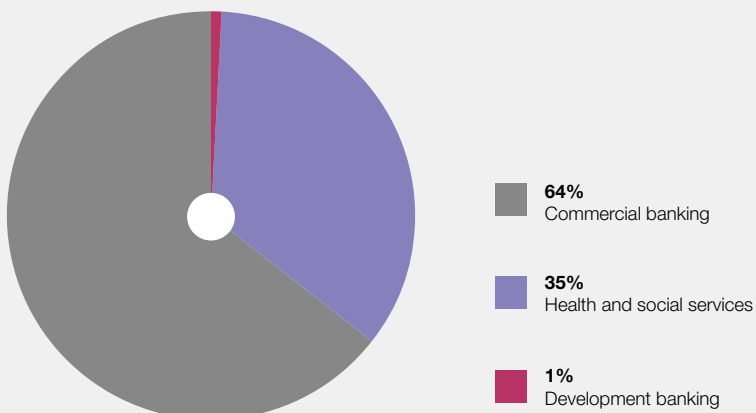
Other operations with cooperation funds

Client: Multiple

Total amount: USD 3.4 million

Term: Multiple

**Approvals
by economic sector in 2016**



**USD
1.4
BILLION**

**Total approvals in
BRAZIL during 2016**

OTHER CONTRIBUTIONS TO BRAZIL'S SUSTAINABLE DEVELOPMENT

SOCIAL INNOVATION

- Further development of the B movement via the certification of 63 B-corps, a bill for B-corps and the linking of four universities to Academy B, a global network to generate knowledge about B companies and systematize triple-impact business models.
- Invitation extended by the Mayor of Rio de Janeiro to 20,000 companies in the metropolitan area to measure their social and environmental impact, using the "B-Impact Assessment" tool. About 40 companies participated in the Rio+B Laboratory to generate value and innovation in their businesses and develop a work plan for the improvement of their triple impact.

ENVIRONMENT AND CLIMATE CHANGE

- Support of the V Brazilian Congress on Applied Environmental Education and Land Management, organized by Universidad Federal de Ceará, with the aim of promoting discussion and exchange of academic experiences to contribute to the dissemination of ideas and works that seek to build a more sustainable society.

PRODUCTIVE AND FINANCIAL SECTORS

- Support of the expansion project for Aliança Empreendedora's Tamo Junto Program, with the creation of an online platform aimed at reducing the distance between microentrepreneurs and the skills that they need to develop their businesses.
- Support for the ABVCAP 2016 Congress organized by the Brazilian Association of Private Equity and Venture Capital, where the industry's main players gathered to discuss the attractiveness of Brazil as a long-term investment destination.



Sustainable Tourism Development Program

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Political Management and Public Management Program, with the support of the Getulio Vargas Foundation, from which 100 students graduated.
- Support during the International Governance, Innovation and Development Seminar organized by the National School of Public Administration (ENAP), with the participation of 50 Brazilian public officials to analyze innovating cases in public management and governance at national and metropolitan levels.
- Organization, in partnership with ENAP, of the International Seminar "Territorial Collectivities and Local Governance in France," delivered by Fundación Escuela de Gobierno (ENA) to confer Brazilian government officials with new knowledge on territorial governance.

INTEGRATION

- Support of a common agenda to boost Mercosur's integration with the main councils of international reference in the region—CARI, CEBRI, CEPEI and Curi—through short and medium-term proposals and actions that should contribute to the formulation of public policies.
- Support of the VII edition of the United Regions Organization / Forum of Regional Governments and Global Associations of Regions (ORU Fogar), with the aim of promoting governance from the perspective of recognition of the diversity of cultures and ways of life; the involvement of regional governments in the design and management of policies for education, health and the construction of social infrastructure; and cross-border and transnational relations from the participating regions.
- Support for the study conducted by the Energy Council of Brazil and Southern Cone Countries, carried out by the Getulio Vargas Foundation (FGV), which seeks to analyze the feasibility of implementing an energy council in South American countries (Argentina, Brazil, Paraguay and Uruguay). In addition, this initiative will promote a dialogue between the different segments of the private and public sectors.



USD
3.4
 MILLION

CAF TECHNICAL
 COOPERATION FUNDS
 GRANTED TO BRAZIL

CO LOM BIA

IN 2016, CAF
APPROVED OPERATIONS
FOR COLOMBIA IN THE
AMOUNT OF USD

2.1
BILLION

of which 22% (USD 450 million)
corresponded to sovereign risk
operations and 78% (USD 1.6 billion)
to non-sovereign risk operations and
non-reimbursable cooperation funds.

Program of Modern Cities and Infrastructure for Sustainable Regional Integration



A long-term sovereign risk loan for USD 450 million was granted for the Modern Cities and Infrastructure for Sustainable Territorial Integration Program, with the aim of contributing, through all-purpose budget support, with the efforts made in the country to promote urban-rural integration and the consolidation of cities as drivers of the economy.

Among non-sovereign risk operations, a credit line for Banco Agrario for USD 40 million was awarded in support of the promotion of agricultural and/or agro-export projects to contribute to the sector's development, the diversification of the country's productive matrix and the generation of employment in the rural sector. A corporate loan for Banco Pichincha for USD 15 million was approved for the financing of SMEs and the funding of educational loans. In addition, several uncommitted lines of credit were renewed for the financial and corporate segments in the amount of USD 1.6 billion to help the productive and financial sectors in Colombia.

On the other hand, CAF approved USD 9.6 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

In addition to direct funding from CAF, third-party resources were mobilized via a co-financing mechanism for EUR 50 million (approximately USD 57 million) from KfW for the Modern Cities and Infrastructure for Sustainable Territorial Integration Program.

COLOMBIA IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	2,077	8,041
Sovereign risk	450	950
Non-sovereign risk	1,627	7,091
Disbursements	1,515	5,818
Sovereign risk	493	833
Non-sovereign risk	1,022	4,985
		2016
Portfolio		2,409
Sovereign risk		1,387
Non-sovereign risk		1,022

APPROVALS IN COLOMBIA

Modern Cities and Infrastructure for Sustainable Territorial Integration Program

Client/Executing agency: Republic of Colombia / Ministry of Finance and Public Credit

Total amount: USD 450 million
Term: 15 years

Objective: Contribute via budget support with all-purpose resources to the Colombian government's effort to strengthen public policy for the promotion of modern cities, sustainable urban mobility and territorial connectivity.

Uncommitted revolving credit line

Client: Financiera de Desarrollo Territorial S.A. - Findeter

Total amount: USD 50 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Crezcamos S.A.

Total amount: USD 2 million
Term: Multiple

Objective: Provide credits for Colombia's microenterprise sector.

Medium-term loan to Banco Pichincha S.A.

Client: Banco Pichincha S.A.

Total amount: USD 15 million
Term: 5 years

Objective: Increase the bank's loan portfolio in the SME sector and educational funding.

Uncommitted revolving credit line

Client: Banco Agrario de Colombia S.A.

Total amount: USD 40 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Bancolombia S.A.

Total amount: USD 310 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Ecopetrol S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Finance investment projects and working capital, as well as investment in capital assets in accordance with the company's business plan.

Uncommitted revolving credit line

Client: Banco de las Microfinanzas - Bancamia S.A.

Total amount: USD 15 million
Term: Multiple

Objective: Provide credits for Colombia's microenterprise sector.

Uncommitted revolving credit line

Client: Bancolombia (Panamá) S.A.

Total amount: USD 50 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco de Comercio Exterior de Colombia - Bancoldex

Total amount: USD 250 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 200 million to USD 250 million.

Uncommitted revolving credit line

Client: Banco WWB, S.A.

Total amount: USD 15 million
Term: Multiple

Objective: Provide credits for Colombia's microenterprise sector.

Uncommitted revolving credit line

Client: Banco de Bogotá S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 150 million to USD 200 million.

Uncommitted revolving credit line

Client: Banco de Bogotá S.A. (Panamá)

Total amount: USD 20 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: BBVA Colombia S.A.

Total amount: USD 100 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Colpatria Multibanca S.A.

Total amount: USD 75 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Davivienda S.A.

Total amount: USD 150 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 100 million to USD 150 million.

Uncommitted revolving credit line

Client: Banco de Occidente S.A.

Total amount: USD 75 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Corpbanca Colombia S.A

Total amount: USD 50 million

Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

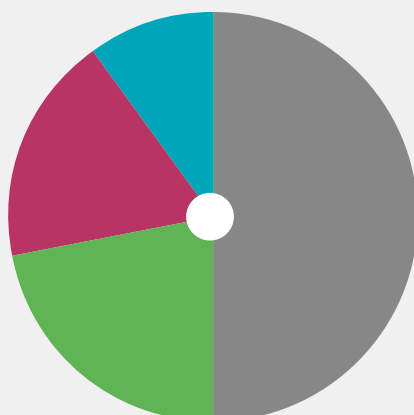
Other transactions with cooperation resources

Client: Multiple

Total amount: USD 9.6 million

Term: Multiple

**Approvals
by economic sector in 2016**



- 50%**
Commercial banking
- 22%**
Macroeconomic stability and structural reforms
- 18%**
Development banking
- 10%**
Productive infrastructure

**USD
2.1
BILLION**

**Total approvals in
COLOMBIA during 2016**

OTHER CONTRIBUTIONS TO COLOMBIA'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Institutional and financial strengthening of Bogota's integrated public transport system, through studies to enable the migration of current public transport users to the integrated public transport system with the aim to improve service coverage and benefits for passengers, as well as to structure pre-feasibility pilot projects for the construction and operation of local equipment of Transmilenio, Bogota's bus rapid transport network.
- Organization of the public bike system in the city of Cali with catalytic funds from the Latin America Investment Facility (LAIF) and the French Development Agency (AFD).
- Support for the drafting of a road safety plan for motorcyclists in the city of Bogota. Development of technical guidelines for the implementation of mobility solutions that optimize the road space in Bogota.

SOCIAL DEVELOPMENT

- Support for education initiatives for peace in the region of Ariari, in partnership with the Organization of Ibero-American States and Corporación Vivamos Humanos.
- Contribution to the development of peace tools for the reconstruction of the social fabric of the Colombian Pacific, the promotion of a culture of peace and spaces for inclusion through a national program called Colombian Workshop Schools.

SOCIAL INNOVATION

- Further development of the B movement via the certification of 38 B-corps, a bill for B-corps, the linking of universities to Academy B, and the launching of the Mide lo importante (Measure what's important) program.
- Promotion of theater as a therapeutic tool and presentation of plays in national festivals.
- Further development of Bankomunales as an educational tool to access financial services. Promotion of a local development platform to provide insurance and housing improvements.
- Graduation of the first auxiliary tactile examiners trained under the *Discovering Hands* model, which uses the sensory abilities of women with visual disabilities in the early detection of breast cancer. Several countries expressed interest in replicating the program.
- Participation in events within the framework of the Union of University Social Responsibility from Latin America (URSULA).
- Boosting of social technologies by using the innovation platform *Innovación con Sentido*.
- Strengthening of capabilities and integral development processes in Wayuu communities. Solutions spearheaded included branch-made huts, common areas and gardens.



Support for agricultural production

ENVIRONMENT AND CLIMATE CHANGE

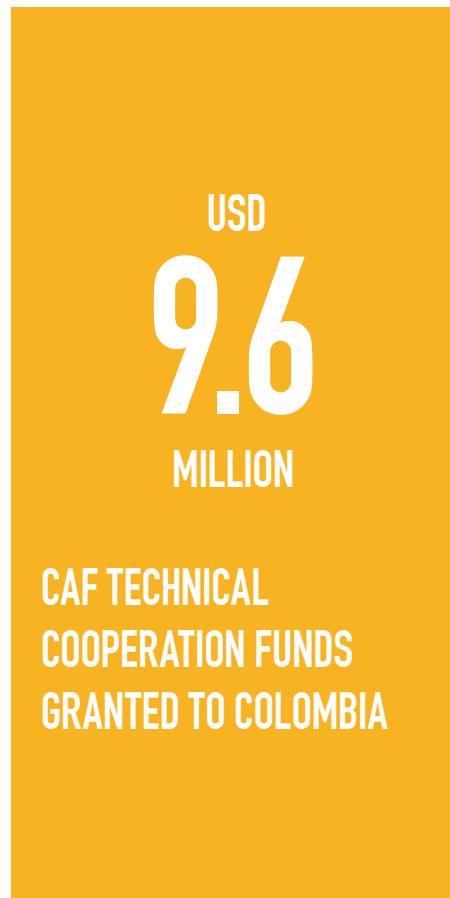
- Support in the definition of structural and non-structural measures for active mobility (bike and hike) in medium-sized Colombian cities, including: Pasto, Manizales, Montería, Pereira-Dosquebradas, San Andrés and Valledupar.
- Implementation of climate-smart agriculture in Latin America, through the strengthening of adaptation and mitigation capacities of public and private-sector agricultural institutions.

PRODUCTIVE AND FINANCIAL SECTORS

- Conceptualization of an information system for the agriculture and livestock sector that will reduce credit and insurance risks in the agro-industrial, agriculture and livestock areas.
- Support of the microfinance entity Contactar to strengthen the micro enterprise segment of the agriculture and livestock sector in the Nariño Department, one of the poorest in Colombia, located on the border with Ecuador.
- Due diligence proceedings was conducted with the project database Reconciliación Colombia, which seeks to strengthen peace-building and reconciliation initiatives through sustainable social and productive projects with high social impact in areas affected by the armed conflict.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Political Management and Public Management Program, delivered at Universidad del Rosario, from which 169 students graduated.
- Working meeting of graduates from the Governance, Political Management and Public Management and the Leadership for Transformation Programs in Colombia, during which 20 graduates were trained in communication and networking topics.
- Regional Meeting of Young and University Parliamentarians: Andean youths support the peace process in Colombia, co-organized with the Andean Parliament. More than 200 Latin American young and university parliamentarians, from 13 to 23 years of age, met to discuss and develop a work proposal to assist in the negotiation process.



E C U A

ECUADOR

DURING 2016, CAF
APPROVED OPERATIONS
FOR ECUADOR IN THE
AMOUNT OF USD

766
MILLION

of which 61% (USD 464 million)
corresponded to sovereign risk
operations and 39% (USD 302 million)
to non-sovereign risk operations and
non-reimbursable cooperation funds.

Roadworks Program in Guayaquil



A highlight among the year's approvals is the energy sector, which was allocated USD 300 million for the implementation of the Annual Electric Sector Investment Plan. In addition, financing in the amount of USD 40 million was approved for the neighborhood program *Barrio para mejor vivir* in the city of Cuenca and USD 24 million for roadworks in Guayaquil. CAF's immediate support in response to the earthquake in April 2016 is noteworthy. The institution extended a credit for USD 100 million to support the funding and implementation of the program of relocation, reconstruction of social infrastructure and assistance to the population affected by the earthquake.

On the other hand, during 2016, support for private banks continued with operations in the order of USD 214 million mainly intended to support the financing of more than 1,200 SMEs. CAF also approved a line of credit for Corporación Financiera Nacional (CFN) for USD 20 million to finance factoring operations for the SME segment. Similarly, a line of credit for USD 3 million was approved for the Jardín Azuayo credit cooperative aimed at meeting working capital needs and financing for SMEs, the cooperative association's clients.

In support of the corporate sector, a long-term loan for USD 5 million was extended to Provefrut, a leading market company in the production and sale of frozen vegetables. This operation will increase production volumes 23% by 2021 and improve product quality, among other benefits. In addition, a line of credit for USD 5 million was granted Ecuaquímica, with the aim of financing the purchase of maize from small and medium-sized agricultural producers in Ecuador. Lines of credit in the amount of USD 50 million extended to other Ecuadorian companies in the corporate sector were renewed.

Finally, CAF approved USD 5 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

With the support of these projects and programs, CAF continues to act as a key and important actor in the process of modernization, transformation and development, addressing priority needs in the most vulnerable sectors of the country.

ECUADOR IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	766	3,981
Sovereign risk	464	2,392
Non-sovereign risk	302	1,589
Disbursements	711	3,499
Sovereign risk	465	2,030
Non-sovereign risk	247	1,469
		2016
Portfolio		3,318
Sovereign risk		3,091
Non-sovereign risk		227

APPROVALS IN ECUADOR

ROADWORKS PROGRAM IN DENSELY POPULATED AREAS IN THE CITY OF GUAYAQUIL, PHASE III

Client/Executing agency: Municipality of Guayaquil / Department of Public Works

Total amount: USD 24 million
Term: 10 years

Objective: Improve the quality of life of the population, giving the city of Guayaquil quality public infrastructure through the improvement of health conditions and access to their homes, stores and places of work.

Neighborhood program Barrio para mejor vivir, Phase II

Client/Executing agency: Autonomous Decentralized Municipal Government for the Cuenca Canton / Executing Unit of Cuenca Projects

Total amount: USD 40 million
Term: 15 years

Objective: Provide urban neighborhoods in Cuenca with integral infrastructure such as: water and sewerage services, paved roads, sidewalks, drainage, lighting, telecommunications networks and green spaces.

Sector-Wide Approach (SWAp) for the Electricity Sector

Client/Executing agency: Republic of Ecuador / Ministry of Finance

Total amount: USD 100 million
Term: 15 years

Objective: Support investment in direct costs for electricity generation, transmission or distribution projects throughout the country between 2014 and 2016.

Sector-Wide Approach (SWAp) for the Electricity Sector II

Client/Executing agency: Republic of Ecuador / Ministry of Finance

Total amount: USD 200 million
Term: 2 years

Objective: Support investment in direct costs for electricity generation, transmission or distribution projects throughout the country in 2015 and 2016.

Sector-Wide Approach (SWAp) for Urban Development and Housing

Client/Executing agency: Republic of Ecuador / Ministry of Finance

Total amount: USD 100 million
Term: 15 years

Objective: Support the Republic of Ecuador in the financing and implementation of a program for relocation, the reconstruction of social infrastructure and the provision of assistance to the population affected by an earthquake on April 16, 2016.

Corporate loan to Provefrut S.A.

Client: "Provefrut", Procesadora de Vegetales y Frutas Tropicales S.A.

Total amount: USD 5 million
Term: 7 years

Objective: Purchase machinery and equipment to improve efficiency and productivity levels on production lines and the quality of their products.

Uncommitted revolving credit line

Client: Ecuaquímica, Ecuatoriana de Productos Químicos, C.A.

Total amount: USD 5 million
Term: Multiple

Objective: Finance the purchase of maize from small and medium-sized producers in Ecuador. Purchased corn will be used by the domestic agro-industry, which produces feed for chicken, pigs, cows and shrimp.

Uncommitted revolving credit line

Client: Otecel S.A.

Total amount: USD 25 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Multilatina uncommitted revolving credit line

Client: Grupo Duferco CEC

Total amount: USD 15 million
Term: Multiple

Objective: Finance foreign trade operations, working capital operations and investments in capital goods for the group's companies: Ipac S.A., Ipacer S.A., Agofer S.A., Acetesa S.A. and Galpesa S.A. The line of credit was reduced from USD 20 million to USD 15 million.

Uncommitted revolving credit line

Client: Procesadora Nacional de Alimentos C.A. - Pronaca

Total amount: USD 10 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Corporación Financiera Nacional, CFN

Total amount: USD 20 million
Term: Multiple

Objective: Financing of "electronic factoring" transactions intended for working capital of SMEs.

Multilatina uncommitted revolving credit line

Client: Corporación de Desarrollo de Mercado Secundario de Hipotecas - CTH

Total amount: USD 10 million
Term: Multiple

Objective: Finance purchase of mortgage portfolio to mobilize resources for housing and related infrastructure.

Uncommitted revolving credit line

Client: Cooperativa de Ahorro y Crédito Jardín Azuayo Ltda.

Total amount: USD 3 million
Term: Multiple

Objective: Finance micro-credit and rural and urban Ecuadorian SMEs and agricultural producers.

Uncommitted revolving credit line

Client: Banco de Guayaquil S.A.

Total amount: USD 35 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 30 million to USD 35 million.

Uncommitted revolving credit line

Client: Banco del Pacífico S.A.

Total amount: USD 15 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Pichincha C.A.

Total amount: USD 45 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 35 million to USD 45 million.

Uncommitted revolving credit line

Client: Banco de la Producción S.A. - Produbanco

Total amount: USD 34 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Procredit S.A.

Total amount: USD 10 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line was reduced from USD 15 million to USD 10 million.

Uncommitted revolving credit line

Client: Banco Internacional S.A.

Total amount: USD 35 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 25 million to USD 35 million.

Uncommitted revolving credit line

Client: Banco Bolivariano C.A.

Total amount: USD 25 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

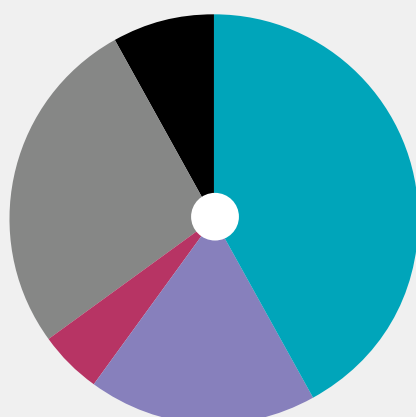
Uncommitted revolving credit line

Client: Banco General Rumiñahui S.A.

Total amount: USD 5 million
Term: Multiple

Objective: Finance producers and companies in the agricultural sector, bank clients; finance short-term operations of the SME sector.

**Approvals
by economic sector in 2016**



- **42%** Productive infrastructure
- **27%** Commercial banking
- **18%** Health and social services
- **8%** Productive sector
- **5%** Development banking

USD
766
MILLION

**Total approvals in
ECUADOR during 2016**

OTHER CONTRIBUTIONS TO ECUADOR'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support the development of complementary and feasibility studies for the construction of an Urban Distribution Logistics Centre (CLDU) for the city of Loja, as a strategy to promote business development and competitiveness.
- Support for the autonomous decentralized government of the province of Bolívar to conduct pre-investment studies for the rehabilitation and improvement of 51 km of roads.

SOCIAL INNOVATION

- Improvement in production and processing of cacao via training in sustainable technologies. Strengthening of traceability systems and inclusion of young people as inspectors of internal control. A plant of semi-finished products in Guayaquil was equipped; two schools of community tourism were created and Agro Maquita's transition from foundation to social enterprise was completed.
- Through the innovation platform *Innovación con Sentido* recycling organizations in Quito were strengthened.
- Impulse given B-corps in Quito and Guayaquil as a way for the private sector to help resolve social and environmental problems.

SOCIAL DEVELOPMENT

- Following the earthquake on April 16, CAF ratified its commitment of economic support and contributed USD 200,000 to ensure immediate response to the emergency situation in two of the country's provinces.
- CAF and KfW supported the regional initiative Latin America Investment Facility (LAIF) carrying out pre-investment studies in the water and sanitation sector. ETAPA EP, the municipal telecommunications, potable water, sewerage and sanitation utility for Cuenca, received support to conduct the definitive studies for regional water supply projects.
- CAF participated in the development of Habitat III, an international event held every 20 years, to assess the situation and perspectives of global urban development aimed at strengthening countries' commitment to sustainable urbanization. The municipality of Quito received support, and CAF participated in several events and the dissemination of knowledge and experience.

SOCIAL SUSTAINABILITY

- CAF continued to support the management and transition of Agro Maquita from foundation to social enterprise; the provision of equipment and management for the operation of its plant for semi-finished cocoa products; the strengthening of its tracking systems and the inclusion of young people as internal control inspectors. The institution also supported the integration of the tourism sector to contribute to the development of communities in six provinces.



CAF at Habitat III Conference, held in Quito

ENVIRONMENT AND CLIMATE CHANGE

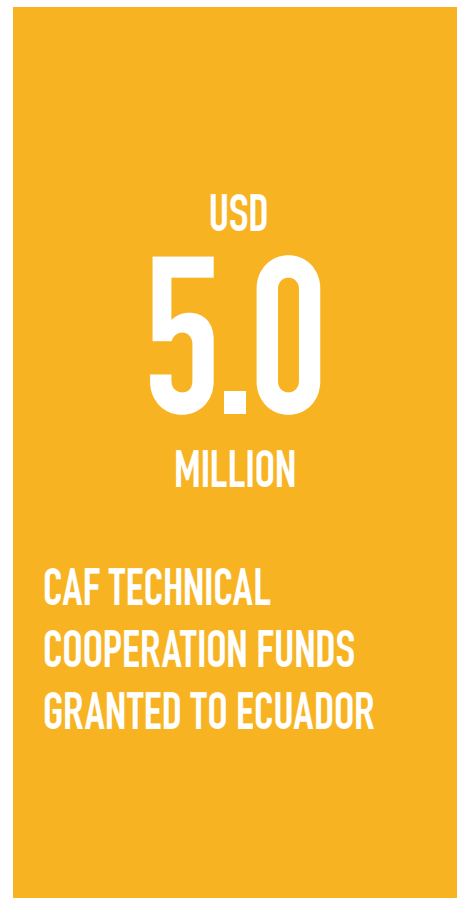
- The second phase of the measurement of the carbon footprint of Ecuador's export products was launched, to analyze production processes and determine the quantity of emissions in several export sectors: flowers, wood, seeds, vegetables and plastic.

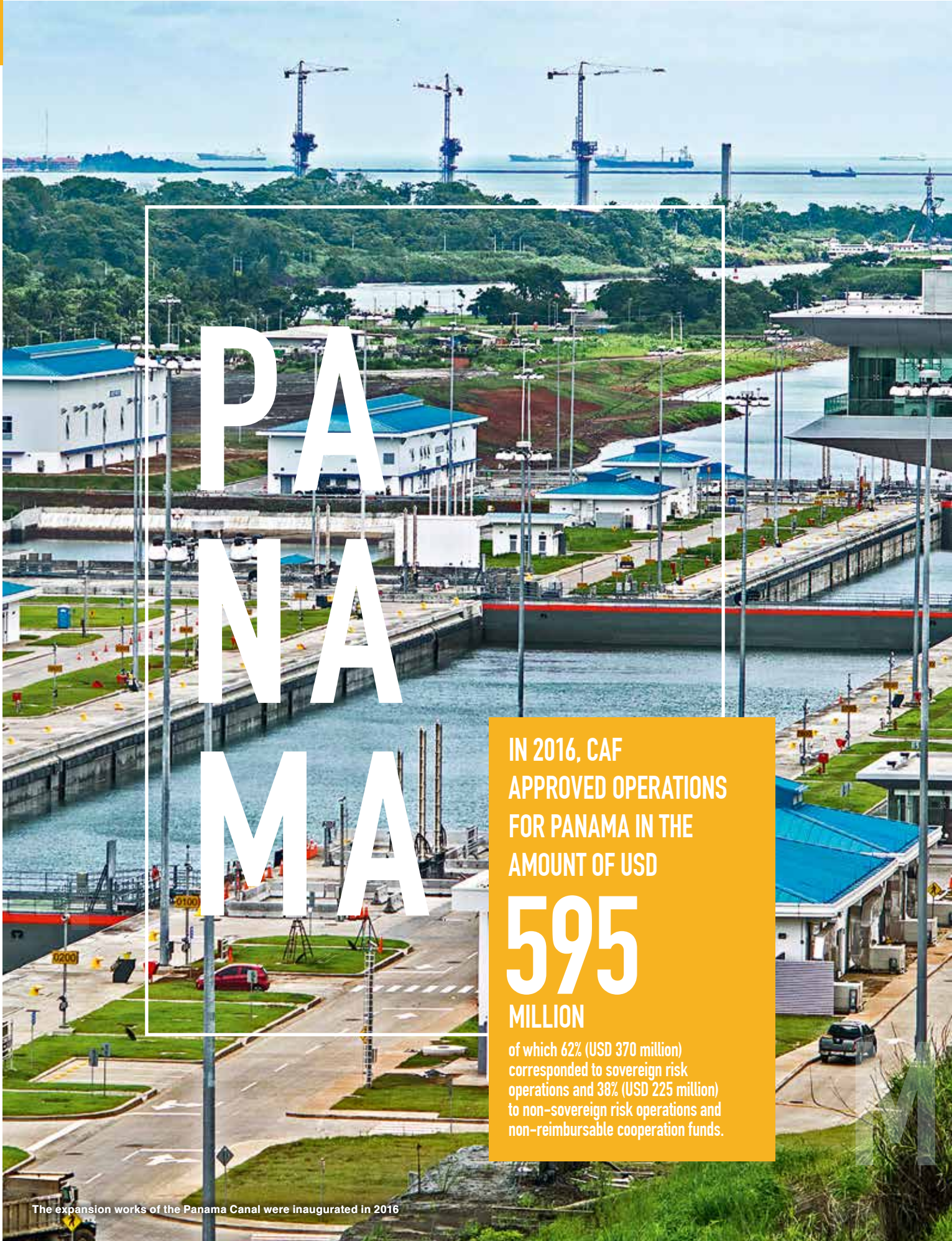
PRODUCTIVE AND FINANCIAL SECTORS

- Through the participation of CAF in the Agroinversiones trust, 600 small agricultural producers received financing to improve their productivity and their family income.
- Institutional strengthening of the Corporación Financiera Nacional (CFN)'s Progresar program to increase the productivity of SMEs; improve and make internal credit processes more efficient; incorporate environmental requirements; and develop and implement new financial and non-financial products.
- Implementation of the Exporting Excellence Program in Ecuador, which, within the context of a public-private partnership (ProEcuador and Fedexpor), aims to help exporting SMES develop skills and business intelligence.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Political Management and Public Management Program at the University of Cuenca and Escuela Superior Politécnica del Litoral (ESPOL) in Guayaquil, Cuenca, Quevedo, Vinces, Babahoyo and Portoviejo, from which 103 students graduated. At the same time, 248 students graduated from the Leadership for Transformation Program.
- Presentation of the project Joven Protagonista (Young protagonist), an online platform of videos and educational courses that seeks to support and link Ibero-American youth with real-life learning experiences. The platform was developed by the Ibero-American Federation of Young Entrepreneurs (FIJE). The initiative was presented within the framework of the VII Ibero-American Congress of Young Entrepreneurs (CIJE), held in Guayaquil.





PANAMA

IN 2016, CAF
APPROVED OPERATIONS
FOR PANAMA IN THE
AMOUNT OF USD

595
MILLION

of which 62% (USD 370 million)
corresponded to sovereign risk
operations and 38% (USD 225 million)
to non-sovereign risk operations and
non-reimbursable cooperation funds.

The expansion works of the Panama Canal were inaugurated in 2016



Among the sovereign approvals granted in 2016, funding for the infrastructure and quality education sectors stands out. Support in the amount of USD 150 million was conferred under the project Study, Design and Construction of the Instituto Técnico Superior del Este–ITSE. This comprehensive effort involves the development of educational proposals, a management and governance model, and the construction of a building complex for the operation of an educational center.

CAF also allocated USD 145 million in resources for the Panama City and Bay Area Sanitation Project to address the needs of the western sector of the metropolitan area of Panama City, improving public health and the population's quality of life.

Additionally, USD 75 million were awarded for the National Roadway Infrastructure Investment Program aimed at improving the country's connectivity and re-boosting economic activities in agriculture, transport, tourism and logistics.

With respect to non-sovereign operations, one of the main strategic axes was support for the country's financial and productive sectors with impact at the local and regional levels. In the productive sphere, CAF's action focused on sectors of strategic importance to improve competitiveness, such as electricity and logistics. In addition, the institution directed efforts toward inclusion and productive transformation, such as support for the agricultural sector in line with the country's growth strategy. Of particular notice is the long-term loan awarded Gas Natural Atlántico for USD 50 million, which aims to increase electricity generation capacity and stability in the country.

In regard to the financial system, support focused on delivering products to fulfill unmet needs of local banking. In addition, operations were established to increase the participation of local banks in sensitive sectors of the economy such as agriculture. Over the year, USD 174 million were approved for lines of credit to banks, of which USD 65 million were for new lines and USD 108 million for renewals, including lines of credit linked to the agricultural sector and the financing of energy efficiency and green operations.

Finally, CAF approved USD 1.4 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

PANAMA IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	595	2,074
Sovereign risk	370	1,247
Non-sovereign risk	225	827
Disbursements	223	1,380
Sovereign risk	147	817
Non-sovereign risk	76	564
		2016
Portfolio		1,306
Sovereign risk		894
Non-sovereign risk		413

APPROVALS IN PANAMA

Instituto Técnico Superior del Este de Panamá - ITSE Project

Client/Executing agency: Republic of Panama / Ministry of the Presidency

Total amount: USD 150 million
Term: 16 years

Objective: Construct, structure and launch the first technical high school in Panama. The project includes the development of educational opportunities, a management and governance model, and the construction of facilities for its operation.

Wastewater management project for Burunga and Arraiján Cabecera

Client/Executing agency: Republic of Panama / Ministry of Health

Total amount: USD 95 million
Term: 16 years

Objective: Improve the living conditions of the inhabitants of the village of Burunga and environmental conditions in its territory, through a comprehensive system for the collection, treatment and disposal of wastewater.

National Roadway Infrastructure Investment Program in Panama

Client/Executing agency: Republic of Panama / Ministry of PublicWorks

Total amount: USD 75 million
Term: 15 years

Objective: Improve road infrastructure in areas of agricultural, tourism and economic production throughout the country.

Sanitation Program for the districts of Arraiján and La Chorrera

Client/Executing agency: Republic of Panama / Ministry of Health

Total amount: USD 50 million
Term: 16 years

Objective: Improve the living conditions and the social and environmental surroundings of approximately 188,000 people with the construction of a system to collect, treat and dispose of wastewater.

Long-term loan

Client: Gas Natural Atlántico, S. de R.L. y Costa Norte LNG Terminal S. de R.L.

Total amount: USD 50 million
Term: 18 years

Objective: Increase electricity generation capacity and stability in Panama by means of a terminal for receiving liquefied natural gas with storage and regasification facilities.

Uncommitted revolving credit line

Client: Global Bank Corporation

Total amount: USD 30 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banistmo S.A.

Total amount: USD 30 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Multibank, Inc.

Total amount: USD 35 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 30 million to USD 35 million.

Uncommitted revolving credit line

Client: Banco Davivienda Panamá S.A.

Total amount: USD 30 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Credicorp Bank S.A.

Total amount: USD 15 million

Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: La Hipotecaria S.A.

Total amount: USD 15 million

Term: Multiple

Objective: Finance the bank's mortgage portfolio and grant guarantees in favor of creditors that finance its subsidiary in Colombia.

Multilatina uncommitted revolving credit line

Client: Soluciones de Microfinanzas S.A. (Microserfin)

Total amount: USD 1 million

Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Panameño de la Vivienda S.A.

Total amount: USD 15 million

Term: Multiple

Objective: Finance credit operations for farming, agro-industrial business and agriculture and livestock sectors.

Uncommitted revolving credit line

Client: Banco Delta S.A.

Total amount: USD 3 million

Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods. The line of credit was raised from USD 2 million to USD 3 million.

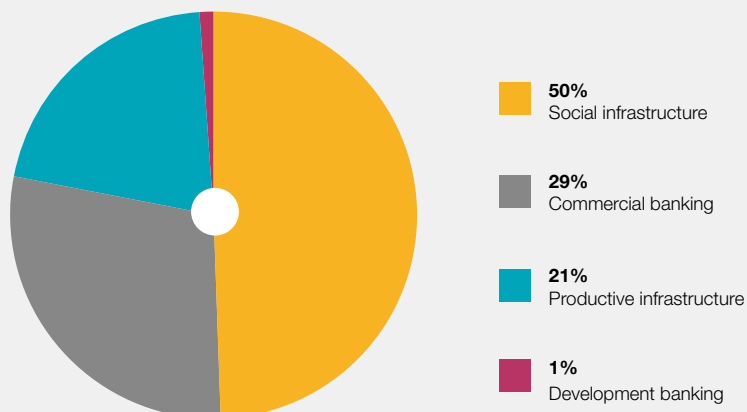
Other operations with cooperation funds

Client: Multiple

Total amount: USD 1.4 million

Term: Multiple

Approvals by economic sector in 2016



USD
595
MILLION

Total approvals in PANAMA during 2016

OTHER CONTRIBUTIONS TO PANAMA'S SUSTAINABLE DEVELOPMENT

SOCIAL DEVELOPMENT

- Support for the drafting of a road map for the development and implementation of the conceptual and operational design of a technical high school—Instituto Técnico Superior del Este (ITSE)—of the Ministry of the Presidency, which will be used to expand and improve technical education proposals in strategic sectors and to strengthen the ties between the educational system and the productive sector.
- Support for the establishment of the Professional and Technical Training and Certification Center specialized in Maritime Logistics and Construction at the Universidad Católica de Santa María la Antigua to create a private educational offer by identifying the necessary investment budget.
- Support of the Business Forum for Technical Training, Youth Employment and Public Safety, of the Private Sector Council for Educational Assistance on youth employment, technical education and vocational training.
- Support for the conceptual, operational and financial design of the pilot version of the Servicio País (Serving the country) promotional program for youth volunteer service in Panama, which employs university graduates as managers for the development of projects aimed at building capacity in vulnerable communities, through the nonprofit Fundación Voluntarios de Panamá (Panama Volunteers Foundation) under an agreement with the Ministry of Labor and Workforce Development.
- Support to identify institutional and management alternatives that guarantee investment quality and sustainability, with efficient long-term delivery of sanitary sewer and sewage treatment and disposal services.



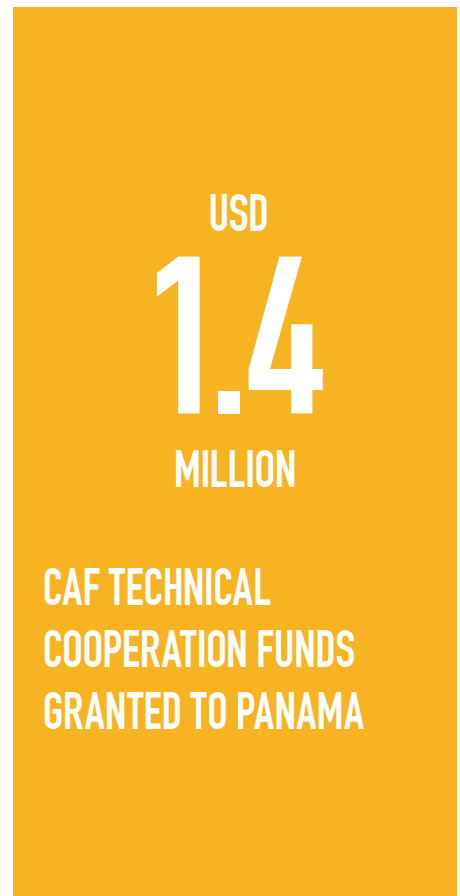
Sanitation Project for Panama City and Bay Area

COMPETITIVENESS

- Support for the operation of the National Competitiveness Center through a project for public policy and action recommendations geared to boost productive transformation and competitiveness in regions with potential, and support for the organization of the Competitiveness Forum.
- Creation and support for the operation of the Panama Vision 2025 Observatory through the Panamanian Association of Business Executives.
- Support for the Expo Logística 2016 event, with the participation of over 200 exhibiting companies through the Panamanian Chamber of Commerce, Industries and Agriculture.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Political Management and Public Management Program at the University of Panama, from which 98 students graduated.
- Organization of a workshop for senior public managers "The Three Whys for the Modernization of the Government and Public Management for Senior Social Development Managers," with the participation of 49 public officials of high public management.
- Implementation of a project for the improvement of local capacities in three Panamanian cities in the province of Chiriquí –Barú, David and Tierras Altas– with the aim of improving municipal performance and promoting the creation of shared management instruments that foster regional integration.
- Support for the drafting of a project to structure the National System of Territorial Development Planning and to strengthen the technical capabilities of the Panama's Regional Planning Office. The objective is to have a system in place with tools for monitoring and coordinating development plans prepared by municipalities with incidence in the territorial and socio-economic balance.



PARAGUAY

IN 2016, CAF APPROVED OPERATIONS FOR PARAGUAY IN THE AMOUNT OF USD

548
MILLION

of which 61% (USD 335 million) corresponded to sovereign risk operations and 39% (USD 213 million) to non-sovereign risk operations and non-reimbursable cooperation funds.

Support of electricity transmission and distribution



In relation to sovereign risk operations, CAF provided technical and financial support to the energy sector. Phases I and II of the Electricity Transmission and Distribution Grid Improvement Project for the Metropolitan System were approved with financing in the amount of USD 150 million each. These approvals give continuity to strategic financing for the energy sector in Paraguay, becoming the third and fourth operations whose borrower and executing agency is ANDE, the national electricity authority.

A total of USD 76 million in lines of credit were approved for several financial institutions to contribute to the financing of different sectors, including agribusiness and SMEs. In addition, two co-financing or A/B loan operations were approved for a total amount of USD 170 million for Banco Regional and Banco Continental, with the aim of supporting the financing of the different links of the productive chain of the agro-industrial sector for productive transformation projects.

On the other hand, USD 1.5 million were approved for operations using cooperation funds for development, as a complement to the institution's financing action.

In addition to CAF's direct financing, third-party resources via sovereign co-financing were mobilized in the amount of USD 75 million. The first one, for USD 32 million, came from the OPEC Fund for International Development (OFID) and was committed to phase I of the Electricity Transmission and Distribution Grid Improvement Project for the Metropolitan System. The second, for USD 43 million, granted by Fonplata, was for the Paved Roadway Network Commissioning Project, with CAF financing approved in 2015.

PARAGUAY IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	548	1,655
Sovereign risk	335	1,007
Non-sovereign risk	213	648
Disbursements	82	400
Sovereign risk	79	233
Non-sovereign risk	4	167
		2016
Portfolio		337
Sovereign risk		261
Non-sovereign risk		76

APPROVALS IN PARAGUAY

Electricity Transmission and Distribution Grid Improvement Project for Paraguay's Metropolitan System

Client/Executing agency: ANDE, the national electricity authority / Project Coordination Unit

Total amount: USD 150 million
Term: 15 years

Objective: Increase capacity and strengthen the transmission system, as well as improve distribution networks to minimize the high failure rates of the Metropolitan System, through the construction of expansion works, improvements and reinforcements of electrical transmission and distribution networks.

Electricity Transmission and Distribution Grid Improvement Project for Paraguay's Metropolitan System, Phase II

Client/Executing agency: ANDE, the national electricity authority / Project Coordination Unit

Total amount: USD 150 million
Term: 15 years

Objective: Increase the transformation and transmission capacity of the electrical grid that supplies the metropolitan area of Asuncion and the departments of Caaguazú and Alto Paraná, as well as reduce the rate of power supply failures and interruptions in the distribution system of the metropolitan area.

Direct long-term co-financing loan

Client: Banco Continental S.A.E.C.A.

Total amount: USD 90 million
Term: 7 years

Objective: Finance the productive chain links by providing credit to bank customers in the agricultural and agroindustrial sector for productive transformation projects. The USD 30 million loan is granted under a co-financing model for a maximum amount of USD 90 million.

Uncommitted revolving credit line

Client: Agencia Financiera de Desarrollo (AFD)

Total amount: USD 35 million
Term: Multiple

Objective: Finance different links of the productive chain by providing credit to bank customers in the agricultural and agroindustrial sector with projects of productive transformation and fund infrastructure investments.

A/B loan

Client: Banco Regional S.A.E.C.A.

Total amount: USD 80 million
Term: 7 years

Objective: Finance productive transformation projects of bank customers in the agricultural and agroindustrial sectors. Part A is for USD 20 million and part B is for USD 60 million.

Uncommitted revolving credit line

Client: Grupo Internacional de Finanzas S.A.E.C.A. (Interfisa Banco)

Total amount: USD 3 million
Term: Multiple

Objective: Finance micro and small companies in Paraguay.

Uncommitted revolving credit line

Client: Banco BBVA Paraguay S.A.

Total amount: USD 15 million
Term: Multiple

Objective: Finance foreign trade operations, investments, capital goods and projects.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 1.5 million
Term: Multiple

Uncommitted revolving credit line

Client: Banco Itaú Paraguay S.A.

Total amount: USD 20 million
Term: Multiple

Objective: Finance foreign trade operations, investments, capital goods and projects.

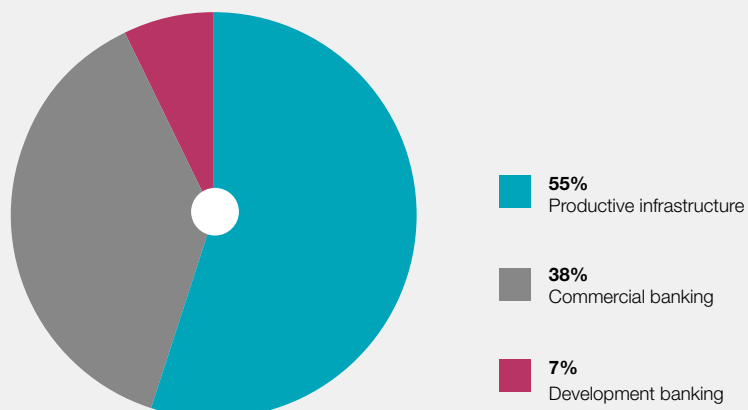
Uncommitted revolving credit line

Client: BANCOP (Banco para la Comercialización y la Producción S.A.)

Total amount: USD 3 million
Term: Multiple

Objective: Finance micro and small companies in Paraguay.

**Approvals
by economic sector in 2016**



**USD
548
MILLION**

**Total approvals in
PARAGUAY during 2016**

OTHER CONTRIBUTIONS TO PARAGUAY'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support for the Regional Development Program of South American Waterways.
- Support of the Ministry of Public Works and Communications' drafting of a road infrastructure program.

SOCIAL DEVELOPMENT

- Support of Asociación Casa Virgen de Caacupé, in partnership with Fundación Real Madrid and the CAF program SOMOS, with the aim of promoting sports among at-risk children and youths.
- Support for the Música para Crecer (Music to Grow) program, which deploys music as a tool for social inclusion, and contributes to the integral education of children and youth living in poverty.
- Support for UN Women to strengthen socio-productive organizations of rural women.
- Humanitarian aid for the emergency situation as a result of flooding in Paraguay.

SOCIAL INNOVATION

- Implementation of a methodology called Poverty Stoplight that allows families to measure their level of poverty. The methodology was created by Fundación Paraguaya. The methodology's software allows families to conduct a self-assessment and identify their problems, to then design and implement their own solutions aimed at improving their poverty indicators.
- Creation of a social enterprise of knits and embroidery in a women's prison. The business is run by the female inmates with the support of the Ministry of Justice and civil society. The products are sold under the brand Muã. A business model is being developed to include other prisons.
- Support of an innovative contest "My bathroom, my kitchen, my pride" created by Fundación Paraguaya to improve indicators related to sanitation, income, employment, empowerment and invisible aspects. Seven hundred families participated in this initiative. Prizes were awarded in two categories (bathroom and kitchen).
- Monitoring via satellite of the levels of deforestation in Greater Chaco and the digitalization of licenses for land uses, through the *Innovación con Sentido* platform.
- Promotion of sustainable livestock farming within the framework of the tri-national initiative of local development in Pilcomayo, Greater Chaco (Argentina, Bolivia, Paraguay). Progress was made in terms of access to water, production and sale of handicrafts, and pilot plots for growing vegetables were set up.



Música para Crecer (Music to Grow) Program

PRODUCTIVE AND FINANCIAL SECTORS

- Support of the Ministry of Finance, the Financial Development Agency and the Central Bank of Paraguay for the establishment of a credit guarantee fund for MSMEs.
- Within the framework of the Comprehensive Program of Development Banks, in partnership with the Financial Development Agency, a workshop was held for the evaluation of projects in the form of Project Finance, and a workshop for the implementation of management improvements in the area of treasury.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Execution of the Governance, Political Management and Public Management Program at Universidad Columbia in Asuncion, with the participation of 149 Paraguayan government officials and civil society leaders.
- Support for the National Office of Land Registry of Paraguay's Ministry of Finance in its efforts to modernize the National Land Registry, with the objective to improve the state's tax collecting potential by means of a central system coordinated with the 250 municipal governments.
- Working session in "El Cántaro," a popular bio-school of cultural and socio-environmental development training young leaders in Areguá, during which an institutional strengthening project to improve the functioning of the school was designed.



USD
1.5
MILLION

CAF TECHNICAL
COOPERATION FUNDS
GRANTED TO PARAGUAY

PERU

IN 2016, CAF
APPROVED OPERATIONS
FOR PERU IN THE
AMOUNT OF USD

2.1
BILLION

of which 33% (USD 700 million)
corresponded to sovereign risk
operations and 67% (USD 1.4 billion)
to non-sovereign risk operations and
non-reimbursable cooperation funds.

Project for the construction of Line 2 and the Faucett-Gambetta
branch of the basic Metro network of Lima and Callao



In 2016, CAF signed the second loan contract granted the Republic of Peru for the co-financing of the third stage of the Chavimochic project. The implementation of the project will expand the agricultural frontier with 63,000 hectares of new land and improved irrigation in another 48,000 hectares in Chicama Valley, benefiting 15,000 small and medium-sized farmers and agro-industrial companies, creating 150,000 new jobs.

CAF also continued its support of sectors of urban transport and infrastructure for a total of USD 122 million for the construction project of Line 2 and the Faucett-Gambetta branch of the basic Metro network of Lima and Callao. The project will contribute to the implementation of an efficient transport system in the East-West axis (Ate-Lima-Callao). Benefits include: reduced travel times; development of productive activities; a higher level of service of public transport; and reduced costs of vehicle operation, accidents and pollution levels.

On the other hand, CAF approved the renovation of two contingent credit lines for the Republic of Peru for a total of USD 700 million. The first one, for USD 400 million, aims to support the public-debt management strategy to mitigate risks arising from international financial markets; the second one, for USD 300 million, is for addressing natural disasters.

Likewise, CAF continued to support the agroindustry with lines of credit awarded financial institutions tied to agriculture, in order to provide credit facilities to agro-industry through these institutions and focus the private sector's strategy on productive transformation in the sector. Approvals and renewals of corporate and financial lines of credit amounted to USD 1.4 billion. In this regard, CAF approved an equity investment in a microfinance fund (Fondo Microfinanzas Perú) for USD 3 million, which will offer long-term subordinated debt instruments to best microfinance institutions in Peru.

Finally, CAF approved USD 4.1 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

PERU IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	2,139	11,136
Sovereign risk	700	3,751
Non-sovereign risk	1,439	7,385
Disbursements	1,039	4,130
Sovereign risk	218	568
Non-sovereign risk	821	3,562
		2016
Portfolio		2,286
Sovereign risk		1,566
Non-sovereign risk		721

APPROVALS IN PERU

Uncommitted non-revolving credit line

Client/Executing agency: Republic of Peru / Ministry of Economy and Finance

Total amount: USD 400 million

Term: Multiple

Objective: Support the national government's efforts to implement its public debt management strategy through a preventive instrument of financing that provides financial resources to the country in the event of a loss of competitive access to international capital markets.

Uncommitted non-revolving contingent credit line for natural disaster relief

Client/Executing agency: Republic of Peru / Ministry of Economy and Finance

Total amount: USD 300 million

Term: Multiple

Objective: Provide timely resources for the prevention, rehabilitation and reconstruction of potential losses of physical, natural and social capital caused by natural phenomena.

Uncommitted revolving credit line

Client: Telefónica del Perú S.A.A.

Total amount: USD 100 million

Term: Multiple

Objective: Finance foreign trade operations and short-term working capital.

Uncommitted revolving credit line

Client: Petróleos del Perú - Petroperú S.A.

Total amount: USD 75 million

Term: Multiple

Objective: Finance foreign trade operations and short-term working capital.

Uncommitted revolving credit line

Client: Refinería La Pampilla S.A.A.

Total amount: USD 50 million

Term: Multiple

Objective: Finance foreign trade operations and short-term working capital.

Uncommitted revolving credit line

Client: Mota Engil Perú S.A.

Total amount: USD 25 million

Term: Multiple

Objective: Guarantee the obligations and responsibilities of Mota Engil Perú S.A. and/or its subsidiaries for infrastructure projects.

Uncommitted revolving credit line

Client: Aeropuertos del Perú S.A.

Total amount: USD 3 million

Term: Multiple

Objective: Finance pre-investment studies and master plans for the modernization and expansion of the airports in Chiclayo, Piura and Iquitos.

Uncommitted revolving credit line

Client: Corporación Financiera de Desarrollo S.A. COFIDE

Total amount: USD 350 million

Term: Multiple

Objective: Finance loans, guarantees, revolving credit facilities for short-term operations, as well as partial guarantees for the payment of medium and long-term loans.

Multilatina uncommitted revolving credit line

Client: Banco de la Microempresa S.A. (MiBanco)

Total amount: USD 30 million

Term: Multiple

Objective: Finance small and micro enterprises in Peru. The line of credit was raised from USD 15 million to USD 30 million.

Uncommitted revolving credit line

Client: Banco Agropecuario S.A. - Agrobanco

Total amount: USD 30 million

Term: Multiple

Objective: Finance Agrobanco's activities and those of the bank's customers, as well as the issuance of guarantees or surety bonds.

Uncommitted revolving credit line

Client: Leasing Perú S.A.

Total amount: USD 25 million

Term: Multiple

Objective: Finance leasing operations and loans from the entity's clients, issuance and confirmation of letters of credit and issuance of guarantees.

Uncommitted revolving credit line

Client: Financiera Confianza S.A.A.

Total amount: USD 10 million

Term: Multiple

Objective: Finance small and micro enterprises in Peru. The line of credit was raised from USD 6 million to USD 10 million.

Uncommitted revolving credit line

Client: Compartamos Financiera S.A.

Total amount: USD 6 million
Term: Multiple

Objective: Finance microenterprises in Peru.

Uncommitted revolving credit line

Client: Cooperativa de Ahorro y Crédito Abaco

Total amount: USD 2.5 million
Term: Multiple

Objective: Finance small and micro enterprises in Peru rural areas through Abaco's second-tier banking model, and fund agricultural production chains.

Uncommitted revolving credit line

Client: Scotiabank Perú S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco de Crédito Del Perú S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: BBVA Banco Continental S.A.

Total amount: USD 200 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Internacional del Perú S.A. - Interbank

Total amount: USD 75 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Uncommitted revolving credit line

Client: Banco Interamericano de Finanzas - BANBIF

Total amount: USD 50 million
Term: Multiple

Objective: Finance foreign trade transactions, working capital and investments in capital goods.

Equity investment in a Peruvian microfinance fund

Client: Fondo Microfinanzas Perú

Total amount: USD 3 million
Term: 11 years

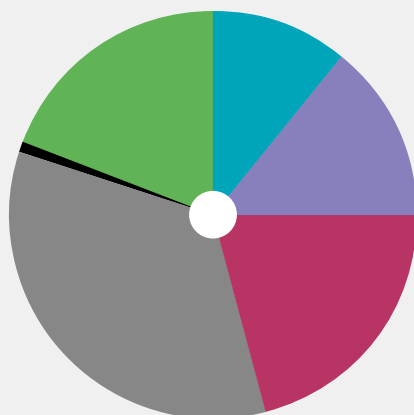
Objective: Microfinanzas Perú is an investment fund that will offer long-term subordinated debt instruments to Peru's best microfinance institutions.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 4.1 million
Term: Multiple

Approvals by economic sector 2016



- 34%** Commercial banking
- 21%** Development banking
- 19%** Macroeconomic stability and structural reforms
- 14%** Health and social services
- 11%** Productive infrastructure
- 1%** Productive sector

USD
2.1
BILLION

Total approvals in PERU during 2016

OTHER CONTRIBUTIONS TO PERU'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support for the Ministry of Transport and Communications (MTC) for the development of the national urban transport policy proposal, as a tool for local authorities to plan urban transport projects in an efficient and orderly manner.
- A study was completed for the structuring of the public system of bikes, between the municipalities of San Isidro, San Borja and Miraflores. Ongoing support was provided for the conceptual design of bike paths with inter-district connections.
- Technical support continued for the execution of Line 2 of the Metro in Lima, along with follow-up to the conceptual design of Lines 3 and 4.
- Support for the Autonomous Authority of the Electric Mass Transport System in Lima and Callao (AATE) to identify the need for the implementation of integration and urban accessibility studies for the Lima and Callao metro network, in addition to institutional strengthening activities.

ENERGY

- A study was completed to define a portfolio of hydroelectric projects for the Ucayali and Amazon basins in Peru (*Determinación del Portafolio de Proyectos Hidroeléctricos de las Cuencas de Ucayali y Amazonas en Perú*), drafted within the framework of the non-reimbursable technical cooperation agreement with the Ministry of Energy and Mining (MINEM).

SOCIAL DEVELOPMENT

- Support of the Ministry of Housing, Construction and Sanitation (MVCS) for the procurement of consulting services to develop a proposal for a new city within the territory of direct influence of the Majes Siguas II project.
- Support of the Territorial Intervention Program in Peru (PITP) to develop a musical education program in the regional government of Ica, which will provide choral and instrumental training to more than 500 children from low-income households.



SOMOS – a sports network for the development of Latin America

SOCIAL INNOVATION

- Launch of the construction of a 3G telecommunications access model for native populations in the Amazon, based on innovative cost-efficient technology under the concept of a rural mobile infrastructure operator, to provide a superior service to traditional telemedicine.
- Launch of the B System with six certified companies and two universities linked to Academy B, a global network to generate knowledge about B Corps and to systematize triple-impact business models.
- Support for the first International Social Innovation and University Management Workshop in partnership with Universidad del Pacífico, within the framework of the Union of University Social Responsibility from Latin America (URSULA).
- Creation of a social enterprise in the Castro Prison run by the inmates with the oversight of the Ministry of Justice and civil society to produce baked goods and ceramic products. Recycling was also incorporated as a line of business and to improve hygiene and health. In an unprecedented experience, a Bankomunal was launched under management by inmates with loans exceeding USD50,000 in one year. Additionally, the brand Maki Linka was co-created to facilitate the sale of ceramics made in the prison.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Political Management and Public Management Program at the Pontificia Universidad Católica del Perú, from which 515 students graduated.
- In partnership with the State Department, Partners of the Americas and Semptra, the first innovation contest was organized with the participation of universities from Peru and the United States as part of the 100,000 Strong in the Americas Innovation Fund, in order to promote cooperation and regional development.
- Implementation of the Leadership for Transformation Program at Universidad San Martín de Torres, from which 352 students graduated.
- Organization of the II Meeting of Peruvian Graduates of the Governance and Leadership Programs held in Cuzco, at which 100 graduates analyzed territorial integration projects and initiatives to improve coordination between municipalities to promote local and regional development.

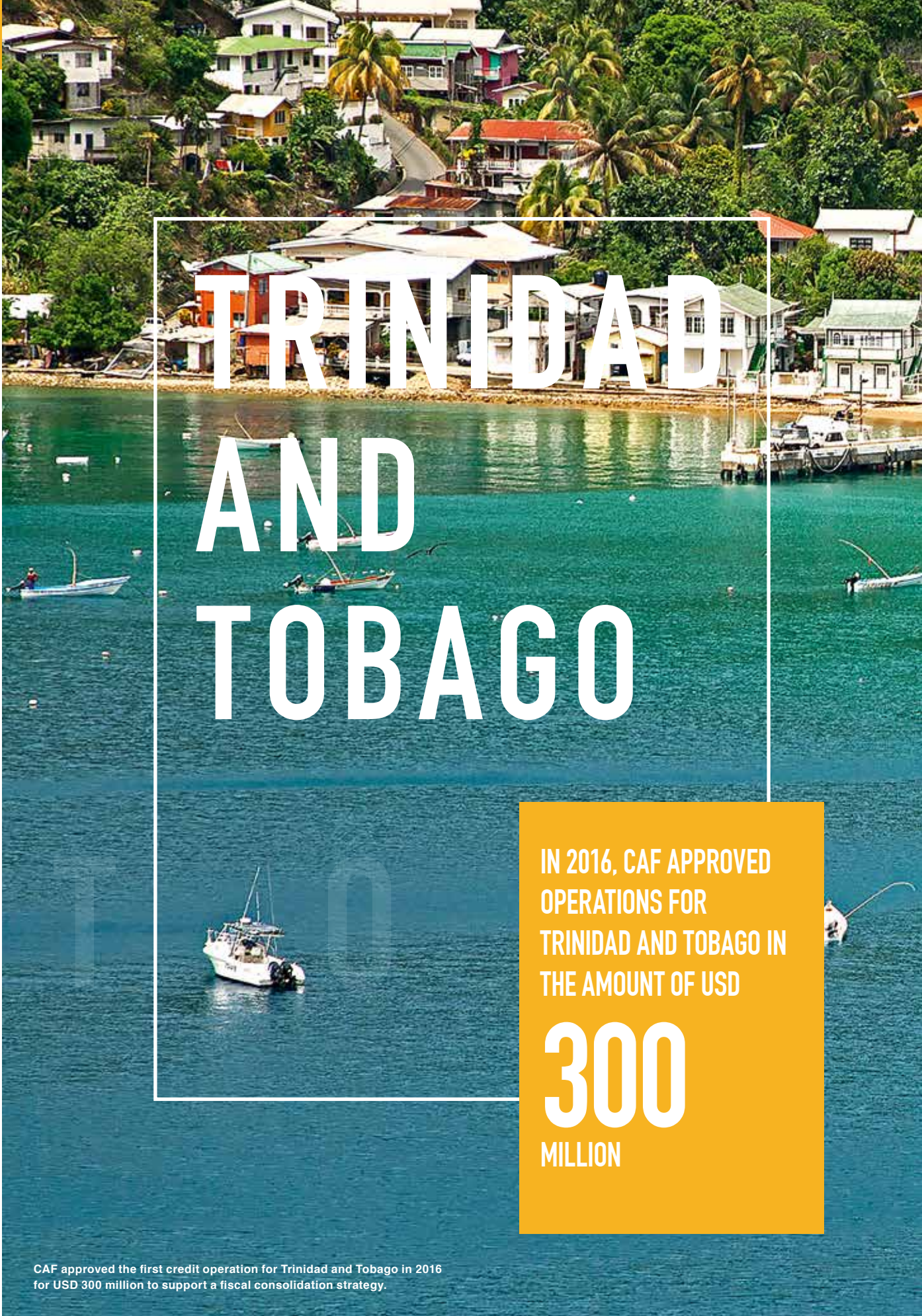
COMPETITIVENESS

- Support to strengthen innovation and technology transfer services at the Agroindustrial Technological Innovation Center (CITE) located in the region of Ica.
- Alliance with the Spanish Cooperation Agency for International Development (AECID) to support the Ministry of Economy and Finance in the design of a monitoring and evaluation system, of the National Strategy for Financial Inclusion (ENIF).
- Support of the initiative Methodology and Evaluation of Public Investment Projects for the Strengthening of Peru's National System of Public Investment, and the organization of an international seminar on "Best practices and innovation of National Systems of Public Investment (SNIP) in the world and their economic growth," in partnership with the Ministry of Economy and Finance (MEF).



USD
4.1
MILLION

CAF TECHNICAL
COOPERATION FUNDS
GRANTED TO PERU



TRINIDAD AND TOBAGO

IN 2016, CAF APPROVED
OPERATIONS FOR
TRINIDAD AND TOBAGO IN
THE AMOUNT OF USD

300
MILLION

CAF approved the first credit operation for Trinidad and Tobago in 2016 for USD 300 million to support a fiscal consolidation strategy.

In 2016, Trinidad and Tobago met all the compliance requirements to become a Full Member under Special Conditions, which was ratified by the Assembly of Shareholders. The country then exercised its right to vote in the election of the new Executive President for the 2017-2022 term, and participated for the first time in a meeting of the Board of Shareholders.

The country requested and was granted its first credit operation, corresponding to a programmatic loan to support the medium-term fiscal consolidation strategy for 2015-2020 in the amount of USD 300 million. This loan aims to promote the process of consolidation of the country's fiscal accounts, increase efficiency in public spending and drive a diversification process

of the economy. Two technical cooperation operations were also approved: one to strengthen the integration of Trinidad and Tobago's initiatives to develop the cacao industry within the regional order; and the other one to drive the dissemination of and innovation in Carnival festivities. Both operations are part of the strategic axis to promote the country's competitiveness and economic diversification.

Also in 2016, work was carried out to identify policy and investment priorities in the sectors of infrastructure, energy, social development, trade and industry. This information will assist the development of a program of operations for the next few years, consistent with the country's priorities and CAF's strategic lines of action.

TRINIDAD AND TOBAGO IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	300	300
Sovereign risk	300	300
Non-sovereign risk	0	0
Disbursements	0	0
Sovereign risk	0	0
Non-sovereign risk	0	0
		2016
Portfolio		0
Sovereign risk		0
Non-sovereign risk		0

APPROVALS IN TRINIDAD AND TOBAGO

Support Program for the Medium-Term Fiscal Consolidation Strategy, 2015-2020

Client/Executing agency: Republic of Trinidad and Tobago / Ministry of Finance

Total amount: USD 300 million
Term: 15 years

Objective: Support fiscal consolidation efforts via support of budgetary management for the fiscal years 2016 and 2017.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 0.1 million
Term: Multiple

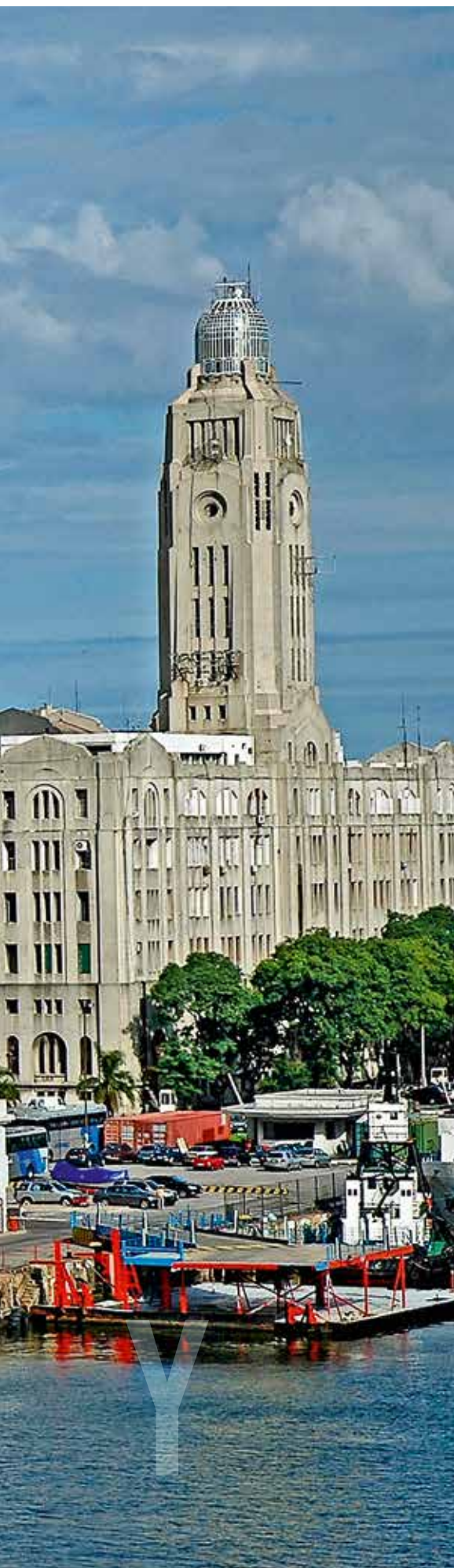
URUGUAY

IN 2016, CAF
APPROVED OPERATIONS
FOR URUGUAY IN THE
AMOUNT OF USD

959
MILLION

of which 94% (USD 905 million)
corresponded to sovereign risk
operations and 6% (USD 54 million) to
non-sovereign risk operations and
non-reimbursable cooperation funds.

Study for the drafting of a Master Plan
for Uruguay's National Port System



A USD 80 million sovereign-guaranteed operation was approved to finance the Rehabilitation Program for Secondary and Tertiary Road Networks III, with the aim of improving the service levels of the road network through the reconstruction of routes, the building of bridges and the implementation of road safety actions. USD 25 million were approved for the partial financing of the purchase and refurbishment of rolling stock by the railway cargo operator Servicios Logísticos Ferroviarios (SELF). In addition, the Ministry of Economy and Finance (MEF) was awarded a USD 300 million loan to partially finance the financial and institutional reorganization of the state-owned National Administration of Fuels, Alcohol and Portland (ANCAP).

A contingent credit line granted to the Ministry of Economy and Finance for USD 500 million was renewed. The credit line aims to support the management of the public debt strategy by means of a preventive financing instrument.

With non-sovereign risk, a line of credit for USD 50 million for Banco Hipotecario de Uruguay (BHU) was approved to confer a guarantee of liquidity and funding to finance energy efficiency operations.

On the other hand, CAF approved USD 3.5 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

In addition to CAF's direct financing, third-party resources in the amount of USD 350 million were mobilized. These resources were obtained after the financial closure of the Debt Fund for Infrastructure in Uruguay - CAF I, which mobilized resources from institutional investors (pension fund administrators) to finance infrastructure projects, primarily developed under the modality of public-private partnerships (PPP).

URUGUAY IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	959	3,443
Sovereign risk	905	2,945
Non-sovereign risk	54	498
Disbursements	325	886
Sovereign risk	312	680
Non-sovereign risk	13	207
		2016
Portfolio		919
Sovereign risk		814
Non-sovereign risk		105

APPROVALS IN URUGUAY

ANCAP Institutional and Financial Reorganization Project

Client/Executing agency: Eastern Republic of Uruguay / National Administration of Fuels, Alcohol and Portland (ANCAP)

Total amount: USD 300 million
Term: 12 years

Objective: Support the restructuring of ANCAP's liabilities and strengthen ANCAP's financial management.

Startup and commissioning of the railway operator

Client/Executing agency: Servicios Logísticos Ferroviarios S.A. / Project Executing Unit

Total amount: USD 25 million
Term: 12 years

Objective: Help reduce logistic costs of transport based on the consolidation of the recently reformed railway transport sub-sector.

Uncommitted revolving credit line

Client: Banco Hipotecario del Uruguay (BHU)

Total amount: USD 50 million
Term: Multiple

Objective: Provide guarantee of liquidity and funding for the financing of the bank's operations in the field of energy efficiency.

Rehabilitation Program for Secondary and Tertiary Road Networks III

Client/Executing agency: Corporación Nacional para el Desarrollo / Corporación Vial del Uruguay

Total amount: USD 80 million
Term: 15 years

Objective: Improve the service levels of the road network through the rehabilitation and reconstruction of routes, the building of bridges and the implementation of road safety works and actions that contribute to reducing logistics costs of transport in the country.

Uncommitted non-revolving contingent credit line

Client/Executing agency: Eastern Republic of Uruguay / Ministry of Economy and Finance

Total amount: USD 500 million
Term: Multiple

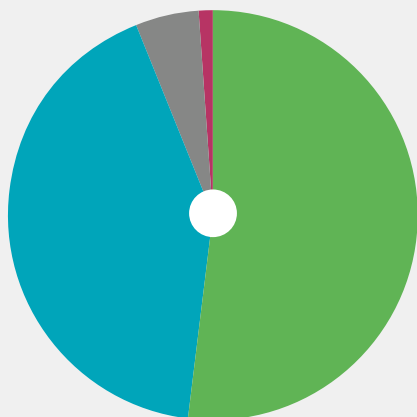
Objective: Support the public debt management strategy through a preventive financing instrument that provides financial resources to Uruguay in the event that it does not have competitive access to international capital markets.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 3.5 million
Term: Multiple

Approvals
by economic sector 2016



- 52%** Macroeconomic stability and structural reforms
- 42%** Productive infrastructure
- 5%** Commercial banking
- 1%** Development banking

USD
959
MILLION

Total approvals in
URUGUAY during 2016

OTHER CONTRIBUTIONS TO URUGUAY'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support of the National Institute of Logistics (INALOG) for the development and implementation of an information system to consolidate the logistics sector databases, obtain information of interest and develop analysis tools for the sector.
- Organization of an international workshop on sustainable urban logistics aimed at supporting the departmental authorities of Montevideo with the definition of an urban logistics plan for the city.

ENERGY AND SOCIAL DEVELOPMENT

- Improvement of Uruguay's energy and water services through a regulatory framework to develop regulatory instruments that contribute to the quality of regulated services.

SOCIAL INNOVATION

- Boost for the B movement in the country via the certification of seven B-corps, 40 new B multipliers and universities linked to Academy B, and a global network to generate knowledge and systematize Triple-impact business models.
- Presentation of the book *Dimensiones faltantes en la medición de la pobreza* (The missing dimensions in the measurement of poverty) as a new measuring tool in partnership with Oxford University, within the framework of ALCADECA.
- Dissemination of the topic of ethical banking at the conference "Banking as agent of change" led by Joan Melé, in partnership with Uruguay's Central Bank and Uruguay's Private Bank Association.
- From the innovation platform *Innovación con Sentido*, agreements were signed with the municipalities of Rivera and Maldonado to boost social technologies for reporting public service quality.
- Adaptation of the "sustainability" methodology for vulnerable housing in Montevideo, in partnership with the Ministry of Industry, Energy and Mining, and other public and private actors, under which cost-efficient repairs are made with a multidimensional impact on health, energy efficiency, comfort, housing safety, productive work and savings for the family budget.



Driving culture through digital strategies

COMPETITIVENESS

- Update of the map of the entrepreneurial ecosystem in Uruguay to identify market weaknesses at the different levels of entrepreneurship. This update includes the design and implementation of a mobile application for entrepreneurs.
- Strengthening of three networks of Uruguayan angel investors to contribute to the development of dynamic and innovative activity in the country and to promote a culture of entrepreneurship.
- Support to implement improvements in Uruguayan capital markets with the recommendations derived from the assessment of the structure and organization of the stock market.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the Governance, Policy Management and Public Management Program, in partnership with Universidad de la República, with the participation of 100 students from the cities of Montevideo and Salto.
- Meeting held in Montevideo with authorities of the Latin American Integration Association (ALADI) and the Subregional Office of the Southern Cone of the SEGIB to define actions within the framework of the project "Strengthening Regional Integration, Entrepreneurship and Local Governments."
- Organization of the I National Meeting of Leaders in Montevideo with the participation of over 20 young entrepreneurs from political, economic, social and cultural fields who exchanged their views and ideas for development.



USD
3.5
 MILLION

CAF TECHNICAL
 COOPERATION FUNDS
 GRANTED TO URUGUAY

VENEZUELA

IN 2016, CAF APPROVED OPERATIONS FOR VENEZUELA IN THE AMOUNT OF USD

541
MILLION

of which 81% (USD 440 million) corresponded to sovereign risk operations and 19% (USD 101 million) to non-sovereign risk operations and non-reimbursable cooperation funds.

Support of the modernization project for the Simón Bolívar Hydroelectricity Power Plant



In continuity with CAF's countercyclical action in Venezuela that began in 2015, and in response to the prolonged cycle of low oil prices in 2016, CAF approved an operation of budget support through a Sector-Wide Approach (SWAp) for habitat and urban development in the amount of USD 400 million. This operation aims to facilitate the continuity of efforts by the state to improve the quality of life of urban populations in conditions of social vulnerability, through processes of urbanization, access to basic services, the relocation of populations in areas of risk and the construction and democratization of public spaces, through the recognition of investments carried out in this sector during the period from January 2014 to December 2015.

Along this same vein, a SWAp for water and sanitation for USD 40 million was approved to support the sectoral efforts carried out by the Bolivarian Republic of Venezuela, giving continuity to the investments aimed at increasing the availability and quality of the country's drinking water. This sectoral loan recognized investment carried out by the national government for the period 2014 - 2016 as part of the National Water Plan.

CAF renewed a USD 100-million line of credit for Venezuela's development bank BANDES to finance projects for the development and expansion of public and private companies in sectors associated with infrastructure, energy, oil, telecommunications, technology, agriculture and food, among others.

Finally, CAF approved USD 1.2 million in operations using cooperation resources for development, as a complement to the institution's financing actions.

VENEZUELA IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	541	2,261
Sovereign risk	440	1,955
Non-sovereign risk	101	306
Disbursements	525	1,889
Sovereign risk	524	1,885
Non-sovereign risk	1	4
		2016
Portfolio		3,321
Sovereign risk		3,321
Non-sovereign risk		0

APPROVALS IN VENEZUELA

Sector-Wide Approach (SWAp) for Habitat and Urban Development

Client/Executing agency: Bolivarian Republic of Venezuela / Ministry of the Popular Power for the Banking and Finance

Total amount: USD 400 million
Term: 15 years

Objective: Finance investment programs throughout the country in the sector of habitat and urban development through the recognition of investments in this sector made in 2014 and 2015.

Other operations with cooperation funds

Client: Multiple

Total amount: USD 1.2 million
Term: Multiple

Sector-Wide Approach (SWAp) for the Modernization, Expansion and Rehabilitation of Drinking Water Supply and Sanitation Systems in Venezuela

Client/Executing agency: Bolivarian Republic of Venezuela / Compañía Anónima Hidrológica de Venezuela

Total amount: USD 40 million
Term: 15 years

Objective: Restore the investments carried out by the national government under the National Water Plan for the period 2014-2016 that would contribute to increase the coverage, quality and continuity of drinking water services in states with higher population densities.

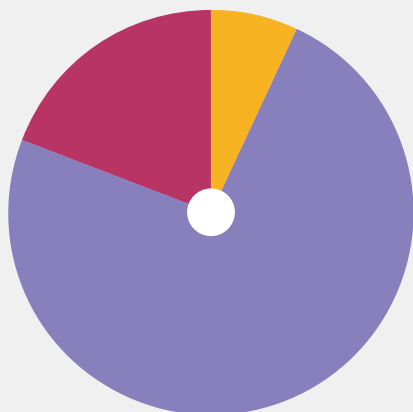
Uncommitted revolving credit line

Client: Banco de Desarrollo Económico y Social de Venezuela - BANDES

Total amount: USD 100 million
Term: Multiple

Objective: Finance expansion and development projects for public and private companies in the sectors associated with infrastructure, energy, oil, tourism, MSMEs, among others.

Approvals
by economic sector 2016



- 74% Health and social services
- 19% Development banking
- 7% Social infrastructure

USD
541
MILLION

Total approvals in
VENEZUELA during
2016

OTHER CONTRIBUTIONS TO VENEZUELA'S SUSTAINABLE DEVELOPMENT

INFRASTRUCTURE

- Support for the Mayor of Sucre to drive the transformation of Redoma de Petare into a central transport hub, through a comprehensive assessment and analysis of road transport and safety in the area, as well as the drafting of a comprehensive mobility plan with a 15-year projection for future planning. It is expected that this assistance will help to achieve a space with enhanced mobility, resulting in a higher quality public space in the Sucre Municipality.
- Contribution to the implementation of a Comprehensive Mobility Plan for the metropolitan area of Caracas. This proposal seeks to develop a comprehensive plan for land use and transport, accompanied by a training and education plan for varied social actors and technical personnel of the different municipalities that make up the Metropolitan Area of Caracas (AMC). The objective of this initiative is to produce an updated roadmap of mobility, guidelines and priority proposals aimed at a sustainable implementation over the next 15 years.

SOCIAL DEVELOPMENT

- Contribution to promote local development through the adoption of an economic and social inclusion approach, enabling the successful implementation of inclusive businesses in the agricultural sector and tourism. These businesses will be in rural areas: Filas de Turgua, Los Naranjos and El Calvario of the El Hatillo municipality. This initiative is expected to benefit 500 families in urban areas and 300 in rural areas. Furthermore, it is estimated that as a result of this operation, these families will increase their income in real terms by at least 20%.
- Support for the nonprofit La Margarita Posible, which, in partnership with the nonprofit Fundación para la Capacitación e Innovación para Apoyar la Revolución Agraria (CIARA, Foundation for Training and Innovation in support of the Agrarian Revolution), aims to empower 90 craftswomen and women heads of households by creating a sustainable model of income generation to improve their economic conditions in the state of Nueva Esparta. This cooperation includes several training courses in craft projects with emphasis on the management of business finance and associativity. This is expected to improve the quality of life of the direct beneficiaries and their communities.

ENERGY

- Support for Corpoelec, the national electricity company, to hire an independent international laboratory to carry out acceptance testing of hydraulic models of the Group 2 turbines (units 4, 5 and 6). This group of turbines forms part of the modernization

of the Simón Bolívar Hydroelectricity Power Plant (CHSB), financed by CAF in the amount of up to USD 380 million. The new project aims to increase the generation capacity of the national electricity system by more than 1,500 MW.



Gastronomy initiative to foster social innovation "Cultura culinaria Margariteña como eje de innovación social" was held on Margarita Island.

SOCIAL INNOVATION

- Impulse given gastronomy through the initiative Cultura Culinaria Margariteña (Culinary Culture from Margarita Island) as an axis of social innovation and a tool for social inclusion and employment, including activation of the local economy. In addition, 50 entrepreneurs were trained in environmental management, quality improvement, product development and communication and culinary skills to enhance the production and marketing of their products. Twenty-five thematic gastronomic fairs were held.
- Capacity building and improvement of educational processes for 800 young people from popular sectors in Caracas, in order to deter dropouts and contribute to their social integration by providing access to development, productive and academic opportunities and a community of lifelong learning of young people, volunteers and allies. The model "Queremos Graduarnos" (*We want to graduate*) was systematized for its replication as a social franchise.
- Presentation of the book *Dimensiones faltantes en la medición de la pobreza* (The missing dimensions in the measurement of poverty), at the regional conference organized by the Latin American Center for Public Administration and Development (CLAD), as a new measuring tool developed in partnership with Oxford University.

PRODUCTIVE AND FINANCIAL SECTORS

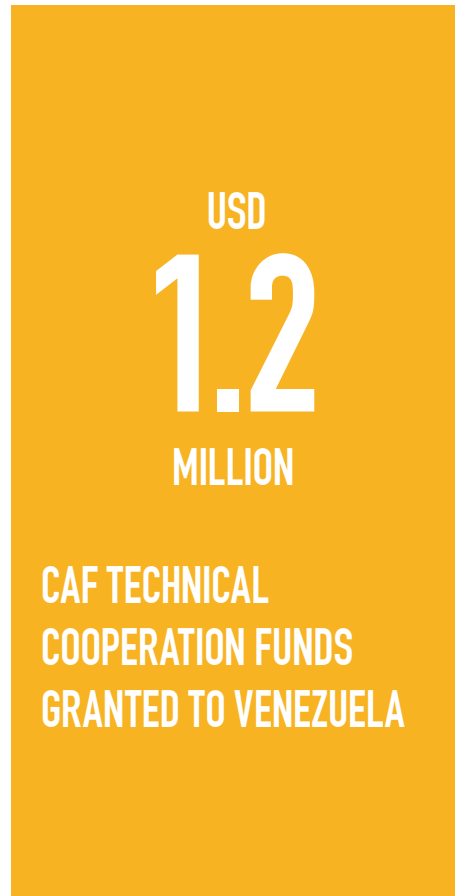
- Contribution to enhance entrepreneurship initiatives and assess the effects on the success of new business ventures after receiving specialized queries regarding new business.
- Contribution to the organization of a forum on sustainable tourism in Latin America to analyze in depth successful tourism experiences in Colombia and Venezuela. Presentations included lessons learned derived from the Circuit of Excellence in Venezuela and the Coffee Route in Colombia.

ENVIRONMENT AND CLIMATE CHANGE

- Support for the nonprofit Fundación de Investigaciones Marítimas (Maritime Research Foundation) Francisco de Miranda to design an information system for the Dos Mosquises island (Los Roques archipelago), with the objective of improving the preservation of the island's aquatic and subaquatic cultural patrimony. This tool will allow the use of documentary and scientific information retrieved from historical, archaeological and patrimonial archives of deposits in the ecosystems of the aquatic spaces of the Bolivarian Republic of Venezuela and, in particular, those located at the Dos Mosquises island.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Training of 240 leaders within the framework of the Governance Program that aims to train local government authorities, technical teams and individuals of civil society to fulfill their roles taking into account issues such as development, sustainability, strategic vision and public effectiveness.
- Support of the Leadership for Transformation Program in the form of comprehensive training for community leaders of Venezuela, aimed at creating a new style of leadership. The training program aims to strengthen leadership on topics like human rights, moral values, the fight against corruption, management, among others.
- Technical assistance for the drafting of a project prioritization methodology that contributes to a better performance of potential sovereign financing operations to cover pre-investment studies, including pre-feasibility; feasibility; basic engineering; detailed engineering; final design; technological updating; environmental impact studies; risk assessment; operation and maintenance plans; and specialized external technical consultancy; among other areas.



OTHER SHAREHOLDER COUNTRIES

CAF approved operations in favor of Mexico for USD 575 million

BARBADOS/CHILE/COSTA RICA/ DOMINICAN REPUBLIC/JAMAICA/ MEXICO/PORTUGAL/SPAIN/

BARBADOS

In 2016, CAF continued to increase its presence in Barbados with disbursements in the amount of USD 35 million, corresponding to the outstanding balance of two sovereign budget support loans approved in 2015. Additionally, a work program was developed with Barbadian authorities for the next three years. Progress was made on the evaluation of two operations: one in the water sector and the other in fiscal logistics and customs.

The established work program was enriched by the technical missions implemented jointly with the country's authorities to evaluate various investment projects.

Finally, CAF approved USD 2 million in operations with cooperation resources for development, as a complement to the institution's financing action.

CHILE

In 2016, CAF strengthened its presence in Chile with approvals for a total of USD 253 million. Approvals and/or renewals of seven lines of credit for a total value of USD 245 million for Chile's financial system stand out. CAF seeks to consolidate its presence in this sector, at the same time that it promotes improvements in non-banking financial institutions, particularly those related to the leasing sector. In addition, a line of credit was approved for the company Exportadora Subsole for USD 7.5 million with the aim of financing agricultural exports.

In addition to the financing action, CAF approved technical cooperation funds for the nonprofit Fundación Espacio Público, which seeks to strengthen mechanisms of accountability and transparency in the use of public funds, and for Sercotec, Chile's Technical Cooperation Services, with the aim of strengthening micro-insurance institutions.

OTHER SHAREHOLDER COUNTRIES IN FIGURES (in USD millions)

	2016	2012-2016
Approvals	1,848	8,311
Sovereign risk	1,100	5,119
Non-sovereign risk	748	3,191
Disbursements	1,386	4,612
Sovereign risk	808	2,419
Non-sovereign risk	578	2,193
		2016
Portfolio		1,382
Sovereign risk		650
Non-sovereign risk		732

In terms of social innovation, CAF supported a project led by Universidad Tecnológica Metropolitana, in conjunction with the Association of Rural Municipalities and the Habitability Program of the Solidarity and Social Investment Fund (Fosis) of the Ministry of Social Development, to promote energy efficiency with multidimensional impact in 300 vulnerable households in Chile, making cost-efficient repairs in rural and urban communities in Santiago, Chile with a multi-dimensional impact in health, housing safety, productive work, comfort and savings in family budgets. Also, the B movement was deepened in the country with 85 B-certified companies and 87 scholars from 15 Chilean universities linked to Academy B. Likewise, CAF participated in the Latin American Forum of Social Innovation and University Social Responsibility, where the role of the academy in the construction of sustainable development was fostered.

Finally, third-party funds in the amount of USD 75 million were mobilized for the Atacama Solar project. The funds were obtained from the Green Climate Fund (GCF) and Banco BICE Chile.

COSTA RICA

In 2016, CAF continued to support the microfinance sector in Costa Rica with the renewal of Banco Improsa's line of credit for USD 10 million for SMEs in the country. Various missions and high-level meetings were also conducted to promote financing and technical assistance opportunities in the coming years.

In social innovation, support was granted for the organization of the "II Latin American Meeting for Social Innovation in the Public Sector" to boost collective talent, social entrepreneurship and citizen participation as facilitators of social innovation. Also, from the *Innovación con Sentido* platform, technologies for social change and the development of the open data platform were fostered.

DOMINICAN REPUBLIC

In 2016, CAF and Dominican Republic signed a new capital contribution agreement for USD 50 million to expand the institution's spectrum of action in the country in the upcoming years. The new agreement establishes a three-year payment schedule and allows for an additional potential portfolio of up to USD 200 million starting in 2019.

In addition, CAF renewed a credit line for Banco BHD León for USD 15 million in support of the country's productive transformation and economic growth through the financing of long-term investments.

Finally, in social innovation, with the support of Radio Marién as an educational instrument with regional scope, health campaigns were developed in the field of malaria and chikungunya prevention. Efforts were continued to implement the model of Bankomunales as educational tool for community organization and access to financial services, successfully replicated on the other side of the border in Haiti.

JAMAICA

In 2016, the process of identifying opportunities for priority operations suitable for CAF's support to ensure the country's development continued. Additionally, efforts were made to examine the agenda of technical assistance in Jamaica to boost value-added interventions that complement the institution's financing actions.

MEXICO

During 2015, CAF approved operations in favor of Mexico for USD 575 million, of which 87% (USD 500 million) corresponded to sovereign risk operations and a 13% (USD 75 million) to non-sovereign risk operations and non-reimbursable funds.

Approved operations for the sovereign sector correspond to the renewal of credit lines for Bancomext and Nacional Financiera (NAFIN) in the amount of USD 200 million and USD 300 million, respectively, aimed at financing working capital, trade and project financing for its clients.

In the non-sovereign sector, a line of credit of USD 50 million was approved and granted to the Special Fund for Agricultural Financing (FEFA), which provides funding for the entire value chain of the agricultural sector. A syndicated senior loan for USD 15 million was approved for Unifiin Financiera S.A.B. to support the growth of its customer portfolio focused on the sector of SMEs with limited access to financing.

In addition, CAF approved USD 4.8 million in operations using cooperation funds for development, as a complement to the institution's financing action. With these cooperation funds, CAF supported the Transport and Mobility Association of Mexico (AMTM) for the organization of the "VIII International Transport Congress," with the objective of fostering the promotion of comprehensive, participatory and competitive development of the Mexican transport sector.

Also, the Secretariat of Energy received support for the development of the "International Conference on Power Efficiency in Cities 2016" to deepen the knowledge and understanding of the guidelines and elements needed to increase power efficiency, as a key element for intelligent and sustainable cities.

On the other hand, Centro Mario Molina was given support for the preparation of an analysis of risk and vulnerability management in the face of climate change and extreme events for the highway sector in Mexico, in order to propose action strategies and specific adaptation and risk management measures that contribute to disaster prevention and increased resilience of the highway infrastructure.

ProMexico received support for an initiative focused on the development of an operating model for the purpose of promoting the productive chain of Mexican SMEs and their integration in global value chains, through their industrial link at different levels to enhance market access in strategic sectors of the Pacific Alliance.

In public policy matters, support was given to the Secretariat of Social Development for the organization of the "IV High-level Meeting of the Network of Colleagues for the Multidimensional Measurement of Poverty." Also, CAF accompanied the Secretariat of Government of Mexico City in the drafting of the proposal for the Constituent Assembly on the issue of territorial and urban planning.

For the organization of the "IV Conference of Latin American Think Tanks," the Mexican Council of International Affairs received financing, with the aim of supporting the positioning of Latin American think tanks as key organizations in the development of the countries of the region through the evaluation and implementation of public policies.

In the area of social innovation, through support for CO_Plataforma, System B operations were launched with 15 B-certified companies and 30 new B multipliers. Support was given Kaya Impacto, a financial consultancy that advises social entrepreneurs about raising capital; its clients include Bolsa Rosa, Pixza and Hipocampus. At the same time, CAF supported the strengthening of Ashoka, the global network of social entrepreneurs, and drove the scalability of solutions to social problems through the Globalizer X Mexico program. Finally, the Inclusive Innovation Laboratory was opened at Universidad Tecnológica de Santa Catarina in Nueva Leon, Mexico, within the framework of the DIA Project (Democratizing Innovation in the Americas), driven by CAF in partnership with the Organization of American States (OAS), Microsoft, Western Union and The Trust for the Americas.

As part of this initiative, 492 youths and 122 teachers were trained in innovation. Of 73 projects evaluated, 28 received seed funding for their development and implementation. In addition, more than 1,200 young people benefited from access to the Innovation Lab and two POETA centers were strengthened with courses on innovation and entrepreneurship.

PORTUGAL

In 2016, a partnership with the *Instituto para a Promoção e Desenvolvimento da América Latina (IPDAL)*, an entity which aims to promote relations between Portugal and Latin America, was strengthened. In addition, CAF participated in the V Meeting “The Strategic Triangle: Latin America, Europe, Asia” organized by IPDAL.

Institutional activity focused on consolidating relations with the Secretariat of State of the Ministry of Finance and with the Central Bank of Portugal. In the business field, closer ties were established with *Caixa Geral de Depósitos and Sociedade para o Financiamento do Desenvolvimento (SOFID)*, institutions with which CAF has a line of credit and equity investment, respectively.

In the academic field, within the framework of the agreement established with the University of Lisbon, RED 2015: *Un Estado más efectivo. Capacidades para el diseño, la implementación y el aprendizaje de políticas públicas*. (A more effective state: Capabilities for public policy design, implementation, and learning) was presented.

Finally, in the financial sector, a line of credit granted *Caixa Geral de Depósitos* for USD 50 million was renewed targeted to the financial institution’s foreign trade operations and working capital.

SPAIN

In 2016, at the institutional level, CAF reinforced and expanded relations with its strategic partners through the renewal of agreements with public and private agencies, and leading academic institutions in the country, through the drafting of comprehensive work agendas, with long-term prospects.

In this regard, CAF renewed its agreement with *Casa de América*, an entity that contributes to better understanding between Spain and Latin America, emphasizing cultural, social, political and economic links on both sides of the Atlantic. CAF, as a high-patronage member, held events to promote regional knowledge and exchange experiences with leading institutions on development issues.

Within the context of the relationship with the nonprofit Fundación Carolina, the “Ibero-American Program of Public Leadership” was organized, aligned with the strategy of strengthening Latin American officials and potential leaders. CAF is part of the Business Advisory Council of the Elcano Royal Institute (RIE) and supports the think tank’s events, like “Spain in the 2016-2030 sustainable development agenda” and “The Geopolitics of TTIP,” dedicated to analyzing the opportunities and challenges generated by the Transatlantic Trade and Investment Partnership for Spain and Latin America.

In addition, CAF deepened its relationship with the nonprofit Fundación Real Madrid, a partner of CAF’s SOMOS project, along with the Scholas Foundation, an initiative of Pope Francis for the social inclusion and education of young children in the region, with the presence of CAF’s Executive President, Enrique García, at the opening of the Scholas Citizenship Program held in Madrid.

In the business sector, the European office’s activity focused on its strategic goal of globalizing CAF’s business, as well as become the link between Europe, particularly Spain and Portugal, and Latin America and the Caribbean.

Spain's economic situation and the needs of the Spanish business sector have changed considerably in recent years. In 2016, CAF's work focused on strengthening initiatives that contribute to providing a response to the requirements of Spanish companies.

A strategic alliance with the Instituto de Crédito Oficial (ICO) is an example of adaptability. Thanks to the solid relationship with ICO, and the continuing effort to explore new ways to support Spanish and Latin American business sectors, as well as take advantage of the opportunities in both regions, ICO extended a line of credit for USD 300 million to CAF to channel financing to Spanish companies with a presence in Latin America. The agreement signed in 2016 will finance investment projects and cover medium and long-term liquidity needs for exports in the region. In addition, CAF renewed a credit line awarded ICO for USD 300 million.

In this support work, and to meet the growing interest of the Spanish business sector in Cuba, a technical cooperation operation was approved for Compañía Española de Financiación del Desarrollo (Cofides) in the amount of USD 500,000 to support Spanish companies' investment and train Cuban employees with the aim of contributing to the development of talent.

In line with CAF's new private-sector strategy in the agro-industry sector, the European office sought out partners, best practices and business opportunities with Spanish institutions in this sector. Progress was made on the dialogue with the main Spanish and European agrifood institutions such as the Spanish Federation of the Food and Beverage Industries (FIAB), and a mission of Latin American businesspeople to the Ebro Valley was organized.

The IV edition of the *Futuro en Español* program, the result of an alliance with the Vocento Group, offered a platform for interaction between Spain and Latin America in various sectors of interest such as innovation, cities, agribusiness, infrastructure and journalism. In the 2016 edition, several workshops were organized in the cities of Madrid, Santander, Gijón, Málaga, Logroño, Valencia and Santiago de Chile.

Finally, in the area of knowledge, the office's work was devoted to the consolidation of the European academic network with the launch of the website ([https:// www.caf.com/red-academica/](https://www.caf.com/red-academica/)). This network is formed by prestigious universities from Spain (University of Alcalá) and University of Salamanca), France (Sciences Po), Portugal (University of Lisbon), United Kingdom (Oxford University and London School of Economics) and Germany (GIGA).

OTHER CAF ACTIONS IN EUROPE

The European office's mission is to support CAF's globalization process, working toward a regional vision within a space of global action.

Throughout 2016, Enrique García, CAF's executive president, conducted an institutional tour to several European countries with the support of the European office and the Secretariat of External Relations. In the United Kingdom, CAF's expanding presence was validated with the award of the Canning House medal given the executive president in recognition of the institution and its role in promoting the deepening of relations between the United Kingdom and Latin America. As part of this mission trip, meetings were held with several British agencies and organizations with ties to Latin America, including the Foreign Office and the London School of Economics (LSE), where the III Annual CAF-LSE Conference was inaugurated. CAF participated in two more events organized and held on the LSE campus: the conference "From Tailwinds to Headwinds. Can Latin America Weather the Storm?" and the round table event "Leadership in times of uncertainty: the role of regional development banks in Latin America."

In addition, the executive president participated in events in Italy and France, contributing to raising awareness about CAF in Europe. In Italy, the executive

president attended a papal audience granted by his Holiness Pope Francis in Rome. In France, he participated in the launch ceremony of the Regional Program for Latin America and the Caribbean, an OECD initiative to support the region's efforts that promote its agenda of reforms to increase productivity, advance social cohesion, and fortify institutions and governance, where CAF actively participates along with other multilateral agencies.

CAF maintains an agenda with the maximum representative bodies of the European Union, like the European Commission (EC), through the Directorate-General for International Cooperation and Development (DEVCO) and the European External Action Service (EEAS); and the European Investment Bank (EIB).

On the other hand, CAF has become a leader in the generation of content and exchange of experiences and good practices in matters related to Latin America and the Caribbean.

The main tool that has positioned CAF as a leading academic source on Latin American issues is the European Academic Network, which has consolidated and strengthened throughout 2016 with the renewal of agreements with London School of Economics (LSE), Sciences Po, Oxford University and the University of Alcalá, in addition to the annexation of the German Institute of Global and Area Studies (GIGA) as a member of the network.

These strategic alliances allowed CAF to carry out diverse activities of interest for the interchange of knowledge between regions, including: the III Annual CAF-LSE Conference "Global governance in an era of uncertainty;" III CAF-Oxford Conference "The Challenges of Informality in Latin America;" the CAF-Oxford Conference in Brasilia "The future of the social policy in Latin America: Is the good news fading?;" the Po-CAF Seminar International Sciences Seminar in Bogota "Governance of the public space in Latin American cities, a shared perspective;" and the presentation of RED 2015 *Un Estado más efectivo (A more effective state)* at the University of Salamanca (Spain), the University of Lisbon (Portugal) and the University of Sciences Po (Paris).

MULTINATIONAL

In the multinational environment, in 2016, a corporative loan was approved for the Latin American Agribusiness Development Corporation in the amount of USD 25 million with the objective to support the financing of private agricultural projects in Latin America and the Caribbean at every phase: production, storage, service, technology and marketing. Additionally, an equity investment in the Darby Latin American Private Debt Fund III was approved to grant structured debt to medium-sized companies operating in Brazil, Colombia, Mexico and Peru in high-growth economic sectors, including infrastructure, manufactures, health and education.

On the other hand, the line of regional contingent financing was renewed in the amount of USD 300 million, whose objective it is to finance the prevention and attention of extreme climate events, earthquakes, pollution accidents and epidemics. Also, four lines of credit were renewed for diverse regional financial institutions for a total amount of USD 300 million, with the purpose of supporting the financing of infrastructure projects in Latin America and the Caribbean.

Finally, CAF approved USD 6.6 million in operations with cooperation funds for development, as a complement to the institution's financing action.

APPROVALS IN BARBADOS

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 2 million

Term: Multiple



APPROVALS IN CHILE

Uncommitted revolving credit line

Client: Eurocapital S.A.

Total amount: USD 5 million

Term: Multiple

Objective: Increase the company's lending capacity for short-term operations, ensuring at the same time the diversification of financing sources.

Uncommitted revolving credit line

Client: Banco Bilbao Vizcaya Argentaria, Chile (BBVA)

Total amount: USD 50 million

Term: Multiple

Objective: Finance working capital and foreign trade operations carried out by the bank and its clients.

Uncommitted revolving credit line

Client: Exportadora Subsole S.A.

Monto total : USD 7.5 million

Term: Multiple

Objective: Finance client exports, mainly table grapes, kiwi, avocados, cherries, tangerines, oranges, chestnuts, walnuts, etc.

Uncommitted revolving credit line

Client: Banco Itaú Corpbanca

Total amount: USD 50 million

Term: Multiple

Objective: Finance working capital and foreign trade operations carried out by the bank and its clients.

Uncommitted revolving credit line

Client: Banco Santander Chile

Total amount: USD 50 million

Term: Multiple

Objective: Finance working capital and foreign trade operations carried out by the bank and its clients.

Uncommitted revolving credit line

Client: Tanner Servicios Financieros S.A.

Total amount: USD 10 million

Term: Multiple

Objective: Provide funding to finance leasing and factoring operations and credit for the SME segment.

Uncommitted revolving credit line

Client: Banco de Crédito e Inversiones - BCI

Total amount: USD 50 million

Term: Multiple

Objective: Finance working capital and foreign trade operations carried out by the bank and its clients.

Uncommitted revolving credit line

Client: Banco BICE S.A.

Total amount: USD 30 million

Term: Multiple

Objective: Finance working capital and foreign trade operations carried out by the bank and its clients.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 0.8 million

Term: Multiple



APPROVALS IN COSTA RICA

Uncommitted revolving credit line

Client: Banco Improsa S.A.

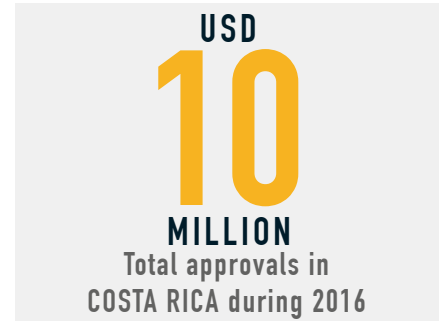
Total amount: USD 10 million
Term: Multiple

Objective: Finance small and micro-enterprises in Costa Rica.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 0.01 million
Term: Multiple



APPROVALS IN DOMINICAN REPUBLIC

Other operations with cooperation funds

Client: Banco BHD León

Total amount: USD 15 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 0.5 million
Term: Multiple



APPROVALS IN MEXICO

Uncommitted revolving credit line

Client: Banco Nacional de Comercio Exterior S.N.C. - Bancomext

Total amount: USD 200 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.

Senior syndicated loan

Client: Unifin Financiera S.A.B. de C.V.

Total amount: USD 15 million
Term: 3 years

Objective: Drive the growth of the client's leasing portfolio to support SMEs with limited access to financing.

Uncommitted revolving credit line

Client: Consejo de Asistencia al Microempresedor S.A.

Total amount: USD 5 million
Term: Multiple

Objective: Finance small and micro-enterprises in Mexico. The line of credit was raised from USD 3 million to USD 5 million.

Uncommitted revolving credit line

Client: Nacional Financiera S.N.C. - NAFIN

Total amount: USD 300 million
Term: Multiple

Objective: Finance foreign trade operations, working capital, investments in capital assets and financing operations of productive chains and energy projects.

Uncommitted revolving credit line

Client: Fondo Especial para Financiamientos Agropecuarios - FEFA

Total amount: USD 50 million
Term: Multiple

Objective: Finance FEFA clients (intermediary and financial), who, in turn, finance the entire value chain of the agricultural sector.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 4.8 million
Term: Multiple



APPROVALS IN PORTUGAL

Uncommitted revolving credit line

Client: Caixa General de Depositos

Total amount: USD 50 million
Term: Multiple

Objective: Fund foreign trade transactions, working capital and investments in capital goods.



APPROVALS IN SPAIN

Uncommitted revolving credit line

Client: Instituto de Crédito Oficial - ICO

Total amount: USD 300 million
Term: Multiple

Objective: Support ICO, an institution that promotes the Spanish government's business sector by addressing its financing needs. Favor the development of new projects and back internationalization processes, especially for Spanish and Latin American MSMEs.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 0.9 million
Term: Multiple



MULTINATIONAL APPROVALS

Line of Regional Contingent Financing for Extreme Climate Events, Earthquakes, Pollution Accidents and Epidemics

Client: CAF shareholder countries or subnational entities with sovereign guarantee

Total amount: USD 300 million
Term: Multiple

Objective: Finance the prevention of and/or response to extreme climate events, earthquakes, pollution accidents and epidemics.

Uncommitted revolving credit line

Client: Banco Latinoamericano de Comercio Exterior S.A. Bladex

Total amount: USD 150 million
Term: Multiple

Objective: Support the channeling of capital to promote the development of Latin America and the Caribbean and provide integrated solutions that promote the region's exports.

Uncommitted revolving credit line

Client: Mota Engil SGPS S.A.

Total amount: USD 50 million
Term: Multiple

Objective: Support the expansion of Mota-Engil Group's operations in Peru, Mexico and Colombia, promoting the development of the infrastructure sector in the region.

Corporate loan

Client: Latin American Agribusiness Development Corporation S.A. - LAAD

Total amount: USD 25 million
Term: 5 years

Objective: Support the financing of private agricultural projects in Latin America and the Caribbean throughout every phase of production, storage, service, technology and marketing/sales.

Uncommitted revolving credit line

Client: Corporación Interamericana para el Financiamiento de Infraestructura S.A. - CIFI

Total amount: USD 25 million
Term: Multiple

Objective: Support initial financing of infrastructure projects in Latin America and the Caribbean.

Other transactions with cooperation resources

Client: Multiple

Total amount: USD 6.6 million
Term: Multiple

Uncommitted revolving credit line

Client: Fondo Financiero para el Desarrollo de la Cuenca del Plata - Fonplata

Total amount: USD 75 million
Term: Multiple

Objective: Finance physical and social infrastructure and productive development projects in Fonplata member countries.

Equity investment in a capital fund

Client: Darby Latin American Private Debt Fund III, L.P.

Total amount: USD 10 million
Term: 5 years

Objective: Grant structured debt to medium-sized companies operating in Brazil, Colombia, Mexico and Peru in high-growth economic sectors, including infrastructure, manufactures, health and education.





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CAF'S AGENDA FOR INTEGRAL DEVELOPMENT

CAF'S INTEGRATED VISION OF SUSTAINABLE DEVELOPMENT IS BASED ON A COMPREHENSIVE RESEARCH AND KNOWLEDGE DISSEMINATION PROGRAM THAT ADDRESSES DEVELOPMENT AND PUBLIC POLICY ISSUES.

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CAF's Agenda for Integral Development aims to achieve high, sustained, sustainable and quality growth in Latin America: “high growth” to narrow the development gap with high income countries and offset population growth; “sustained growth” to ensure the continuity of economic progress and social improvement over time; “sustainable growth” to ensure viability of natural assets across generations, respect cultural diversity and support democratic governance in the region; and “quality growth” to benefit the largest percentage possible of the population in an equitable manner in favor of less privileged segments.

Improving microeconomic efficiency and productivity, in turn, requires that the economic transformation in Latin America be aimed at boosting productivity and adding value to national comparative advantages.

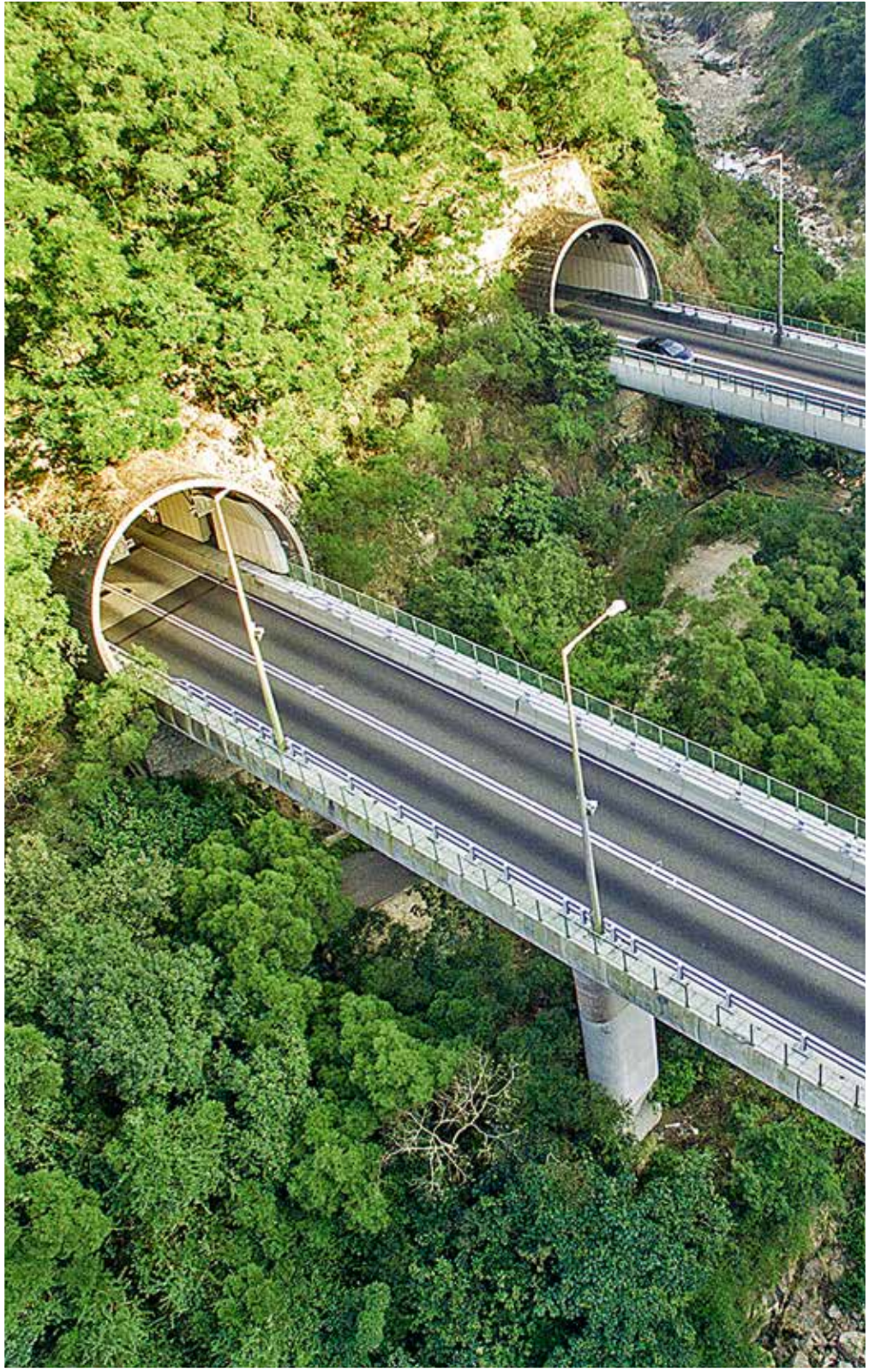
This calls for increased investments in all forms of capital—human, social, natural, physical, productive and financial—as better quality and greater availability of several forms of capital are needed to increase productivity and close social gaps.

In addition, the multiple regional and international integration and insertion processes underway in Latin America driven by CAF are particularly important for economic growth to become less dependent on the changing conditions of the global economic environment.

From the beginning of the 1990s, CAF has acted as an integration hub and outpacing the most comprehensive South American and Latin American integration processes by widening its portfolio of shareholders, which includes 19 countries to date.

Integration processes have political, social and economic dimensions. In economic terms, their intent is to achieve economies of scale to facilitate efficiency and productivity, while fostering competitive international insertion through the development of integrated regional markets that can become large “domestic” markets for Latin American countries.

CAF's integrated vision of sustainable development is based on a comprehensive research and knowledge dissemination program that addresses development and public policy topics supported by CAF's intellectual effort and dialogue with public, private and academic sectors in Latin America. The strategic programs below are aligned with this vision.



INFRASTRUCTURE

As one of the main multilateral funding sources for infrastructure in Latin America, CAF's infrastructure agenda aims to improve the land use, quality of transport, logistics and communications infrastructure to develop and connect the territory physically, economically and socially.

Under the premise that quality infrastructure is a major factor for the development of more inclusive and competitive societies, strategic development actions are proposed that recognize the importance of advancing original cooperation arrangements between the state and private companies to increase investments in projects of public interest under private participation mechanisms; driving knowledge generation and dissemination; allocating technical cooperation resources to project drafting and design; and providing specialized technical assistance.

In 2016, CAF supported infrastructure development by fostering studies that contributed sectoral knowledge, promoting and implementing actions within the framework of programs like Roads, Sustainable Urban Mobility, Road Safety, Information and Communications Technologies, Logistics, Waterways, GeoSUR (Digital Latin American Cartography), Geopolis (Latin American Cities and Risks), Public-Private Partnerships, Regional Integration and IIRSA-COSIPLAN.

ROADS

The aim of this program is to drive road development in the region by boosting best practices in road design, construction, conservation, maintenance and management, while introducing priority aspects such as road safety, sustainability and innovation.

In 2016, this initiative focused on topics associated with road adaptation to climate and new construction techniques for a better utilization of materials. The drafting of a Guide of Best Practices for Road Adaptation to Climate Variability and Change (*Guía de Buenas Prácticas para la adaptación de las carreteras a la variabilidad y cambio climáticos*) was initiated. Cooperation with the World Road Association (PIARC) was strengthened to consolidate experience and knowledge sharing on road transport policies; the design, construction and management of heritage roads; and adaptation strategies.

The work started in Brazil with the implementation of a follow-up system for the road project portfolio, comprising a database of prices per region, stands out as a major technical assistance initiative. In Bolivia, support for the Bolivian Highway Administration (ABC) involved the contracting of experts to assist with improvement techniques and processes for the provision of road infrastructure, and to support initiatives and knowledge areas that would guarantee sustainable road development. In Colombia, financing for the structuring and implementation of the initial phase of the tertiary network management policy is being supported. As in previous years, CAF continued to cooperate with the Technological University of Panama (UTP) and the Catholic University of Ecuador (PUCE) to define workshops and seminars on road management and safety.

SUSTAINABLE URBAN MOBILITY

This program focuses on the construction and consolidation of sustainable, efficient, safe, inclusive, integrated and clean mobility systems designed to improve the accessibility, competitiveness and quality of life of the region's cities.

In 2016, CAF took care of the increasing demand from cities in the region, which, through a variety of technical assistance projects, sought to make progress on, among others, institutional strengthening, sustainability in all its dimensions, and technological planning and development for their different transport systems. Projects in Brazil included support for the structuring of a new transport system developed in the region called Airmobile and a preliminary project for a Bus Rapid Transit (BRT) line in Fortaleza. In Bolivia, projects were completed for the integration of the public transport system in Sucre and Tarija, and the overhaul of the bus system in El Alto. Support is currently underway in Chile for the implementation of a Transport Green Zone in Santiago–NAMA. Integration projects for the public transport system in Montería and Valledupar were completed in Colombia, while in Ecuador a rate integration study was initiated for the city of Quito, along with a technical assistance project for the urban integration of the Cuenca tramway and a study for a sustainable transport system in Loja. In Peru, support was provided for the development of a nationwide urban transport policy, the Lima metro network, a BRT preliminary project in Trujillo and the definition of a backbone transport system in Arequipa. In Paraguay, assistance is being provided for the Historic Center Recovery Plan in Asuncion. In Uruguay, CAF is taking part in the conduction of a mobility survey in the Metropolitan Area of Montevideo and a study to replace the transport fleet with alternative technologies, while in Venezuela the design of a Mobility Plan for El Hatillo, one of the five municipalities in Caracas, was supported.

The Urban Mobility Observatory (UMO) currently includes 29 Latin American cities and the UMO's information is used as a basis for the analysis and understanding of these cities' reality in terms of urban mobility. Actions in 2016 included the updating of UMO's database and proactive steps to boost non-motor and sustainable mobility: public bicycle systems (particularly the inter-district system in Lima and system structuring and renovation in Pasto, Montería, Valledupar and Cali), transport oriented developments, value capture in transport systems, shared mobility and corporate mobility plans. Two additional studies were initiated, one to better understand the link between public transport and the safety of women in Buenos Aires, Quito and Santiago and promote gender equality, while seeking to issue public policy recommendations to improve inclusion and equality for women; and the other one to examine the barriers to collaborative transport by taking advantage of the use of platforms and the smartphone boom based on a pilot experience conducted in Bogota.





ROAD SAFETY

In line with its commitment to promote positive changes in road safety across the region, CAF supports technological innovation and the transfer of best practices with the specific goal to reduce road traffic fatality rates and related events.

In 2016, CAF worked in partnership with many cities to develop Urban Mobility Plans focusing on environmental sustainability and road safety introducing a “safe system” approach.

Considering that motorcycle transport is a growing phenomenon in the region, a Best Practices Guide for the Safety of Motorcyclists (*Guía de Buenas Prácticas para Seguridad de Motociclistas*) was developed, along with a Study of the Characteristics of Carrying Children on Motorbikes (*Estudio de caracterización del transporte de niños en moto*). More specifically, a Road Safety Plan for Motorcyclists was drafted in Bogota and progress was made in seven municipalities within the metropolitan area of Rio de Janeiro as a response to cities with the aim to decrease the traffic fatality rate of users of the most vulnerable roads.

In addition, the Ibero-American Comprehensive Guide for Traffic Crash Victims was published to promote the establishment of advisory units for victims by the Ibero-American Federation of Associations of Victims against Road Violence (FICVI). Advisory actions were initiated in Argentina.

Another step forward was the organization of the first part of a road safety course for auditors in Cuba, including planning to teach the course in local universities in Ecuador, Panama and Brazil. In Colombia, officials of the Ministry of Transport, the National Road Institute, the Transport Superintendence and the National Planning Department were trained to foster the application of the iRAP methodology for road safety evaluation on 11,000 km of national routes.

In 2016, CAF assisted many cities with the development of Urban Mobility Plans under a “safe system” approach to road safety.

Along with ECLAC and GSMA, a digital training program was launched (CE-Digital), for regulators and senior officials of the ICT sector in Latin America.

INFORMATION AND COMMUNICATIONS TECHNOLOGY

In order to expand the digital economy and ecosystem in Latin America with a view to boosting the productive transformation process in the region through the development of broadband communications infrastructure that can support the expansion of Internet-based home and corporate services, CAF has strengthened its position as one of the leading actors of the Digital Agenda for Latin America and the Caribbean (eLAC 2018). Within the framework of this agenda, which is concentrating efforts to establish an integrated digital market across the region, CAF worked in collaboration with strategic partners throughout 2016 in studies related to the Building of a Digital Single Market Strategy; the IPv6 Deployment for Social and Economic Development in Latin America and the Caribbean; and the removal of barriers to the deployment of mobile broadband at a subnational level. A ranking to evaluate the conditions of the settings for the deployment of telecommunications infrastructure in the cities was designed and developed, along with the completion of a study on the telecommunications industry in Latin America. An additional study is underway that will examine the return on investments of this industry as compared to others.

Along with ECLAC and GSMA, a digital training program was launched (CE-Digital) for regulators and senior officials of the ICT sector in Latin America.

In addition, CAF's Digital Ecosystem Observatory entered its final design and launch phase. This observatory, which presents the ICT integral development index (IIDT), intends to become a key input for all CAF's business areas oriented to the integration of digital technology into the different productive sectors of the economy.

Technical assistance support was provided for the development of a Demand Aggregation Center (CAD) in Peru to bolster innovation and technology for the productive sector in areas where last mile broadband networks are being deployed. In Panama, the evaluation of the location of a regional IXP center has been supported to consolidate the role of the country as a data interconnection hub by sharing infrastructure with the electricity sector.

LOGISTICS

To promote the concept of integral, inclusive and sustainable logistics, CAF supports the countries in Latin America for the building of a logistics agenda. Highlights of this effort include activities in Argentina through the production of a Logistics Profile to help provide knowledge for port development; the support for the National Logistics Forum in Bolivia; work conducted in Brazil for the identification of port investments; the Logistics Master Plan technical round table held in Colombia; the promotion of Logistics Platforms in Ecuador; assistance provided in Panama for the technological integration of the canal and an integral strategy for port development; support provided in Paraguay for the implementation of a National Logistics Plan; the development of a Priority Roadmap in Peru and the design of a logistics information system and a ports master plan in Uruguay.

By the same token, a new Sustainable Urban Logistics program (LOGUS) has been designed to enable CAF to adopt a leading regional role in the matter of urban logistics and distribution of goods. Within the framework of this initiative, the first international workshop on sustainable urban logistics strategies was held in Montevideo.

As part of the logistics agenda, an analysis of the port and airport sectors was conducted, along with an estimation of the future investments the two sectors will need in Latin America. The long-term horizon looking toward 2040, 101 port and 220 airport projects were identified as part of the Reference Investment Universe projecting the investments in ports and airports that are required by the region to take care of future demand. A snapshot of this analysis was presented at the Congress of the Federation of National Associations of Freight Forwarders and International Logistics Operators of Latin America and the Caribbean (ALACAT), within the framework of the International Logistics Exhibition (SIL) held in Barcelona, Spain.

REGIONAL PROGRAM FOR THE DEVELOPMENT OF SOUTH AMERICAN WATERWAYS

In support of the regional momentum to stimulate and develop waterways across the region, the Regional Program for the Development of South American Waterways was presented to regional port authorities and the regional port community at an event held in the city of Montevideo. Within the framework of this program, conversations are held with regional entities such as Fonplata and ECLAC to find joint spaces for work in the near future. The first results of this initiative include support for the Cerro Largo City Hall in Uruguay to define the location of a port project in the area, and the assistance provided by CAF for the institutional development and strengthening of the Rio Uruguay Committee. The two activities form part of one of the distinct topics covered by the Waterway Program.

GEOSUR

After nine years in operation, the GeoSUR geoportal has become the main geographical information network for Latin America and the Caribbean. It is especially helpful for the planning and analysis of regional development activities underway. The Integrated Map of the Northern Andes (MIAN) is one of the main features. Its addition as a new sub-region, along with the digital integrated map of Central America, aims to assist in the construction of the first Digital Integrated Map of the Americas. This portal contains maps of regional floods since 2000 and information on events for the past two weeks, along with remote measurement of regional river flows.

GEPOLIS

This program focuses on creating institutional capabilities and generating knowledge for the risk management of regional natural disasters, as a resilience and sustainability tool for infrastructure in CAF's member countries.

In 2016, the program concentrated on seismic engineering by studying how bridges and communication roads are adversely affected by earthquakes, anti-seismic construction systems for one- and two-story homes in social housing programs, and the use of anti-seismic insulators and dissipators. Regarding the management of risks stemming from natural disasters (disaster risk reduction—DRR), workshops were held for the institutional strengthening of the telecommunications sectors in Peru, the road infrastructure sector in Colombia, and the urban road services and transport sector in Guayaquil, Ecuador.

INFRASTRUCTURE FOR THE INTEGRAL DEVELOPMENT OF LATIN AMERICA (IDEAL)

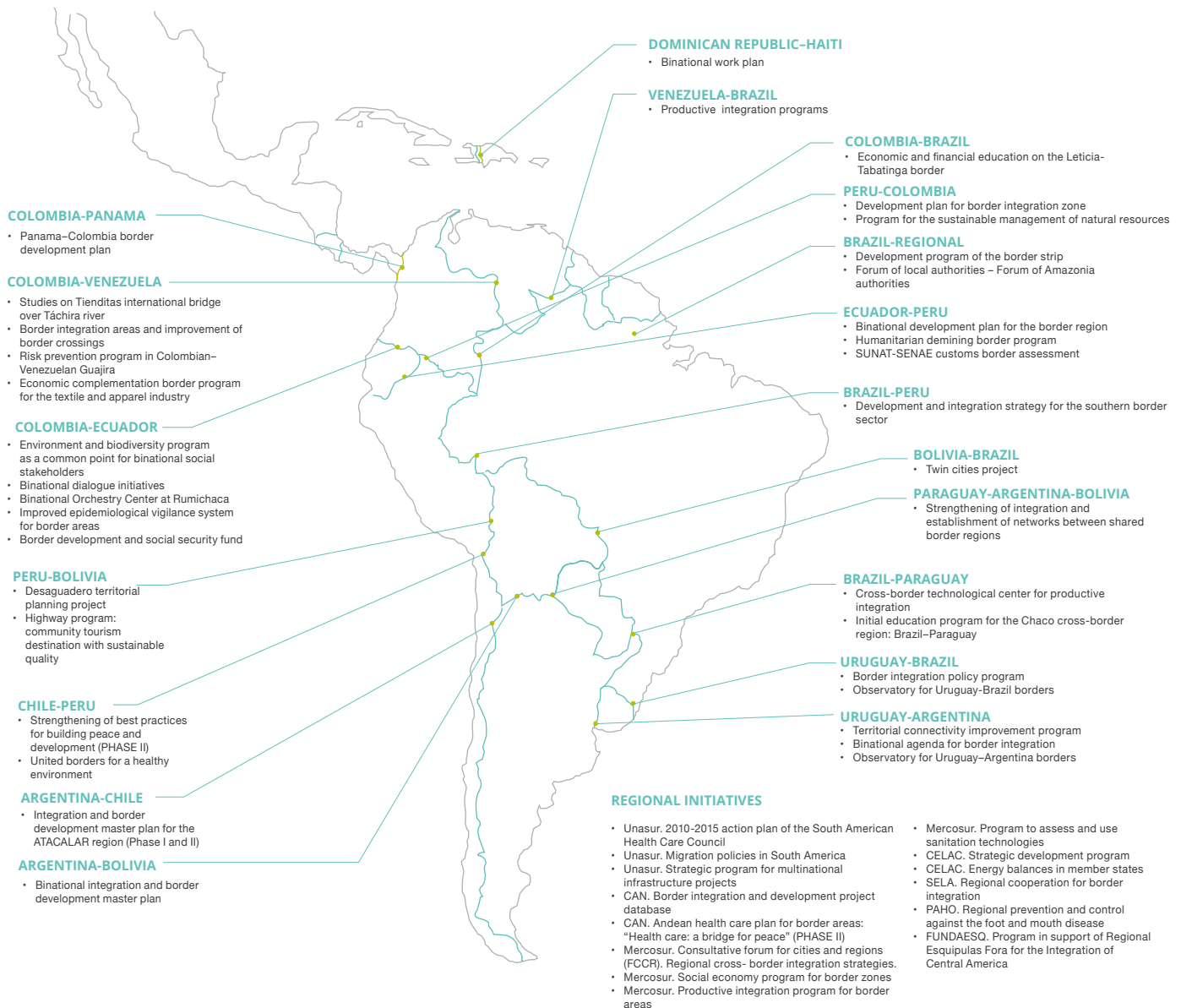
The Infrastructure for the Integral Development of Latin America (IDEAL) is a yearly report that reflects a multi-sectoral strategic assessment about the situation of transport, water and sanitation, energy and telecommunications infrastructure in Latin America. The results presented in this report are a tool to leverage and ensure a greater impact of the current status of infrastructure in each country across the region. In 2016, IDEAL 2015 presented regional

infrastructure trends and general news, along with an analysis of the role and structure of subsidies that ensure access to services and their financial sustainability, plus an examination of infrastructure for the international insertion of the region in the global tourism industry. In partnership with ECLAC and the IADB, the Infralatam web portal was launched, publishing figures about public and private sector infrastructure investments performed in 15 countries in the region over the period 2008-2013.

PROGRAM FOR THE SUPPORT OF BORDER DEVELOPMENT AND INTEGRATION (PADIF)

CAF promotes a strategic vision of border integration that allows its shareholder countries to plan and implement programs and projects to leverage shared potential, cooperation opportunities, dialogue strengthening and mutual trust in common cross-border regions.

Through PADIF, CAF supports binational plans for development and cross-border integration and the establishment of Border Integration Zones (BIZ), including sub-regional policies in Unasur, CAN and Mercosur countries, CELAC and the Mesoamerica Project targeting territorial organization, planning and project prioritization to achieve physical, economic and productive integration; the promotion of sustainable human development; and the strengthening of institutions and the social fabric with a view to improving dialogue and cooperation in cross-border regions.



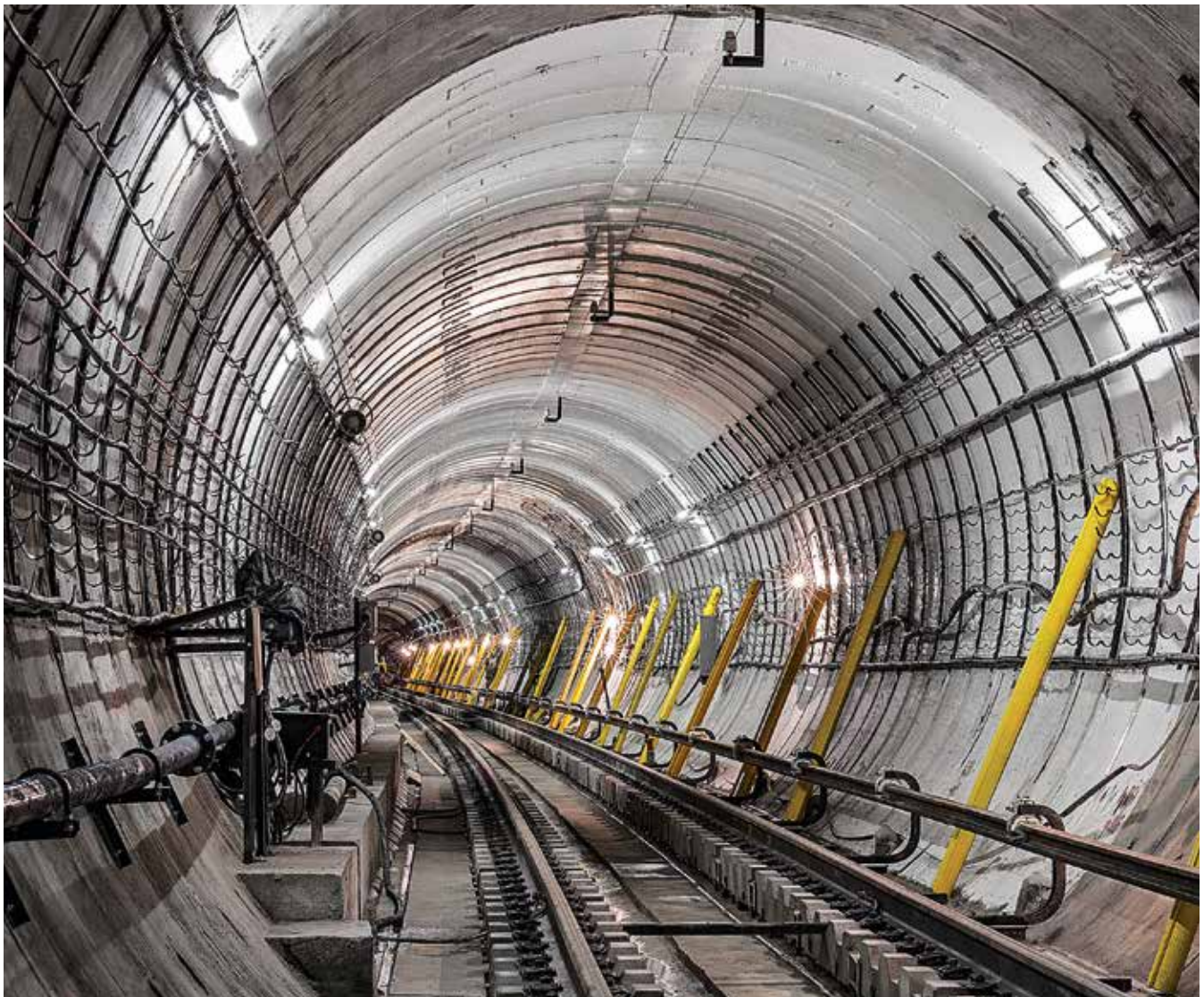
PUBLIC-PRIVATE PARTNERSHIPS

CAF's Public-Private Partnership program is designed to support Latin-American governments' efforts to draft projects for implementation using public-private partnerships (PPP) to promote knowledge generation and institutional strengthening among the different actors involved in the planning and management of public-private partnerships.

A workshop for the public sector was held in Buenos Aires with presentations of best practices and lessons learned for the structuring and management of PPP projects in guest countries, including Colombia, Chile, Spain, Peru and Uruguay. In addition, technical cooperation efforts in Paraguay were implemented for the consolidation of the Office of the Secretary of Technical Planning's Public-Private Partnership Unit (UPPP). In Colombia, efforts are underway to find formulas to support the reinforcement of the National Agency of Infrastructure's (ANI) organization and a technical project evaluation workshop was held for Financiera de Desarrollo Nacional (FDN). Work is also being performed in partnership with the Monterrey Institute of Technology and Higher Education (TEC) for the creation of an open online course (MOOC) on PPP project management and follow-up.

IIRSA/COSIPLAN

Within the framework of the IIRSA/COSIPLAN Initiative, progress was achieved in 2016 in the Territory Integration Program for the Agua Negra Binational Tunnel, the concept-formation and treatment of Logistics and Cargo Transport, and an analysis of the Paranaguá–Antofagasta Bi-Oceanic Corridor and the Central Bi-Oceanic Rail Corridor.



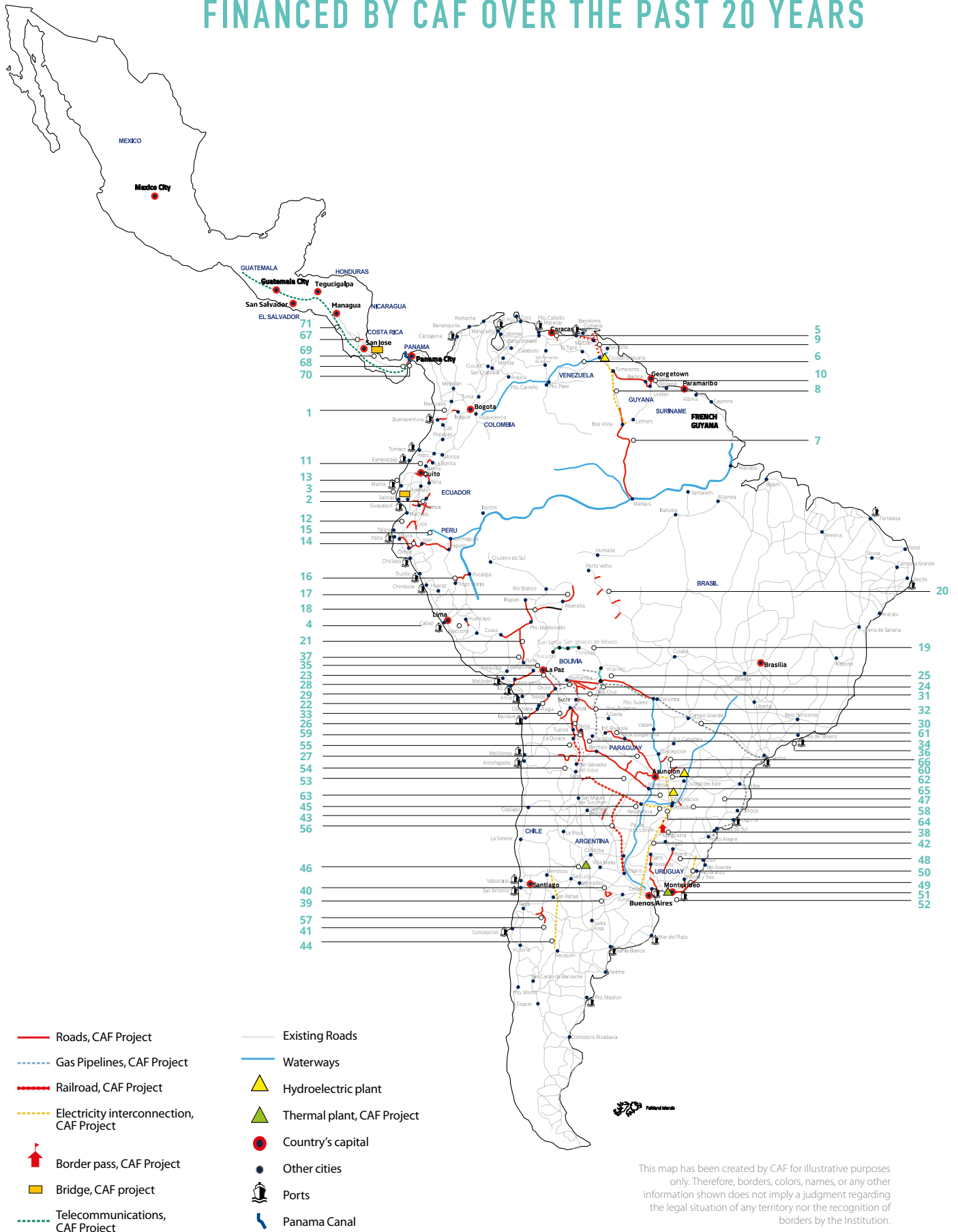
PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF OVER THE PAST 20 YEARS

	CAF's contribution	Total investment (in millions of USD)	
Andean Axis			
1	Colombia: Bogota-Buenaventura Road Corridor	447.0	1,116.6
2	Ecuador: Amazon Connection with Colombia and Peru (Carretera Troncal del Oriente) (Eastern Trunk Road)	93.8	152.7
3	Ecuador: Segmental bridge project over Babahoyo river	123.0	133.9
4	Peru: Rehabilitation of the Huancayo-Huancavelica Railroad	14.9	18.8
5	Venezuela: Connection of the Caracas Railroad with the National Network	360.0	1,932.0
6	Venezuela: Support to Commercial Navigation in the Orinoco-Apure River Axis	10.0	14.3
Guyanese Shield Axis			
7	Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8	Brazil: Venezuela-Brazil Electricity Interconnection	86.0	210.9
9	Venezuela: Ciudad Guayana-Maturin- Estado Sucre Railroad Studies	2.6	2.6
10	Venezuela: Ciudad Guayana (Venezuela)-Georgetown (Guyana) Road Studies	0.8	0.8
Amazon Axis			
11	Ecuador: Central Trans-Andean Connection	33.7	54.5
12	Ecuador: Southern Trans-Andean Corridor	70.0	110.2
13	Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14	Peru: Northern Amazon Road Corridor	110.0	328.0
15	Peru: Pre-investment in the Border Region with Ecuador	5.3	8.7
16	Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa tranche)	3.5	13.6
Peru-Brazil-Bolivia Axis			
17	Bolivia: Guayaramerin- Riberalta Highway	42.0	45.5
18	Bolivia: Porvenir- Puerto Rico Highway	138.8	198.3
19	Bolivia: Yucumo- Trinidad Highway	234.9	335.7
20	Brazil: Road Integration Program, State of Rondonia	56.4	134.2
21	Peru: Southern Inter-Oceanic Road Corridor (tranches 2, 3 and 4) and guarantees for private structuring	1,004.5	2,091.0
Central Inter-Oceanic Axis			
22	Bolivia: Bolivia-Chile Road Integration Corridor	404.7	649.2
23	Bolivia: La Paz-Oruro Double-carriageway Project	250.0	265.1
24	Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (tranches 3, 4 and 5)	280.0	585.5
25	Bolivia: Santa Cruz-Warnes Double-Lane Project	86.1	160.6
26	Bolivia: Bolivia-Argentina Road Integration Corridor	422.2	792.9
27	Bolivia: Bolivia-Paraguay Road Integration Corridor	599.5	919.5
28	Bolivia: "Y" Road Integration Program	176.9	296.3
29	Bolivia: Rehabilitation of the La Guardia-Comarapa Highway	153.2	224.8
30	Bolivia / Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
31	Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
32	Bolivia: YPFB Transporte Gas Pipeline	128.0	350.4
33	Bolivia: Complementary Road Works	70.0	73.0
34	Bolivia: Sectoral Transportation Program	150.0	221.2
35	Bolivia: Fine-tuning Program for Highways	75.0	107.1
36	Brazil: Complementary Works Program for the Metropolitan Arch of Rio de Janeiro	200.0	334.0
37	Peru: Bolivia-Peru Road Integration Corridor	48.9	176.6

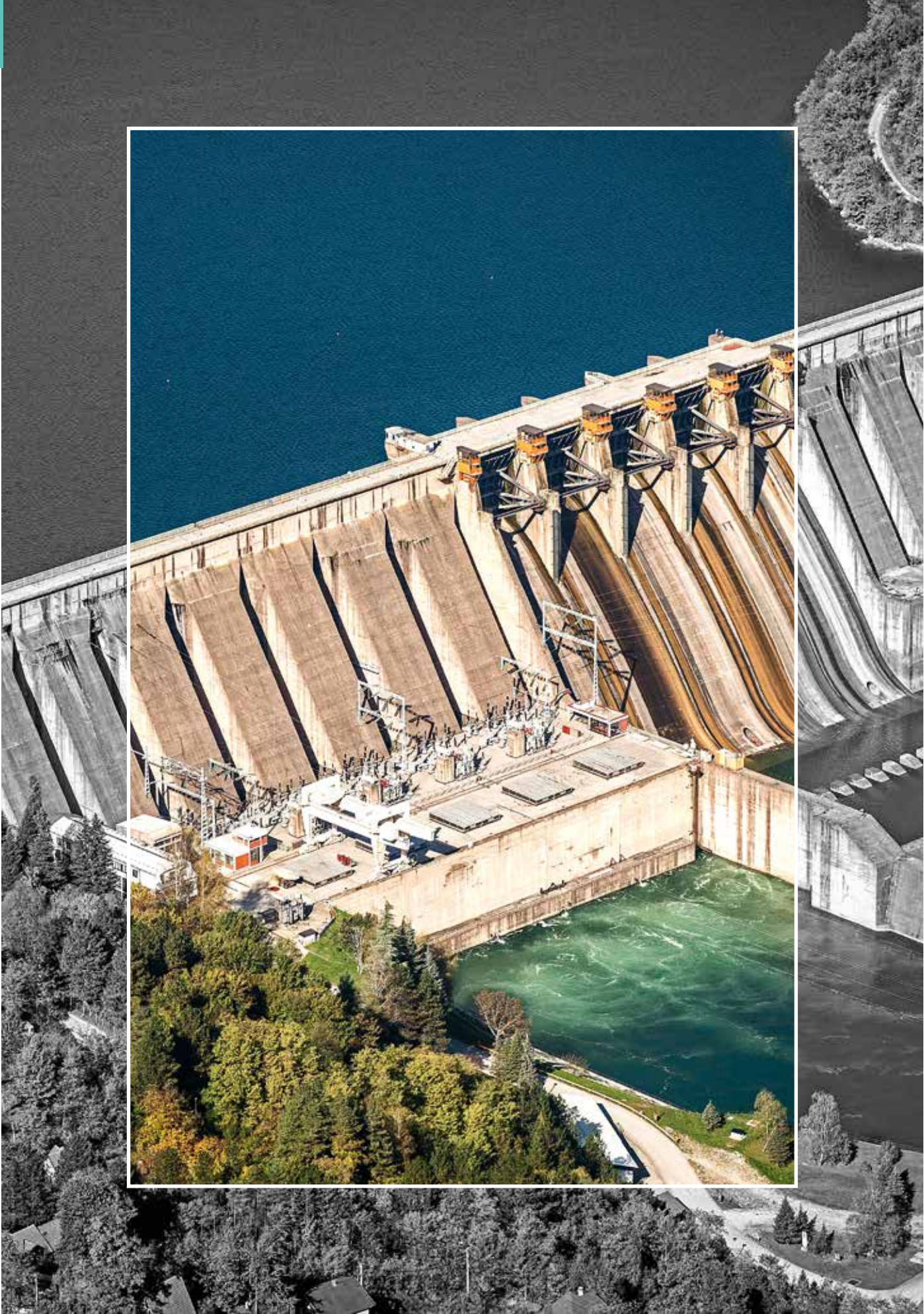
	Aporte de CAF	Total investment (in millions of USD)
Mercosur-Chile Axis		
38	Argentina/Brazil: Paso de los Libres-Uruguiana Border Center	10.0
39	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa road turnoff)	10.0
40	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa railroad turnoff)	35.0
41	Argentina: Buenos Aires-Santiago Corridor (accesses to the Pehuenche Pass, National Route 40 and National Route 145)	106.7
42	Argentina: Rincon Santa Maria-Rodriguez Electricity Interconnection	400.0
43	Argentina: Rincon Santa Maria-Resistencia Transmission Line	150.0
44	Argentina: Comahue-Cuyo Electricity Interconnection	200.0
45	Argentina: Road Integration Program between Argentina and Paraguay	110.0
46	Argentina: Extension of the Service Life of the Embalse Nuclear Plant	240.0
47	Brazil: First Phase of the Regional Integration Program, State of Santa Catarina	32.6
48	Uruguay: Mega-concession of the Main Connection Roads with Argentina and Brazil	25.0
49	Uruguay: Road Infrastructure Programs	240.0
50	Uruguay: Program to Strengthen the National Electricity System	150.0
51	Uruguay: Punta del Tigre Thermal Plant Project and Combined Cycle Plant	208.0
52	Uruguay: Dredging and Gas Pipeline Project in Punta Sayago	86.2
Capricorn Axis		
53	Argentina: Pavement of National Route 81	90.2
54	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0
55	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0
56	Argentina: Recovery and Improvement of the General Belgrano Railroad	326.0
57	Argentina: Second Phase of the Road Development Program: National Route N° 40	168.0
58	Argentina: Regional Road Development Program II, III and IV	410.0
59	Bolivia: Tarija-Bermejo Highway Program	74.8
60	Paraguay: Rehabilitation and Pavement of Integration Corridors National Route 10 and National Route 11 and Complementary Works	19.5
61	Paraguay: Integration Corridors and Road Reconstruction Program	222.1
62	Paraguay: Yacretá-Villa Hayes 500 Kw Second Line	50.0
Paraguay-Parana Waterway Axis		
63	Studies for the Improvement of Navigation, Institutional Management and Operational Financial Scheme of the Waterway (Argentina, Bolivia, Brazil, Paraguay and Uruguay)	0.9
64	Argentina: Railroad Integration Program between Argentina and Paraguay	100.0
65	Paraguay: Program for the River Transportation of Iron Ore for the Productive and Trade Integration between Brazil and Argentina	33.0
66	Paraguay: Commissioning Project of the Paved Road Network	100.0
Mesoamerica		
67	Costa Rica: Investment Program in the Atlantic Corridor	60.0
68	Panama: Highway Rehabilitation and Improvement Program	80.0
69	Panama: Bi-National Bridge over the Sixaola River	5.5
70	Panama: Panama Canal Authority. Expansion Program.	300.0
71	Multinational: Central American Telecommunications Network	14.0
Other projects		210.0
Total		10,562.6
		29,121.7



PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF OVER THE PAST 20 YEARS



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ENERGY

CAF's energy agenda for 2016 remained in line with its strategic approach, prioritizing support for sustainable energy system development along with regional integration programs.

In terms of energy infrastructure financing, in 2016, CAF continued to support energy infrastructure development in Latin America and the Caribbean. Its top priority has been regional energy supply security, increased access to energy and the optimization of the energy matrix in shareholder countries to strike a suitable balance for the sensible use of available natural resources.

In regard to the setup of regional networks and the support for energy security, progress was made on the study Strategic Projects for Regional Energy Security (PRESER). Twenty projects were ranked as top priority to guarantee energy supply across the region, of which 10 are in the electricity sector and 10 in the oil and gas industry. Steps are currently being taken to implement a regional energy integration post-graduate course to be taught in 2017, and an online course on the formulation and evaluation of electricity projects for professionals from different areas. In addition, support for the initiative for the construction of a common work agenda among institutions such as OLADE, CIER, ARPEL, ECLAC, OAS, ALADI, WEC and CAF continued. Along the same lines, third-party funds were leveraged for the development of studies including the participation of KfW, AFD and OFID, among others.

For the promotion of renewable and clean energy, a study was conducted to identify the hydroelectric potential of Argentina, Bolivia, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela under the Sustainable Hydropower Program. In Peru, a portfolio with 290 new and potential hydropower station projects in the Amazon and Ucayali Basins was developed. In partnership with ENDE and Electrobras, a three-party agreement was signed to formalize cooperation efforts and to conduct surveys to determine the hydroelectric potential of the Madera Basin and electricity exchange conditions for interconnection.

In addition, a Refurbishment of Hydropower Stations study is underway in Peru to extend the life of some stations.

Studies for the Urban Cooling Regional Program continued in four countries: Colombia, Jamaica, Panama and Dominican Republic. It is expected that these studies will identify a portfolio of projects introducing urban cooling technologies using seawater.

Under the Geothermal Regional Program, talks were held with the National Electricity Company (ENDE) of Bolivia to include the management of geothermal resources in resource-associated projects. In addition, conversations were initiated with the Ministry of Electricity and Renewable Energy (MEER) in Ecuador to channel program credit facilities toward the implementation of geothermal projects with a potential to boost Ecuador's renewable energy matrix. In addition, meetings were held with KfW to make financial cooperation official, and evaluate and structure financial aid between Germany and CAF to support geothermal projects in the region.

Under the Regional Biogas Program, studies were launched to analyze and identify state-of-the-art electricity generation and other biogas by-products to find



support and financing opportunities in the countries of the region. The first country to receive support was Uruguay, specifically the department of San Jose. Studies are also underway in Argentina, Chile and Paraguay.

In terms of energy efficiency (EE), assistance for the Office of the Secretary of National Energy in Panama was completed; this agency developed the 2050 Energy Plan along with the Panamanian Electricity Transmission Company. The energy audit to ENAP was completed, concluding that if efficient measures were adopted, actual savings could exceed USD 67 million per year. Within the framework of the Regional Energy Efficiency Project, prefeasibility and feasibility studies were conducted in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela to identify market improvement opportunities geared toward the construction of a regional pipeline of financeable EE projects.

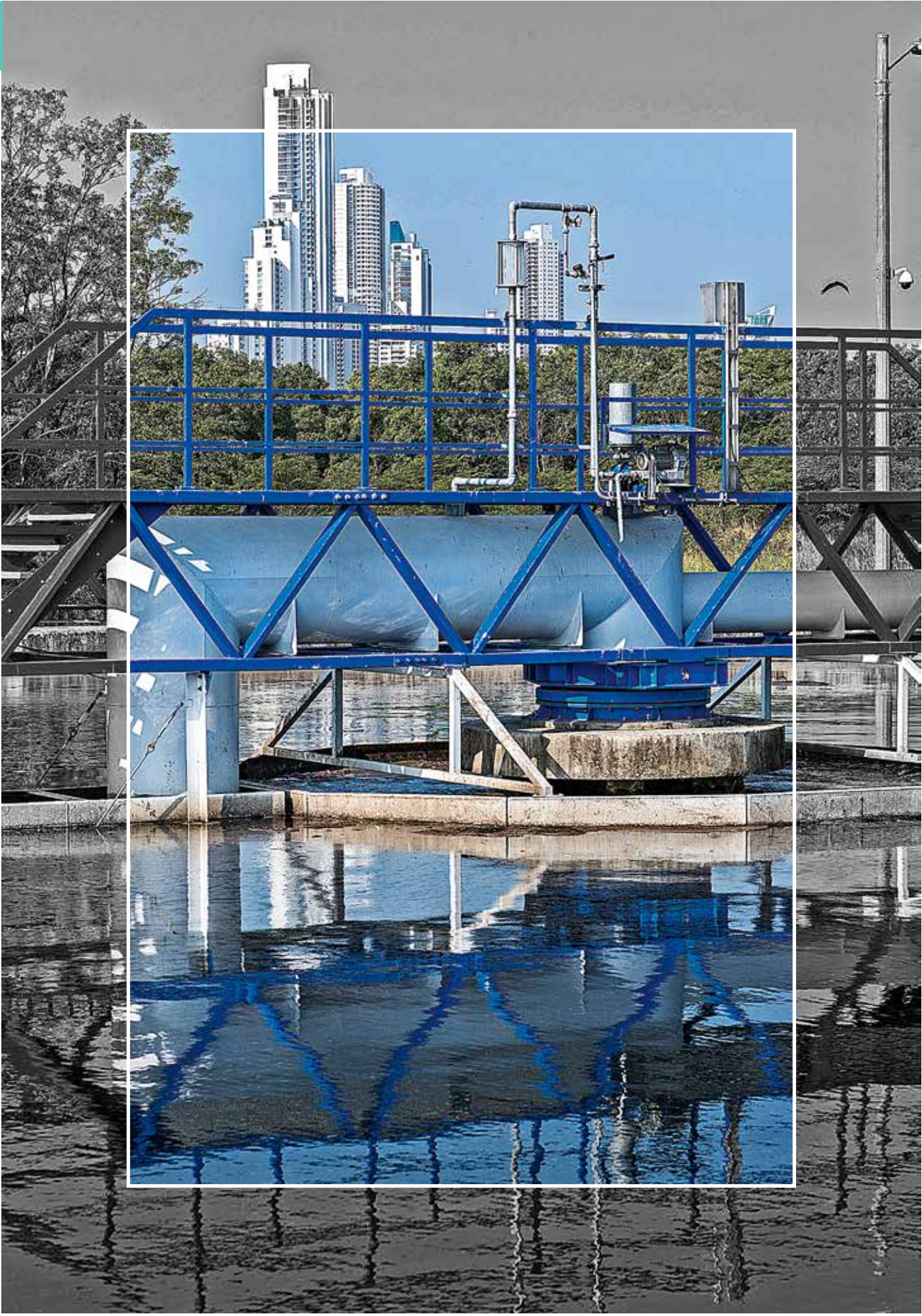
In the field of technological innovation, the CAF's Method for Accelerated Patent Development was created, under which two intensive workshops were given along with the First Technological Patent Marathon, enrolling more than 100 participants



In terms of energy efficiency, assistance for the National Office of the Secretary of Energy in Panama was completed; this agency developed the 2050 Energy Plan along with the Panamanian Electricity Transmission Company.

in August. At these workshops, Panama generated a total of 218 patentable technological concepts, of which 52 have already submitted their international applications to the Patent Cooperation Treaty (PCT) of the World Intellectual Property Organization's (WIPO). Based on these figures, Panama ranked as the fourth Ibero-American country to present international patent applications to the PCT, just after Spain, Brazil and Mexico. This initiative boosted PCT applications from 15 in 2014 to 218 in 2017.

In terms of integration projects, the study of electrical interconnections between Bolivia and its neighboring countries was completed in 2016. It identified the main projects that will bring significant gains to the interconnected countries, such as Bolivia-Brazil and Bolivia-Argentina. This study was presented by CAF at a meeting with Bolivian authorities and KfW, within the framework of the IX International Energy & Gas Congress Bolivia.



SOCIAL DEVELOPMENT

CAF helps the countries in the region to develop programs and projects that address social inclusion, poverty reduction and access to quality public goods and services to improve the quality of life of the population.

To achieve this goal from an integral perspective, CAF uses three operative instruments:

- Financing of investment projects and programs to improve quality of life, mainly in the most vulnerable sectors.
- Technical assistance to strengthen social support institutions and ensure the relevance, quality and sustainability of interventions.
- Generation of knowledge in social areas through research, systematization and dissemination of international best practices for development projects and public policies.

Within this framework, CAF's social development agenda is structured based on a set of strategic axes reflecting the priorities and needs of its shareholder countries.

INTEGRATED WATER MANAGEMENT

Based on an integral vision of the water cycle, CAF supports initiatives that seek to ensure the quality and sustainability of basic services, including components addressing project management and the strengthening of the institutional character of providers and agencies responsible for water management in the region.

In 2016, loan operations were approved for the improvement of drinking water service quality in the cities of La Plata and Bahía Blanca, and for the management and control of floods in the Lujan River Basin, in Argentina. In Bolivia, an expansion to rural drinking water and sanitation systems was financed, along with the implementation of a countrywide dam and technical irrigation system program, and the construction of a sewerage system in Santa Cruz de la Sierra. In addition, sanitation projects for Arraiján and La Chorrera districts in Panamá Oeste province, in Panama, were approved.

CAF further drives sectoral knowledge management to generate value for operations and increase their impact. In 2016, a sectoral analysis was conducted in Peru and progress was made with a sectoral dialogue in Bolivia. Technical cooperation resources were committed to support institutional strengthening initiatives and pre-investment studies in Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay and Venezuela. Strategic alliances were consolidated for capacity building in the region, especially with the World Bank and the government of Spain.

CAF's positioning strategy seeks to support the countries across the region in implementing project and public-policy design best practices, management models and innovative financing mechanisms. Within this framework, CAF

In 2016, CAF continued to finance the creation, expansion and adaptation of educational infrastructure, the supply of school equipment and educational material.

participated in important national, regional and international fora, such as the LATINOSAN conference in Peru, the World Water Week in Stockholm, the Ibero-American Conference of Water Directors in Mexico and the Latin America–Spain Water Dialogues in Madrid, also sitting on the board of governors of the World Water Council.

QUALITY EDUCATION FOR A MORE INCLUSIVE SOCIETY

Education is an essential element to promote economic growth, equal opportunities and poverty reduction. CAF used these principles as drivers for the development of its Educational Agenda 2016-2020, revolving around three axes: i) increased access to education, especially for the groups that are most in need; ii) improved quality of education for all levels, emphasizing equity; and iii) strengthening educational relevance by improving the bond between the skills learned at school and required by employment.

In 2016, CAF continued to finance the creation, expansion and adaptation of educational infrastructure, the supply of school equipment and educational material, and the incorporation of education technologies, along with advancing entrepreneurial capabilities in high technology areas. Technical cooperation resources were committed to institutional strengthening projects in Paraguay to reduce school dropouts, school and learning access inequalities, and improve the professional development of teachers in the region. In addition, projects were advanced to support the design of a professional program for young volunteers and the creation of technical education and vocational training centers and institutes in Panama.

CAF bolstered the positioning of education on the regional public agenda by generating and disseminating knowledge through workshops, seminars and publications. In 2016, CAF delivered an international seminar on Technical Education and Vocational Training in Buenos Aires; supported the delivery of a seminar on child development measurement in America in Lima; and had an active participation in regional and international education events, such as the meeting of the Asia-Pacific Economic Cooperation (APEC) education's group in Lima, the Latin American and Caribbean Open Science Forum in Montevideo, and the COSPAE Forum in Panama.

INTEGRAL URBAN DEVELOPMENT

In 2016, CAF continued to promote integral urban development and the improvement of informal human settlements in Latin American countries through investment and knowledge management programs.

During 2016, programs were approved for urban rehabilitation in the cities of Maceió and Jabotão dos Guararapes, along with an integral habitat program for Argentina. Similarly, sector-wide approach (SWAP) lending was structured in Venezuela and Colombia taking into account policies and investments for integral urban development implemented by both countries. Cooperation and technical visits were also conducted to promote new investments in Paraguay and Peru.

Regarding knowledge management, the United Nations chose CAF to lead the Dialogue session “Right to the City and Cities for All” in preparation of the New Urban Agenda (NUA), and had an active participation in the III Conference on Housing and Sustainable Human Development (Habitat III), held in Quito. CAF also attended international events in Bogota, Mexico City, Chiriquí, Cuenca, Gijón, La Paz, Lima, New York, Prague, Quito, Santa Fe, Santander, São Paulo and Toluca.



HÁBITAT III

In 2016, the United Nations Conference on Housing and Sustainable Human Development Habitat III was first held in Latin America, in Quito, Ecuador, with the aim to renew the global commitment to sustainable urbanization and focus on the implementation of a New Urban Agenda (NUA) worldwide.

CAF, as a strategic partner of national and local governments across the region for the promotion of a sustainable urban development agenda, participated in an active and purposeful manner during the discussions, promotion phase and presentation of contributions to develop the NUA.

In 2015, CAF was selected to lead the first of ten global dialogue sessions. Later, in 2016, CAF presented technical recommendations to the 18 UN member countries for the development of the NUA. The dialogue session “Right to the City and Cities for All” adopted a cross-cutting approach to address the challenges posed by social inclusion in the urban setting. It was composed of 20 international experts from around the world. CAF was also an invited expert at Policy Unit 9 on “Urban Services and Technology.”

During the four-day conference held in Quito, CAF participated in more than 20 sessions.

The delegation, led by Enrique García, CAF’s Executive President, participated in six high-level panels, 13 side and networking events, and multiple presentations at universities and events within the framework of the conference, such as the “Transport Day.” In addition, “CAF Day: Building Inclusive and Productive Cities” was attended by ministers, mayors, civil society representatives and senior academics from all over the world, who met to discuss the urban development agenda for the region and share contributions and good practices from Latin America with other global regions.

CAF has played an active and leading role in urban development not only since the debate in view of Habitat III, but also in regard to a relevant formulation of concepts, public policy guidelines, forms of intervention and knowledge management in multiple fields of urban management, such as: transport and connectivity, water and sanitation, education, resilience and climate change, the public space, productivity and inclusive growth. CAF has gained a prominent position to help countries in the region to implement and evaluate the NUA to attain more inclusive, sustainable and productive development in Latin American cities.



Women's leadership and economic empowerment capabilities were strengthened.

GENDER EQUALITY

Upon approval of the Gender Strategic Plan (PEG) in January 2016, CAF's gender equity goals focused on three domains:

- Awareness building: a training and awareness-building process was started for CAF's senior and executive staff to deliver knowledge aimed at establishing gender issues as a cross-cutting theme.
- Making gender a cross-cutting theme of projects and programs: the Gender Safeguard was approved as part of CAF's Environmental and Social Safeguarding Measures for the entity's operations.
- Positioning and knowledge: with the aim of contributing to the attainment of the Sustainable Development Goals, CAF undertook a coordinated effort with UN Women and the United Nations Development Programme (UNDP), along with having a strategic participation in the UN General Assembly, the UN Secretary-General's High-Level Panel on Women's Economic Empowerment, the Habitat III Conference, the XIII Regional Conference on Women in Latin America and the Caribbean, the III Global Forum "Business for Gender Equality: Advancing the Sustainable Development Goals" and the Multilateral Development Banks' Working Group on Gender.

In addition, in 2016, progress was made on technical cooperation projects on vocational training, business management and financial inclusion in Colombia; women's leadership and economic empowerment capabilities were strengthened in Argentina, Bolivia, Ecuador and Paraguay; girls and adolescents were incorporated into sports programs for development in Uruguay and Venezuela; and women's participation in the management of drinking water and sanitation services was promoted in Bolivia.

SOCIAL SUSTAINABILITY

CAF's sustainability agenda emphasizes programs that strengthen socio-productive capabilities, create social fabric and favor civic education and inclusion of vulnerable populations tied to financed investments.

PASOS Program for socio-productive inclusion

CAF is driving the social transformation of vulnerable populations settled in the areas of influence of the economic and social infrastructure projects it finances. By promoting sustainable and replicable income-leveling mechanisms, it impacts the development of human, social and productive capabilities that improve the quality of life of these populations.

In 2016, the PASOS program implemented a project for the development of inclusive businesses in El Hatillo, Venezuela, which benefited close to 800 individuals with training for farmers to improve their yields and organization, and to enhance community tourism in urban areas. Similarly, the National Program of Workshop Schools was supported in Colombia, providing 125 highly vulnerable youths with training in entrepreneurship and trades associated with cultural heritage. In Ecuador, the Women's Program promotes sustainable inclusive development in the Loja province by contributing to the economic empowerment of five women's organizations. In addition, the High-School Training Project aimed at improving employment opportunities delved into new syllabus proposals for Ecuador's technical-artistic high schools.

An inclusive business project in El Hatillo, Venezuela, was implemented, helping close to 800 individuals with training for farmers to improve their yields and organization, and to enhance community tourism.



Vit@I Program, an initiative for technological inclusion in Latin America

With the goal of offering access to specialized health care services in vulnerable communities, CAF completed a pilot plan for the development of a sustainable business model based on microinsurance. As a result, Ecuador has an installed capacity supported by medical systems from San Francisco University in Quito; a relationship with the Andean Women and Family Foundation in the provinces of Esmeraldas and Chimborazo has also been resumed. As a result of this experience, it was determined that public-private partnerships are the most viable option to build project sustainability.

SOMOS: Sports Network for Latin American Development

CAF's SOMOS initiative in support of sports in the region celebrated its XII anniversary in Bogota with the organization of the International Forum "Sports for Development | *SOMOS muchos, seamos más* (We are many, let's be more)," where discussion focused on how sports for development can help improve the



quality of life of children and youths who are at social risk through soccer, education embedding values and social skills, gender equity and health. A call was made for other organizations to join this initiative. SOMOS has three strategic partners (Special Olympics Latin America, Real Madrid Foundation and UNICEF), 25 local partners, and more than 1,900 trainers and trained community leaders. This program has helped over 78,000 children and youths across 10 countries in the region.

Music to Grow (*Música para Crecer*)

During 2016, CAF helped more than 1,800 children and youths, and trained more than 400 local teachers, using the teaching methodology of the National System of Children's and Youth's Orchestras and Choirs in Venezuela (known as El Sistema [The System]) and the Schola Cantorum Foundation. In addition, the first training workshop for musical leaders was held in Caracas, delivering music, management and leadership training to 58 teachers from program-member countries. Similarly, the orchestras in Panama and Paraguay continued to receive support, and an Orchestra Network was created in Santa Cruz, Bolivia.





SOCIAL INNOVATION INITIATIVE

CAF's Social Innovation Initiative (IIS in Spanish) is an experimental space to capture ideas, strategies and models for the development of helpful and sustainable solutions to address social challenges in the region, particularly those affecting vulnerable groups. It works to strengthen strategic alliances and ecosystems with stakeholders from different sectors and disciplines for a collective impact.

In 2016, CAF's IIS work focused on two areas:

SOCIAL INNOVATION THROUGH STRATEGIC ALLIANCES

Promotion of change trends, knowledge gathering, new forms of measuring impact and participation in networks.

B Movement: The best companies in the world and for the world *("Las mejores empresas del mundo y para el mundo")*

An alliance to consolidate the B Corp ecosystem in Latin America through: i) Legislation for B Corps with two bills in Argentina and Colombia, and two draft projects in Brazil and Chile; ii) Driving a B Corp academic network in partnership with 60 universities, a knowledge network for the systematic organization of triple-impact business models; iii) Dissemination of the "B Impact Assessment" tool used by over 50,000 companies worldwide; iv) Expansion of the B Model through events and publications.

Innovación con Sentido Platform

Launch of the Innovation with Purpose Platform in partnership with the Alfredo Zolezzi Foundation, Fundación Avina, the Social Progress Imperative and World-Transforming Technologies works to combine social, technological and business innovation to accelerate the fight against poverty and achieve large-scale changes. Present in 21 countries in the region with over 7,000 partner organizations from all sectors, this platform is monitoring deforestation, providing connectivity in 14 remote economic centers in Greater Chaco, offering productive training of indigenous communities, and supplying technologies for social change through platforms controlled by citizens.

University Social Responsibility

The Union of University Social Responsibility from Latin America (URSULA) was launched to develop a vision statement and action plan focused on University Social Responsibility and establish a connection among the academic world, the public and private sectors, and civil society. A website was created as a meeting point and research repository, while relevant undergraduate and master's courses have already been launched.

With CAF's support, the "My kitchen, my bathroom, my pride" award empowers women from disadvantaged sectors in Paraguay. These women are grouped together in committees. They increase their dignity and that of their families and communities by improving the bathrooms and kitchens in their homes with their own resources, in an effort to overcome poor sanitation and health conditions.

The missing dimensions in the measurement of poverty

Dissemination of "Las dimensiones faltantes en la medición de la pobreza" (The missing dimensions in the measurement of poverty), a study conducted in partnership with Oxford presenting a multidimensional vision of poverty beyond the traditional measures based on income, health and education. Six new measurement dimensions are described—empowerment, physical security, the ability to go through life without shame or humiliation, the quality of employment, social connections with others and psychological well-being—to enable more effective poverty public policies. This study was presented in Uruguay and Venezuela.

Networks that lead social change

Strengthening the global network of entrepreneurs through Ashoka and Globalizer X in Argentina and Mexico offering solutions to social challenges with widespread implementation potential.

Poverty spotlight

CAF and Fundación Paraguaya implemented a methodology that allows families to measure their poverty levels and identify solutions to address their needs. This spotlight has incorporated software to geo-reference homes and create community maps to allocate and leverage resources more efficiently in disadvantaged areas.

SOCIAL INNOVATION ON THE GROUND

Strengthening, from a human rights and gender perspective, highly vulnerable sectors and social innovators to create opportunities for social inclusion.

Prison population

- **Liberty companies (*Empresas de Libertad*) (Bolivia, Paraguay, Peru).** A social company was established in the Obrajes prison, in La Paz, with the participation of female inmates and authorities, making baked goods and knitwear under the OUT brand. Products are sold by a network of family members and volunteers. This project was successfully replicated in Asuncion with embroidery and baked goods, and in Lima with clay modeling, recycling and financial inclusion. Income from sales were reinvested mainly in physical and psycho-emotional health programs for the inmates.
- **Liberty Theatre (*Teatro de Libertad*) (Colombia).** In an effort to use non-conventional social reinsertion tools, drama lessons were introduced in the prison as a therapeutic and social reintegration strategy. Public performances were presented at the Prison Theatre Festival and the XV International Theatre Festival in Bogota.

People with disabilities

- **Hands that save lives (*Manos que salvan vidas*) (Colombia).** Significant progress was achieved by a project that uses the sensory ability of visually impaired women for early breast cancer detection in order to alleviate the burden of this public health problem and create job opportunities for a population traditionally excluded from the labor market. Upon completion of a theoretical and practical training delivered in hospitals, these women joined public hospitals and health care centers as "tactile helpers." A clinical trial validating this model has been completed, with a replication being explored in Mexico and a possible social franchising expansion in Colombia.



With social entrepreneurs

- **Culinary culture as a social innovation axis (Bolivia, Venezuela).** In El Alto and Margarita Island culinary culture is used as an educational, social inclusion and employment tool promoting local economies and strengthening identities and values. *Manq'a* schools in the Altiplano have been recognized as an innovative solution for their cross-dimensional impact as they provide entrepreneurial education in health care and nutrition to disadvantaged youths. In Margarita, entrepreneur groups strengthened focusing on environmental management, quality improvement, cooking and marketing capabilities. Food fairs were held to sell these products, all of which are prepared with local ingredients.
- **More value and more flavor along cocoa routes (Ecuador).** Cocoa processing was strengthened through training in sustainable technologies delivered to small farmers; traceability systems were improved in community storage centers and new youths were incorporated as internal control inspectors. A plant of semi-finished cocoa products was furnished with the necessary equipment and two community tourism schools were inaugurated. In addition, Maquita Agro's transition from being a foundation to becoming a social enterprise was successfully completed.
- **Award "My bathroom, my kitchen, my pride" (*Mi baño, mi cocina, mi orgullo*) (Paraguay).** A partnership with Fundación Paraguaya was established granting an award to empower women from disadvantaged sectors. These women, grouped into committees, bring greater dignity to their lives and those of their families and communities by improving bathrooms and kitchens in their homes with their own resources, in an effort to overcome poor sanitation and health conditions.

Consolidation of a social company in the Obrajes prison, in La Paz, with the participation of female inmates and authorities, making baked goods and knitwear under the OUT brand.



Integral development processes in Wayúu communities were strengthened through citizen and leadership capacity building.

High-risk youths

- **We want to graduate (*Queremos Graduarnos*) (Venezuela).** Capacity-building and educational processes for youths living in Caracas' neighborhoods were strengthened and improved to help participants achieve school success and social integration. A volunteers' program called "Youths for youths" (*Jóvenes por Jóvenes*) was launched, along with a connection platform to access production and academic opportunities.

Indigenous populations

- **Binational community development and social innovation in La Guajira (Colombia, Venezuela).** Integral development processes in Wayúu communities were strengthened through citizen and leadership capacity-building, along with community solutions for water, construction of huts made from branches, and planting of community gardens and production of local products for maternal-infant nutrition.
- **Pilcomayo trinational initiative, Greater Chaco (Argentina, Bolivia, Paraguay).** A local development model was promoted through the practice of sustainable livestock farming, honey and vegetable gardens for self-consumption and nutrition, community water solutions, manufacturing and selling of handicrafts with the trinational network of women artisans. A teaching exchange was implemented with public, private and third-sector actors.

BASIC SERVICES FOR VULNERABLE MAJORITIES

Education and financial inclusion for vulnerable majorities, regional scope

The Bankomunal model was extended in Argentina, Bolivia, Colombia, Peru, Haiti and Dominican Republic as an educational, community organization and financial inclusion tool, with over 10,000 loans granted for more than USD 1.2 million. For the first-time ever, a bankomunal was opened in a prison in Peru with a high replication potential.



In addition, family spending was redirected to health care and microinsurance for the promotion of purposeful consumption as a buffer against poverty.

Social innovation with connectivity and health care (Peru)

Under the concept of Mobile Infrastructure Rural Operator (OIMR), a model of cost-efficient 3G telecommunications access was created for indigenous communities in the Amazon based on innovative technology to improve local primary healthcare systems through the use of technological applications that go beyond traditional medicine.

Pyramid-based housing improvement (Argentina)

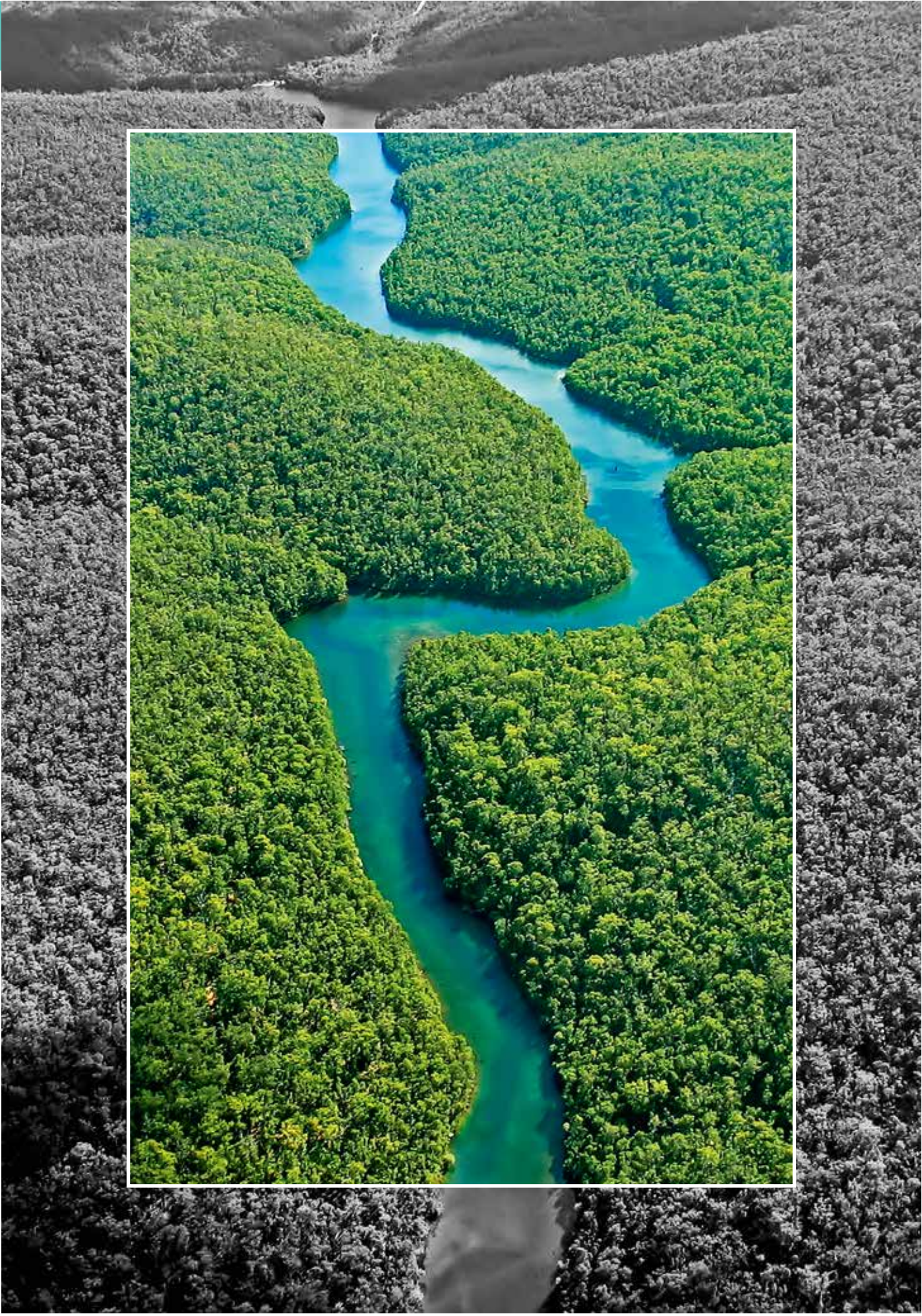
A trust was created to implement a public-private ecosystem in Greater Buenos Aires with the participation of the local community in Moreno, investments by the central government and private actors to finance housing improvement works, including energy efficiency.

Energy efficiency at the service of social needs (Argentina, Chile, Uruguay)

A novel and proven “sustabilization” methodology for vulnerable houses was adopted through the implementation of three projects: one in Bariloche, with the close cooperation of the City Hall; another one in Montevideo, involving the participation of the Ministry of Industry, Energy and Mining; and a third one in Santiago de Chile, including UTEM, the Association of Rural Municipalities (AMUR) and the Ministry of Social Development. This methodology undertakes cost-effective home repair actions that have an impact on health, security, productive work, savings, comfort, family life and energy efficiency.

Events

IIS participated in meetings in the City of Knowledge (*Ciudad del Saber*); the XX Inter-American Dialogue-Annual CAF Conference; the World Congress of Innovation Centers; II Latin American Meeting on Social Innovation focusing on the Public Sector; the Council of the Americas; the Latin American Forum on University Social Responsibility; the International Congress of Knowledge and Innovation; the Latin American Meeting of B Corps; and discussions about the private sector as an agent of change.



ENVIRONMENT AND CLIMATE CHANGE

CAF has incorporated environmental sustainability and climate change across the region in all its areas through programs, projects and actions that promote sustainable productive transformation and green infrastructure in its shareholder countries.

In 2016, CAF bolstered existing technical capacities in support of the management of international green and environmental funding resources targeted to the conservation of natural capital and climate change, facilitating in shareholder countries the migration toward a low-carbon economy resilient to climate change, fostering social inclusion and equal opportunities.

INSTITUTIONAL ENVIRONMENTAL MANAGEMENT UNIT

The Institutional Environmental Management Unit (UGAI) processed 1118 services: 85 for operations under an origination phase (CNC Technical Criteria); 69 environmental and social reports (IAS and IDDAS) for operations under assessment; 36 services related to documentary review in the implementation phase; 94 follow-up missions and 834 technical criteria for operations in an administrative phase. Management actions are reported and monitored on an ongoing basis through the Operations Monitoring Program (PSO).

Standards and procedures were updated: (i) manual for environmental and social evaluation and follow-up processes applicable to loan transactions; (ii) environmental and social evaluation and follow-up procedures applicable to transactions in regard to: environmental and social infrastructure and development, industry and corporate and special operations; and (iii) a series of guidelines for the environmental and social management of sectoral projects.

Environmental and Social Management Program for Financial Institutions (PGASIF)

This program aims to strengthen the region's financial sector by introducing a systematic and cross-cutting sustainability strategy for its processes. In 2016, the following impact actions were conducted:

1. **Training in social and environmental risk analysis (ARAS):** online courses delivered to 47 officers from 16 financial institutions, in seven countries, and one in-person course in Chile for risk managers, loan officials and bank analysts.
2. **Organization of six events:**
 - Sustainable Finance accolade within the framework of the Green Latin America awards (*Premios Latinoamérica Verde*).
 - Two sustainable finance events that resulted in the execution of a Green Protocol between Ecuador's national government and financial sector
 - "Promoting sustainable finance in the Southern Cone" event in Santiago de Chile
 - Regional Ecobanking workshop in Guayaquil
 - Design and financing of an online course on Greenhouse Financing within the framework of the Ecobanking Project, Phase 2

Institutional Environmental Management Program (PIGA)

Improvements were made to institutional sustainability, the carbon footprint and personnel awareness process.

In 2016, CAF's total carbon footprint was 11,348.76 tons of carbon dioxide (CO₂). In March, software was installed to automate the calculation of the institutional carbon footprint, systematize information and provide a means to update emission factors.

In October, a project was started for the diagnosis, design and implementation of an environmental management system and a sustainability report system under standards ISO 14001 and ISO 26000, respectively.

Knowledge management

City's Water and Carbon Footprint Program in 11 cities in five countries.

CLIMATE CHANGE UNIT

This unit supports the countries in the region to introduce climate change mitigation and adaptation actions across policies, rules, plans, programs, projects and economic and financial instruments in support of the fulfilment of their binding international commitments under the Paris Agreement, the Sustainable Development Goals and Aichi Biodiversity Targets.

Climate change program:

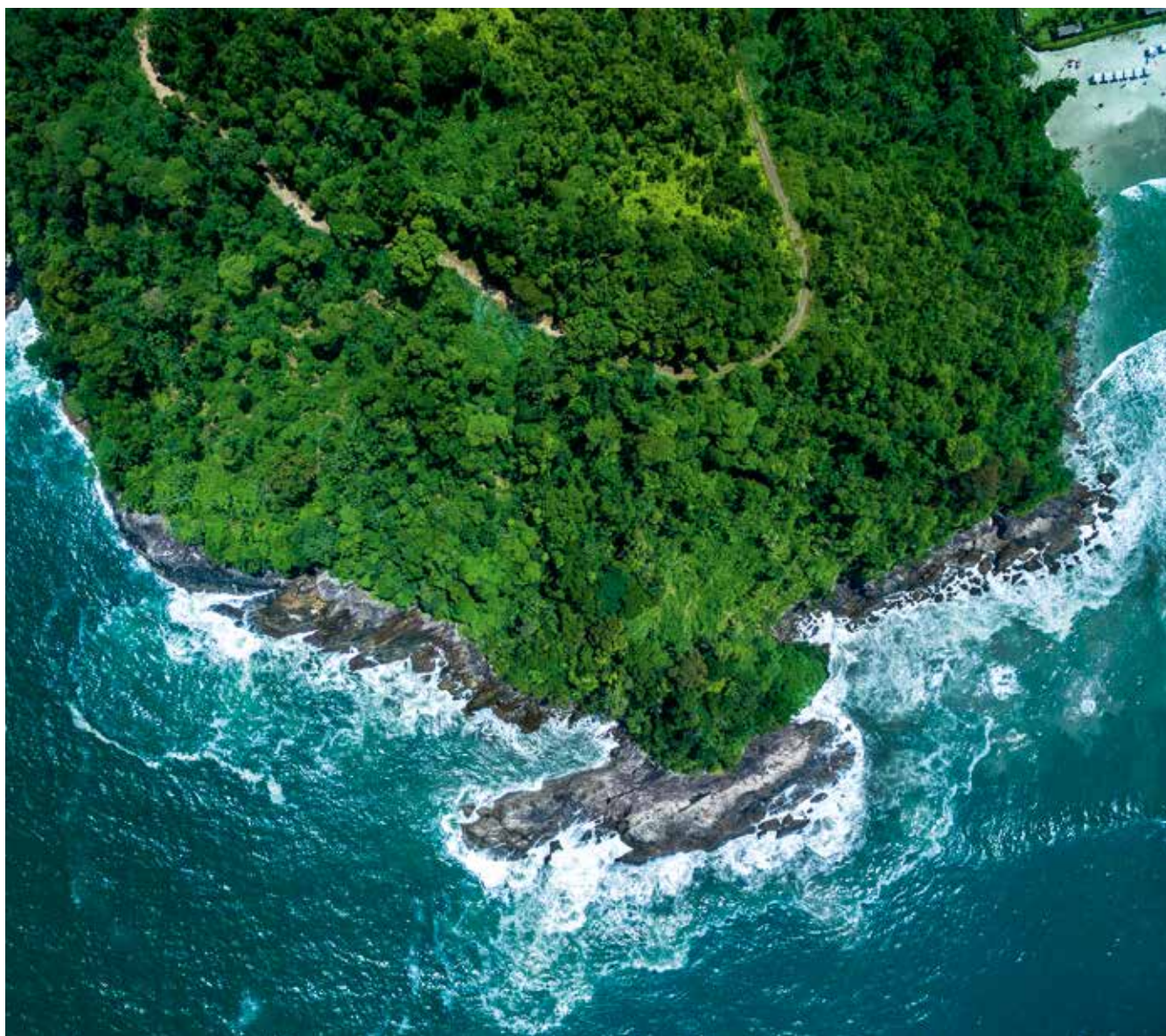
- Performance-based contract (PBC) loan assistance for climate funding in cooperation with the German Development Bank (KfW). Work was conducted on the design and implementation of pilot projects in the solid waste sector in Ecuador, and on the implementation of this mechanism in the renewable energy and energy efficiency sectors in Colombia.

- Support to the implementation of urban solid waste Nationally Appropriate Mitigation Actions (NAMAs) in Argentina and of a Transport Green Zone in Santiago de Chile.
- Vulnerability and climate change adaptation studies in Metropolitan Arequipa, Peru and in Guayaquil, Ecuador, to identify and prioritize climate change adaptation measures aimed at reducing the social, economic, territorial and environmental vulnerability of these cities.

Cities and climate change

A Latin America Investment Facility (LAIF) with the French development agency (AFD) was approved for the promotion of the design and implementation of urban projects through technical assistance programs.

In addition, CAF co-organized the Latin American Forum on Climate Change and the LEDS-LAC Regional Workshop in Panama City. CAF also supported the regional event Nexos + 1 “A window to the business of the future.” During the COP22 held in Morocco, the CAF Day hosted the presentation about climate commitments made by Latin American countries from a national, sectoral and city perspective. In addition, CAF participated in multiple climate change forums, of which a highlight was the participation of CAF’s Executive President in the Sustainable Investment Forum during Climate Week held in New York in September.



GREEN CLIMATE FUND PROJECT MANAGEMENT

Within the framework of the COP22 held in Morocco, CAF and the Green Climate Fund (GCF) entered into the First Accreditation Framework Agreement for the promotion of resilient and low carbon emission projects in Latin American countries. By mid-year, the GCF Board approved a CAF project for the development of solar energy in the Tarapaca Region, in Chile, of USD 49 million.



GREEN BUSINESS UNIT

CAF supported the region's countries' policies, rules, plans, programs, projects and economic and financial instruments for green business based on natural capital, for the fulfilment of legally binding international agreements such as the Aichi and Nagoya targets, the Paris Agreement and the Sustainable Development Goals (SDGs). Along these lines, CAF promoted a knowledge management platform to support CAF's business operations cycle. The platform received recognition from the Latin American community.

Biodiversity strategic program (BioCAF)

- Latin American Cocoa Initiative, which acts as a catalyzer for the development of fine or flavor (premium) cocoa as a sustainable economic activity and an integrating element for people, favoring the entry of Latin American cocoa in markets that privilege biotrade and quality supply, formally composed of eight countries.
- Latin American Ecosystem Services Initiative, under which documents produced by CAF have been published by the Convention of Biological Diversity (CBD) and the United Nations Conference on Trade and Development (UNCTAD).
- Enhancement of the Marine-Coastal Ecosystem Services Project: publications "Latin American ecosystem services: fisheries and ecotourism" and "Ocean Benefits: the Blue Biotrade."

CAF participated in "Oceans Economy," a conference organized by UNCTAD and The Commonwealth in the city of Geneva dealing with the concept of oceans economy and trade bonds, particularly biotrade. CAF co-organized, in partnership with UNCTAD and UN Environment, the COP 13 on Biodiversity about biodiversity conservation and sustainable use, and the fulfilment of the Strategic Plan for Biological Diversity 2011-2020 and the Aichi Targets. The event was held in Cancun.

CAF Forest Strategic Program

This program strengthens the sustainable development of the forestry sector and forest conservation through green economy at a local level. Progress achieved by the forest program focused on:

- Urban Forests and Green Spaces has evaluated the ecoefficiency of the forestry industry for the implementation of seven projects in Argentina, Brazil, Colombia, Ecuador, Mexico, Peru and Uruguay. This initiative fosters the development of a tool for the collection, organization and summary of data on the variables of claims rate, cumulative water consumption, cumulative energy consumption, greenhouse gases emission, water and soil contamination potential, solid waste, raw material and use of land.

Management of environmental funds

The mobilization and management of environmental funds enables resources and global efforts to be targeted toward the creation of synergies and a massive impact boosting the conservation and sustainable use of the natural capital.

- CAF, as a GEF Project implementation agency, has targeted its efforts toward the creation of a portfolio of green business projects for the enhancement of biodiversity, the sustainable management of ecosystem services and the migration toward a low carbon-emission economy.
- Support for green product generation through initiatives oriented toward the Energy Efficiency Program from the point of view of Demand (EE-D) and Green Business (GB) with financial institutions (FI).





PRODUCTIVE AND FINANCIAL SECTOR

In spite of the expansion cycle of natural resources, which led to high product and income growth rates in Latin America, low levels of relative productivity persist, which keep the region lagging behind other regions of emerging countries and developing economies. As a result of this situation, CAF has continued to promote productive transformation as a necessary condition to achieve high and sustainable development across the region.

In addition to this goal, in 2016, CAF consolidated its support strategy to the private sector across the region. Along these lines, CAF plays a leading role in financing, investment, technical assistance and knowledge activities targeting two sectors: the financial sector, as an enabler of productive transformation across all areas of the economy, and the productive sector, with an emphasis on agroindustrial chains. The strategy is based on supporting these two sectors through comprehensive interventions for the remediation of market failures in regard to regulations, the sector and businesses. In addition, the traditional SMEs and microbusiness areas continued to be supported through second-tier operations, and the agribusiness chain was explored through activities combining traditional financial intervention and supplementary aids, aimed at ensuring impact on growth and development.

PRODUCTIVE TRANSFORMATION

Aimed at reinforcing the private sector strategy, productive transformation tasks in 2016 were oriented toward regional productivity development under a prioritized sectoral approach. Several technical assistance and public policy interventions were conducted to take care of financial development and agroindustrial needs.

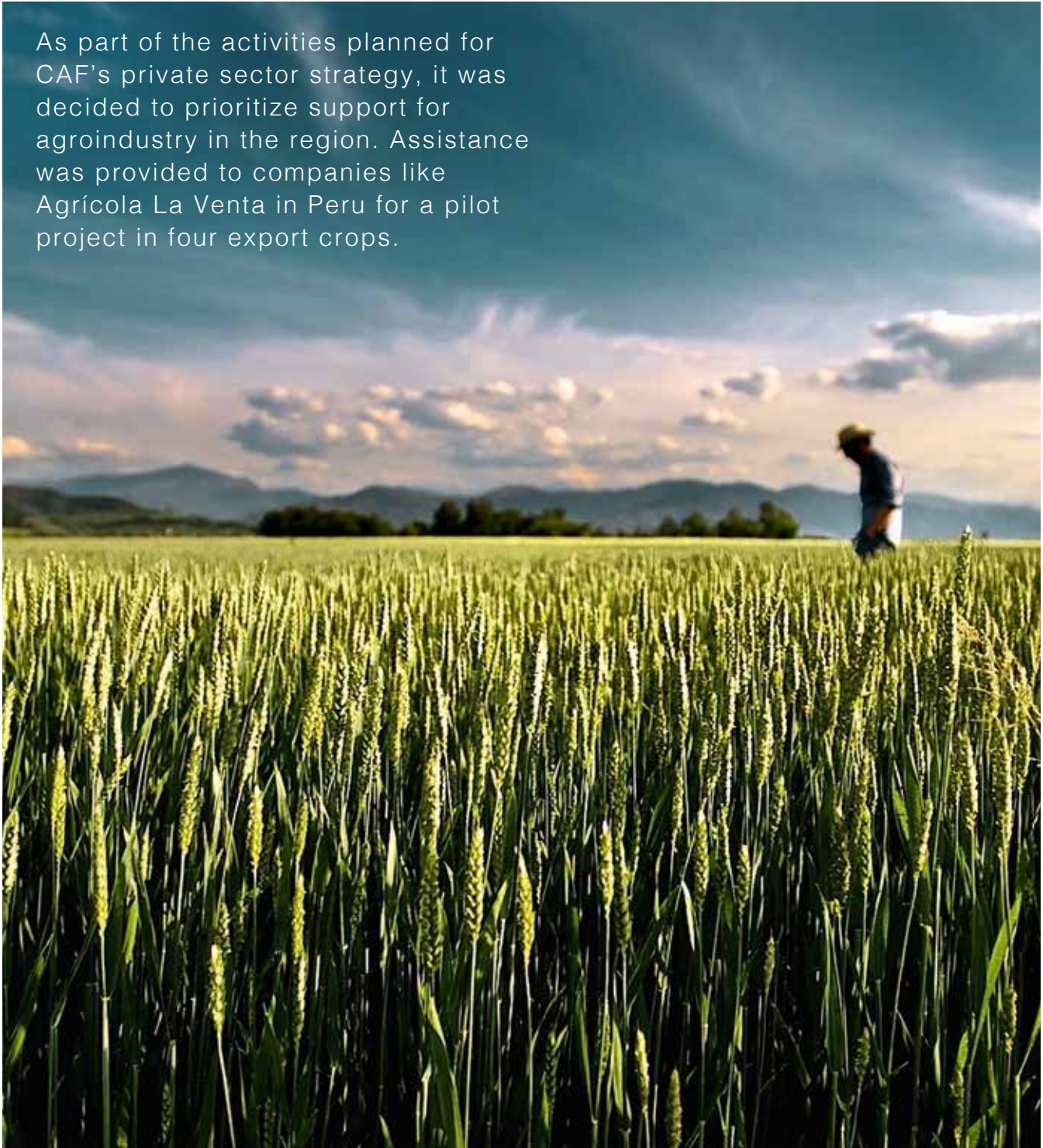
With the understanding that 75% of the growth rate in developed countries can be attributed to innovation, CAF conducted capacity-building activities for businesses under its Business Innovation Program. One case study was Procesadora Nacional de Alimentos (Pronaca), a highly prestigious Ecuadorian agroindustrial firm, which implemented the *Design Thinking* methodology. Helping boost business innovation national systems, a second wave of workshops was organized to align agendas among the public, private and knowledge sectors in Ecuador.

75%
of the growth rate in developed countries can be attributed to innovation.

As part of the activities planned for CAF's private sector strategy, which prioritizes support for agroindustry in the region, assistance was provided to companies like Agrícola La Venta (Peru) for a pilot project with four export crops, Aditmaq (Ecuador) for the development of new farming lines and Proquinoa (Ecuador) for the interconnection and certification of its suppliers of organic quinoa.

In Colombia and Ecuador, the strategic financial development goal was developed through internships at savings and loan institutions, addressed to officers of Bansefi (the Mexican National Savings and Financial Services Bank); a Project Finance workshop and internships at CAF's Treasury for the Paraguay's Development Financial Agency. In addition, technical cooperation resources were committed for the strengthening of national inclusion and financial education strategies in Colombia and Peru. In Chile, a survey to measure financial capacities was conducted, assistance was provided to Paraguay for the prompt enactment

As part of the activities planned for CAF's private sector strategy, it was decided to prioritize support for agroindustry in the region. Assistance was provided to companies like Agrícola La Venta in Peru for a pilot project in four export crops.



of the Guarantee Fund for Small and Medium-sized Companies Act and Dominican Republic received support for the passing of its Stock Market Act. In addition, studies were conducted on the socioeconomic drivers of financial education in the region, the international revolution of FinTechs, the BBVA's open innovation model and strategy, over-indebtedness of microbusinesses and Spain's Cajamar Caja Rural success case, among others.

In order to promote best practices, the Corporate Governance Initiative, in cooperation with Bancoldex, advanced a training program for medium-sized entrepreneurs. This year, Mexico City hosted the meeting of the Latin American Network on Corporate Governance of State-Owned Enterprises, which CAF has promoted from the group's inception.





SOCIOECONOMIC RESEARCH

Applied research into the development challenges faced by Latin America is a critical element of CAF's strategy. This research creates an opportunity for CAF to intervene constructively in public-policy debates. CAF seeks to promote the design and implementation of development policies and strategies in the region's countries through knowledge generation and dissemination.

In 2016, CAF published its Economy and Development Report (RED) entitled "More skills for work and life: the contributions of the family, school, environment, and labor market". An executive summary of the report was also published in Spanish and Portuguese in electronic format. The RED was presented in Santa Cruz de la Sierra (Bolivia); Brasília and São Paulo (Brazil); Santiago de Chile (Chile); Bogota (Colombia); Quito (Ecuador); Lima (Peru) and Montevideo (Uruguay).

The research documents below were also published as part of CAF's working document series: *Slum growth in Brazilian cities*, by Guillermo Alves; *Social Housing Policy And Labor Market Outcomes: Experimental Evidence From Argentina*, by M. L. Alzúa, J. Amendolaggine, G. Cruces and C. Greppi; *Education, Signaling and Mismatch*, by L. Arozamena and H. Ruffo; *Valuation of public amenities and differences in quality of life among Latin American cities*, by M. L. Arrosa and N. Gandelman; *Moving Citizens and Deterring Criminals: Innovation in Public Transport Facilities*, by G. Canavire-Bacarreza, J. C. Duque, J. A. Urrego; *The effect of the Kangaroo Mother Care program (KMC) on wages: A structural model* by D. Cortés, O. Attanassio, J. Gallego, D. Maldonado, P. Rodríguez, N. Charpak, R. Tessier, J. G. Ruiz, T. Hernández and F. Uriza; *Economic Shocks and Crime: Evidence from the Crash of Ponzi Schemes*, by D. Cortés, J. Santamaría and J. Vargas; *Exploring the potential of machine learning for automatic slum identification from VHR imagery*, by J. C. Duque, J. E. Patino and A. Betancourt; *Integrating Early-life Shocks and Human Capital Investments on Children's Education*, by V. Duque and M. F. Rosales Rueda; *Income Segregation and Urban Spatial Structure: Evidence from Brazil*, by M. A. García-López and A. I. Moreno-Monroy;

CAF also called for research proposals on energy, environment, and development in Latin America.

What is the Role of Urban Growth on Inequality, and Segregation? The Case of Urban Argentina's Urban Agglomerations, by C. Goytia and G. Dorna; *Non-cognitive skills in Latin America. A measurement using standardized tests*, by C. Marchioni; *Moving "Away" from Opportunities?: Homeownership and Employment*, by P. Navarrete and N. Navarrete; *City Size, Distance and Formal Employment Creation*, by N. O'Clery and E. Lora; *Rural Property Tax Revenue in the Face of Economic Concentration and Political Competition: Evidence from Colombia*, by J. F. Vargas and M-J. Villaveces.

With our sights set on 2017, we began work on the 2017 Economy and Development Report (RED) which will examine habitat conditions and urban development in Latin America. As the main source of material for the report, the 2016 CAF Survey was conducted in 11 major cities in Latin America to measure the critical factors and drivers affecting the quality of life of people living in those cities, and additional surveys were conducted in informal settlements in Bogota, Buenos Aires, Caracas, Mexico City and Fortaleza. In addition, CAF launched the XIII Research Competition. Of the 252 entries received, the following 5 were selected: *Social Housing Policy and Labor Market Outcomes: Experimental Evidence From Argentina*, by M. L. Alzúa, J. Amendolaggine, G. Cruces and C. Greppi; *Effect of socio-economic stratification on house value in Bogota*, by J. M. Gallego, S. Montoya and C. E. Sepúlveda; *Moving "Away" from Opportunities?: Homeownership and Employment*, by P. Navarrete and N. Navarrete; *Slum Growth in a System of Developing World Cities*, by G. Alves; *Estimating the Costs of Traffic Congestion in Bogotá*, by P. A. Akbar and G. Duranton.

There was also a competition for research proposals on productive transformation in Latin America. More than 80 proposals were submitted, five of which were selected. To promote this line of research, a workshop on *Understanding the Productivity Gap in Latin America* was held at the Torcuato Di Tella University (Buenos Aires, Argentina). CAF researchers and guest authors submitted papers.

CAF also called for research proposals on energy, environment, and development in Latin America. Four proposals were selected from the 240 submissions received.

We continued our efforts to disseminate the main conclusions and lessons learned from the 2015 RED *A More Effective State. Capacities for designing, implementing and evaluating public policies* through presentations at Centro de Altos Estudios Universitarios-OEI, Buenos Aires (Argentina); University of the Andes, Bogota (Colombia); Brookings Institution, Washington D.C. (USA); the House of the Americas, Madrid (Spain); the VI CAF-ILAS Conference, Beijing (China); Tsinghua University, Beijing (China); Latin American Centre, Oxford University (United Kingdom); L'Institut d'études politiques Science Politiques (Science Po) (France) and the Global South Unit of the London School of Economics (England).

CAF also participated at the XXI LACEA (Latin American and Caribbean Economic Association) annual meeting held in Medellin, Colombia. These annual meetings bring together the major researchers and academics of the region. At this meeting, CAF sponsored three sessions: one on Habitat and Urban Development, another on productivity, and a third to present the 2016 RED report.

IMPACT ASSESSMENT

CAF formed the Impact Assessment and Policy Learning Department with the aim of improving the effectiveness of the state's provision of services by assessing the impact of government programs and policies, while identifying improvement opportunities in the implementation process.

In 2016, CAF consolidated a prioritization process for the evaluation of credit operations involving different CAF areas, to be able to offer end clients impact evaluation services as an added-value feature. Argentina and Bolivia showed interest in performing impact assessments associated with their projects with CAF.

In addition, CAF issued the first open call for the assessment of public management initiatives in Colombia, in partnership with the National Planning Department (DNP). Six proposals were selected from the 60 submissions received. The winning proposals seek to evaluate the impact of management initiatives within institutions, such as: incentives for teachers to relocate to rural areas; design of a process for updating information on job databases in Bogota; development of a registration process for conducting administrative procedures on a national level; support for employment intermediation for difficult-to-employ individuals; and the use of resources to invest in cultural projects and formalities required to register work titles abroad.

In the same vein, CAF SEMIDE (Development Impact Assessment Seminar) was held in the city of Medellin, where 35 CAF officials participated with the aim to position the topic within the organization as a regular service for countries.

By year-end, CAF had 40 projects in place, 10 of which were related to credit and technical cooperation operations. In addition, three assessment projects were completed; their results were delivered to third parties for their decision-making needs.

As part of the institution's efforts to share knowledge with public policy makers, a partnership with Campbell Collaboration and 3IE was formed for the translation into Spanish and dissemination of their impact assessment documents.

In 2016, CAF issued the first open call for the assessment of public management initiatives in Colombia, in partnership with the National Planning Department. Sixty proposals were received.



INSTITUTIONAL DEVELOPMENT

Governance has been understood by CAF as a suitable environment to legitimize government actions. In 2016, we focused on three areas: improving public management, promoting young and emerging leaders, and strengthening public safety.

IMPROVING PUBLIC MANAGEMENT AND INSTITUTIONAL QUALITY

In partnership with 21 universities and several centers for higher education, CAF conducts training programs on governance, leadership and senior management in the region.

Leadership for Transformation (LPT) Program

In 2000, faced with the need to train social agents of change to promote changes in the relationship between the state and the communities, CAF designed the Leadership for Transformation program, which at present is supported by the University of Salamanca (Spain). From 2012 to 2015, 28,654 participants completed this program.

In 2016, 2,759 participants were trained. Since its implementation, this initiative has reached 2,352 municipalities.

Governance, Political Management and Public Management Program

CAF designed the Governance, Policy Management and Public Management Program with the aim of training public officials, technical teams and leaders of civil society whose work deals with governmental and local management issues, embracing a comprehensive and ethical vision of public policies. Since its inception in 2001, this initiative has received academic monitoring from George Washington University (GWU).

From 2001 to 2015, a total of 15,372 participants completed this program.

In 2016, training was delivered to 2,006 participants. Since its implementation, this initiative has reached 923 municipalities.

Training Program for Senior Public Leaders in Latin America

This executive training program has been developed to strengthen the technical ability and skills of senior directors responsible for designing and implementing public policies. In this endeavor, CAF is being supported by renowned academic institutions which implement the training programs.

In 2016
2,759
participants were trained
in the Leadership for
Transformation Program.

CAF and the Latin American Center of Public Administration for Development (CLAD) consolidated their alliance to promote knowledge generation.

The following took place in 2016:

- II Edition of the Program for Executive Training in Leadership and Change Management, held at the École Nationale d'Administration (France), which combined lectures with technical visits to French energy institutions.
- Ibero-American Public Leadership Program organized in partnership with Fundación Carolina (Spain), which included academic sessions and visits to learn about the latest trends in transparency.
- II Edition of the Executive Program for Latin American Mayors in Management Skills for Government Communication to strengthen accountability, along with spokespersonship and government communication knowledge and techniques.
- Virtual Training Program for Latin American Senior Public Managers designed by Universidad Austral (Argentina) to promote knowledge in public safety, judicial management, open government, leadership, public budget and local public management.
- A workshop entitled “The Three Keys for the Modernization of Government and Public Management for Social High Management,” organized in partnership with the Panamanian Ministry of Social Development and held in the City of Panama, in which 49 Panamanian public officials were trained.

Latin American Governance Network (RLG)

The Latin American Governance Network (RL), created for the 50,000 graduates of CAF's Governance and Leadership programs, provided classroom activities for alumni, including six national and one regional meetings, and three work meetings with the academic coordinators.

Its virtual component offers tools to expedite access to information and interact in a closed Facebook group, a mobile application (GobCAF) for graduates, a collaborative workspace for program coordinators and the www.gobernabilidadcafc.com webpage.

Support to help member countries strengthen public management

CAF provides support to help member countries and their institutions strengthen their public management capabilities and institutional quality.

The alliance between CAF and the Latin American Center of Public Administration for Development (CLAD) falls under this framework for action to promote knowledge generation in the matter of public management by means of virtual meetings and in-person workshops.

Also, in line with new public management trends, a strategy was developed to promote and strengthen the adoption of “open government” policies and actions by enhancing networks and stakeholders, and generating and disseminating knowledge in this area. To this end, CAF promotes the training of public agents and society as a whole by driving “open government” activities in the region with an innovative dual dimension—sectoral and territorial. Along these lines, CAF supported the OAS Program for the Promotion of Open Government in the Americas to encourage the debate on open government and its impact.

THE YOUNG AND EMERGING LEADERS

#JovenCAF Program

Within an institution-building framework, CAF actively supports leaders and promotes the consolidation of a shared agenda. Since 2010, CAF has organized meetings of leaders to create fora for debate in which proposals for the advancement of countries and region may be put forward, building consensus to bolster democratic participation.

In 2016, national meetings of young leaders were held in Argentina, Bolivia, Colombia, Spain and Uruguay, along with a regional Central American meeting.

Highlights

CAF and Georgetown University have participated during the past 10 years in the Global Competitiveness Leadership Program (GCL) training Ibero-American youths from the public, entrepreneurial, and social sectors.

CAF's alliance with the Ibero-American Youth Organization (OIJ) makes it possible to generate knowledge on Latin America's youth and design public policies focused on their needs. Highlights in 2016 included the organization of the "International Entrepreneurship and Youth Meeting," support provided to the preparatory meetings for the XXV Ibero-American Summit of Heads of State and Presidents—which for the first time addressed the issue of "Youth, entrepreneurship and education"—, and the drafting of the Ibero-American Youth Covenant advanced by the OIJ.

In partnership with Scholas Occurrentes, CAF works on stepping up actions to expedite social integration projects through education, and to improve the quality of life of poor, vulnerable children and young people in the region. One of the initiatives worth a special mention is CAF's support to the Intercontinental Youths Meeting, where Pope Francis and Enrique García, CAF's Executive President, renewed their commitment to work for the more disadvantaged populations in the region.

IN SEARCH OF SOLUTIONS TO THE PUBLIC SAFETY PROBLEM

Crime has become a particular constraint for the development of Latin America. Aware of this reality, and in collaboration with various governmental departments and the support of institutions such as the *Woodrow Wilson Center*, the Organization of American States (OAS), *Terre des Hommes* and UNODC, CAF promotes public safety initiatives seeking to strengthen institutions working to the same end in its member countries.

CAF's actions aim to strengthen the management of local information about crime; submitting continuous improvement solutions for the national and local governments' security and correctional services' plans under a preventive, situational crime prevention and community approach; and promoting training for police professionalization and increased citizen participation.

In addition, CAF fosters studies and seminars to analyze progress made in this field, and to identify and communicate successful crime prevention experiences implemented by governments in the region.

REGIONAL PROMOTION AND INTERNATIONAL RELATIONS

PRESENCE OF CAF AT MAIN REGIONAL INTEGRATION EVENTS

Throughout 2016, CAF continued to actively support the agenda of several regional integration mechanisms and events, in addition to contributing substantially to the strengthening of spaces for dialogue and consensus in Latin America and the Caribbean.

Through the definition and startup of comprehensive work programs with the various regional organisms and systems, the institution conclusively contributed to the implementation of the sub-regional, regional and hemispheric agendas for integration and consensus. Likewise, throughout 2016, CAF acted as an important bridge between Latin America, Europe and Asia, strengthening the integration agenda.

CAF's ongoing participation and technical support in the development of the region's integration agenda, as well as CAF Executive President's presence at each one of the presidential summits, consolidated the institution's role as the key player in the development of priority projects aligned with the shareholder countries' integration objectives. CAF mainly promoted projects related to regional physical infrastructure integration; energy markets; financial markets; production value chains; environmental, social, educational, and cultural development; in addition to several cross-border, bi-national and sub-regional integration and cooperation programs for social unity and the reduction of inequalities.

CAF's presence and active participation in regional fora include the following: the IV Summit of the Heads of State and Government of the Community of Latin American and Caribbean States (CELAC) in San Jose, Costa Rica; the XI Summit of the Pacific Alliance in Puerto Varas, Chile; the VII Summit of the Association of Caribbean States in La Habana, Cuba; the XXV Ibero-American Summit of Heads of State and Government in Cartagena, Colombia; as well as the CELAC Ministerial Meetings and the Ministerial Councils of the Union of South American Nations (Unasur). CAF also participated in multiple work sessions and meetings of the Andean Community of Nations (CAN) commission; the Andean Integration System; the Andean Parliament; Mercosur; the Pacific Alliance; and the Executive Secretariat and Co-presidency of the Mesoamerica Project.

In 2016, CAF launched several work and cooperation programs based on a holistic approach of complementarity and convergence, in partnership with many regional integration organizations and secretariats, including mainly the General Secretariat for the Organization of American States (OAS); the Secretariat General for Ibero-America (SEGIB), the Ibero-American Youth Organization (IYO) and the Organization of Ibero-American States for Education; the Latin-America-Eastern Asia Cooperation Forum; the Secretariat General of Unasur; CAN; the Andean Parliament and the Andean Health Organization—Hipolito Unanue Convention; and the Mercosur Common Market Group and Social Institute.



IV CELAC Summit. Quito, Ecuador, January 26 and 27, 2016

CAF continued to promote work programs with the presidents pro tempore of the countries in the Ibero-American Community; CELAC; Mercosur and Mercosur Advisory Forum of Municipalities, Federal States, Provinces and Departments; Mercosur Cities; Mesoamerica Project; Pacific Alliance; and the Association of Caribbean States, among others.

Finally, an important network consisting of multilateral institutions, academic entities, and social organizations that promote regional integration was established. They include the Latin America Energy Organization (OLADE); the Amazon Cooperation Treaty (TCA); the Latin American and Caribbean Economic System (SELA); the Economic Commission for Latin America (ECLAC); the Latin American School of Social Sciences (FLACSO); the Getulio Vargas Foundation (FGV); the Esquipulas Foundation for Peace, Democracy, Development and Integration (Fundaesq); the Global Foundation for Democracy and Development (GFDD); and the Training Centre for Regional Integration (CEFIR), among others.

Thus, through regional strategic programs with an integrationist vision, CAF's activities have been mainly oriented toward providing effective responses to the major challenges facing the region.

GLOBAL OUTREACH

Consolidating CAF's position as a Latin American development bank with global presence and projection in all priority areas to achieve its institutional goals has been one of the most noteworthy features of the entity's growth over the past few years. As a result of this position, CAF plays a role in the strengthening of Latin America's international reach, to the extent that the region's smart insertion in the ever-changing global landscape constitutes one of the cornerstones for sustainable development.

In 2016, CAF embraced a comprehensive agenda to boost external actions through three main strategies: (1) the strengthening of the institution's geographical presence; (2) establishment of knowledge alliances; and (3) support for actions to raise funding and the generation of business and investment opportunities.

Within that context, the following milestones for 2016 are worth mentioning:

- CAF's active presence at United Nations fora, including the UN General Assembly, the Climate Summits and Habitat III, reflects its commitment to key topics on the international agenda and the entity's key role in coordinating public development policies.
- The scope of the "CAF Conferences" held in Washington, D.C. (XX CAF Conference), London (III CAF-LSE Conference) and Oxford (III CAF-Oxford Conference), which have become consolidated spaces for high-level dialogue that reinforce CAF's institutional positioning worldwide.
- Bridge-building between world-renowned academic institutions and Latin American universities by public policy seminars organized by Oxford University, Sciences Po and LSE in the region.
- CAF's institutional participation in important investor events held in leading world financial centers, to leverage resources geared toward providing effective support to shareholder countries.

In addition, cooperative relations with the OAS, the World Economic Forum, the World Strategic Forum, Brookings Institution, the Council of the Americas, the Institute of the Americas, LatinFinance, Latin Trade and AméricaEconomía were strengthened.

CAF had an active global presence in 2016 through its participation in multiple activities to promote a smart global insertion of Latin America. The main 2016 events CAF participated in were:

CAF embraced a comprehensive agenda to boost external actions through three main strategies: (1) the strengthening of the institution's geographical presence; (2) establishment of knowledge alliances; and (3) support for actions to raise funding and the generation of business and investment opportunities.

III CAF-LSE Conference
“Global governance in an era of uncertainty,”
organized by CAF and the London School of
Economics.

London, United Kingdom, January 15.

This event analyzed the challenges of global governance from the standpoint of international institutions and emerging regions, on the basis of a high-level dialogue between authorities and academics of Latin America, Asia and Europe. The keynote address was delivered by Leonel Fernández, former president of Dominican Republic.

II Meeting of CAF’s European Academic Network.
Madrid, Spain, January 18.

CAF held a second annual meeting with its partner universities in Europe to take stock of activities carried out in the matter of public policy knowledge sharing and the strengthening of academic ties between both regions.

World Economic Forum (WEF) Annual Meeting 2016.
Davos, Switzerland, January 20-23.

This year’s forum focused on “The Fourth Industrial Revolution” to analyze the challenges posed by the breadth and depth of the ongoing technological changes around the world. CAF’s Executive President participated in special sessions on Latin American prospects for economic growth and technological innovation.

IV CELAC Summit.
Quito, Ecuador, January 27.

The fourth Summit of the Latin American and Caribbean Community of States approved important political agreements and adopted an action plan to encourage regional integration. Ecuador handed over the presidency to Dominican Republic.

II Meeting of the Ibero-American Council for
Productivity and Competitiveness.
Madrid, Spain, February 19.

Ibero-American political and business leaders discussed strategies for encouraging the productive transformation of the region.

Brookings Global Leadership Council.
Washington, D.C., United States, March 2.

CAF’s Executive President was guest of honor of this prestigious US-based think tank, which convened a meeting of its advisory council to evaluate the main political and economic trends of globalization.

Council on Foreign Relations of LA and the
Caribbean (RIAL) Seminar.
City of Panama, March 7-8.

Representatives of the Council on Foreign Relations of Latin America and the Caribbean met to review geopolitical matters and future scenarios for regional and global integration processes.

CAF-Oxford Seminar “The Future of Social Policy in
Latin America”.
Brazilia, Brazil, March 14.

CAF, IPEA (Institute for Applied Economic Research), government of Brazil and Oxford University met to discuss the challenge of preserving, in the new international economic environment, the significant social progress attained in the region over the past decade.

“Latin American Cities” Conferences.
São Paulo, Brazil, April 5.

Americas Society / Council of the Americas (AS/CoA) developed this series of lectures to promote a public debate on the region’s political and economic prospects. CAF sponsored the meetings held in Santiago (April 28), the City of Mexico (May 13), Bogota (June 9), the City of Panama (June 29), Buenos Aires (August 25), Monterrey (September 12) and Lima (October 3).



XX CAF Annual Conference. Washington D.C., United States, September 7-8, 2016

**LVII Annual Meeting of the Board of Governors of the Inter-American Development Bank (IADB).
Nassau, Bahamas, April 7-10.**

At the IADB's main annual event, CAF completed an extensive agenda that included bilateral meetings, dialogues on the challenges of development and the signing of cooperation agreements.

**VI World Strategic Forum.
Miami, United States, April 11-12.**

In 2016, CAF participated in this important international forum as a sponsor and co-chairman of the discussions in order to carry out a more detailed analysis and reflect on the future impact of globalization on governance and the markets of the Americas.

**Global Empowerment Meeting 2016.
Cambridge, United States, April 13-14.**

The Center for International Development of Harvard University holds this annual event to reflect on key aspects for the progress of humankind. The main topic this year was learning as a tool for social inclusion.

**“Latin America: A World Leader in Renewable Energy and Sustainable Technologies?” Conference.
London, United Kingdom, April 20.**

This year, the annual meeting organized by Canning House presented opportunities for investing in renewable energies and sustainable technologies in Latin America to a public made up of analysts and businessmen.



Council of the Americas Symposium and BRAVO Business Awards. Miami, United States, October 28, 2016

XLIX Annual Meeting of the Asian Development Bank. Frankfurt, Germany, May 2-5.

The annual meeting of the Asian multilateral financial institution served as a platform for exchanging knowledge and experience on poverty reduction strategies and promoting sustainability.

International Seminar “The China connection in Peru’s foreign policy in the XXI century.” Lima, Peru, May 4.

LSE and the Catholic University of Peru organized this seminar, sponsored by CAF, to analyze the development and challenges of Peru’s foreign policy toward China. The seminar was attended by senior officials, academics and businessmen.

CAF Investors and Analysts Reception. London, United Kingdom, May 9.

LatinFinance organized this meeting between CAF and analysts and investors at one of the major capital markets worldwide, to exchange viewpoints on institutional financial strategy.

III Latin America – Europe Investors Forum. London, United Kingdom, May 10.

This meeting provided a suitable stage to attract European investors’ interest in strategic sectors for the development of Latin America.



III CAF-LSE Conference: "Global governance in an era of uncertainty." London, United Kingdom, January 15, 2016

CAF-ILAS Seminar: "A more effective state. Capacities for designing, implementing and evaluating public policies."
Beijing, China, May 16.

CAF's RED 2015 was discussed in Beijing to exchange knowledge with Chinese academics on the development of state capacities.

XLVI Annual Meeting of the Board of Governors of the Caribbean Development Bank.
Montego Bay, Jamaica, May 16-20.

CAF participated as an observer at the main annual meeting of the multilateral financial institution of Caribbean countries.

XLVI Regular Meeting of the ALIDE General Assembly.
Rio de Janeiro, Brazil, May 18-20.

The Latin American Association of Development Financing Institutions held its general assembly on the topic: "Where are Latin America and the Caribbean headed? Growth, Investment, Financing and Development Banking".

XXV Annual Energy Conference.
La Jolla, United States, May 25-26.

This event, organized by the Institute of the Americas, promoted an analysis of the main hemispheric energy challenges on the basis of a dialogue among key public and private stakeholders.

**III Colombia – European Union Forum
“Looking toward the future.”
Bogota, Colombia, May 26-27.**

The Euroamerica Foundation organized this forum on the relations between Colombia and the European Union to evaluate opportunities for increasing trade and investments, while strengthening their cooperation within the framework of the peace agreement. Juan Manuel Santos, President of the Republic of Colombia, participated as keynote speaker.

**First Intercontinental Youth Meeting.
Rome, Italy, May 27-29.**

The Scholas Ocurrentes Foundation invited CAF to participate in this meeting in which young people from all over the world presented to His Holiness, Pope Francis, their proposals on the protection of human beings and the environment; responsible production and consumption; participation of the youth and their leading role in the fight against terrorism.

**Launch of the OECD’s Regional Program for Latin America and the Caribbean.
Paris, France, June 1.**

The OECD’s “Regional LAC Program” was launched at their 2016 Ministerial Meeting. The aim of the program is to support the strengthening of the region’s productivity, social inclusion and governance. Michelle Bachelet, President of Chile, was keynote speaker at the ceremony.

**III International Seminar of the Academic Network of Latin America and the Caribbean on China.
Mexico City, May 30-31.**

The academic meeting held at the UNAM promoted the exchange of knowledge on the current status and prospects of the relations among countries in the region and China, among researchers and experts from prominent study centers from the Americas and China.

**IADG Atlantic Week.
Madrid, Spain, May 30-June 2.**

The Atlantic Institute of Government (IADG) brought together senior experts to evaluate new transatlantic cooperation mechanisms in the fields of energy, security, education and new technologies, with a strong focus on existing opportunities for Latin America.

**II Latin America – Japan Investors Forum.
Tokyo, Japan, June 1-2.**

LatinFinance organized the second edition of this conference to attract more Japanese investment toward Latin America. Opportunities in the financial markets, infrastructure and the manufacturing industry were discussed.

**XLVI General Assembly of the Organization of American States (OAS).
Santo Domingo, Dominican Republic, June 13-15.**

CAF attended the annual meeting of the Foreign Affairs Ministers of the OAS Member States, whose main discussion topic was “strengthening institutions for sustainable development.”

**World Economic Forum on Latin America:
“Reigniting Latin America’s Inclusive Growth.”
Medellin, Colombia, June 16-17.**

This time, the WEF focused on proposing formulas to take advantage of new political, economic and social phenomena in the region to generate inclusive growth. CAF’s Executive President presented the new tools designed by the institution to support financing for the infrastructure and energy sectors.

**Opening of the Expanded Panama Canal.
Panama City, June 26**

CAF was present at the historical opening of the expanded Panama Canal, a project that it contributed to funding in partnership with other multilateral institutions. The ceremony was led by Juan Carlos Varela, the President of Panama.

**XI Summit of the Pacific Alliance.
Puerto Varas, Chile, July 1.**

CAF confirmed its support of the Pacific Alliance's dynamic integration process seeking to get a closer economic relationship among member states through trade facilitation, the right of people to move freely, investment in infrastructure, promotion of innovation and SMEs.

**XI International Conference on Economic Studies.
Cartagena de Indias, Colombia, July 21-22.**

This conference, organized by the Latin American Reserve Fund (FLAR), evaluated the challenges faced by the central banks in Latin American countries on the basis of discussions between authorities and leading economists.

**II Forum on Waterways for South American
Development and Integration.
Montevideo, Uruguay, July 22.**

This international forum, organized by CAF, discussed a study to promote South American waterways as a development and integration tool. More than 200 representatives of governments, the private sector and integration bodies agreed on the importance of strengthening waterways' infrastructure and logistics to improve the competitiveness of the region.

**Keynote Lecture at La Habana University.
La Habana, Cuba, September 1-3.**

The Executive President delivered a keynote address on Latin America's development challenges, pointing out the need of drawing up a long term agenda for regional integration based on structural growth and greater social equality. He also held bilateral meetings with governmental authorities in Cuba and signed a cooperation agreement between CAF and Cuba's Central Bank.

**XX CAF's Annual Conference organized by CAF, the
Inter-American Dialogue and the OAS.
Washington, D.C., United States, September 7-8.**

Over 1,500 political leaders, senior officials, academics, journalists and representatives of civil society from the Americas, Asia and Europe came together at CAF's international annual event. The conference dealt with the main hemispheric political and economic trends, the global financial architecture, investment in infrastructure, peace in Colombia, the future of Cuba, the social role of culinary tourism and young leaders. Joe Biden, Vice President of the United States of America, was the keynote speaker at the conference.

**Toronto Global Forum.
Toronto, Canada, September 12-14.**

This meeting became an excellent platform to evaluate the hemispheric economic prospects with distinguished analysts and representatives of leading Canadian companies. The Executive President addressed them on the region's investment opportunities and the challenges of the infrastructure sector.

**Institute of the Americas "Energy Roundtables".
Lima, Peru, September 15.**

This was one of a series of roundtables on the region's energy and sustainability. CAF also sponsored the sessions held in Mexico (October 13) and Colombia (November 9).



VII Latin America – China Investors Forum. Beijing, China, October 12, 2016

**Business Innovation Summit.
La Romana, Dominican Republic, September 16.**

CAF's sponsorship of the "Innovators of America" initiative made it possible to identify and recognize the achievements of Latin American citizens who, through their creativity and entrepreneurship, have contributed to the development of the region..

**LXXI Session of the United Nations General Assembly.
New York, United States, September 19-23.**

CAF carried out a number of activities within the framework of the General Debate and the high-level meetings of UN's primary deliberative body. Of note was its participation in the Sustainable Investment Forum and the execution of a Memorandum of Understanding with the UNDP.

**X Latin American and Caribbean Carbon Forum (LACCF).
City of Panama, September 28-30.**

For the tenth consecutive year, this forum brought together international cooperation agencies, public and private stakeholders from the region, to evaluate the challenges and opportunities resulting from the implementation of the Paris Agreement.

**International Forum "Sports for Development".
Bogota, Colombia, September 29.**

CAF organized this form to encourage the exchange of experiences among public institutions, private foundations and social agents who promote sports as a tool for social inclusion and development. The contribution of CAF's SOMOS initiative was highlighted as a successful experience in this area.



"Latin American Cities" Conferences. City of Panama, June 29, 2016

**CAF-Sciences Po Seminar "Governance of the Public Space in Latin American Cities".
Bogota, Colombia, September 30.**

CAF, Sciences Po and Universidad Externado organized this seminar to reflect upon the challenges of urban governance from a multidimensional perspective, in order to draw lessons and identify best practices.

**Discussion Table of the Ibero-American Council for Competitiveness and Productivity.
Bogota, Colombia, September 30.**

Renowned experts exchanged points of view with the leadership of major Colombian companies with the aim of contributing to the design of strategies for strengthening the country's competitiveness.

**VI RIBEI International Conference: "Ibero-America: Labyrinths and Alternatives."
Bogotá, Colombia, October 3-5.**

Members of the Ibero-American Network for International Studies met to analyze the current status of cooperation among Ibero-American countries and propose alternatives to strengthen regional unity.

**VIII Meeting of Finance Ministers of the Americas and the Caribbean.
Washington, D.C., United States, October 5.**

This annual meeting facilitates coordination among key economic-decision makers in the Hemisphere of the Americas to handle the challenges posed by the complex global and regional environment.



III CAF- Oxford University Conference: "The Challenges of Informality in Latin America: political, economic, and social dimensions". Oxford, United Kingdom, November 4, 2016

Annual International Monetary Fund (IMF) and World Bank (WB) Meeting.

Washington, D.C., United States, October 7-9.

The main annual meeting of the IMF and the WB provided an opportunity for important discussions on the current state of global finance, in which CAF participated.

Annual Meeting of the International Development Finance Club (IDFC).

Washington, D.C., United States, October 9.

CAF is a prominent member of the development banks club, an umbrella organization of important international financial institutions that aim to strengthen their contribution to sustainable development, with a main focus on green financing and the battle against climate change.

Global Meeting of the Emerging Markets Forum.

Washington, D.C., United States, October 9-11.

Emerging countries' leaders and experts exchanged points of view on the main global economy challenges, within the context of the slowing down of the Chinese economy, the "Brexit" and the presidential elections in the United States of America.

VII Latin America – China Investors Forum.

Beijing, China, October 12.

LatinFinance invited businessmen, investors and government representatives from Latin America and China to discuss about the sectors offering the best investment opportunities in the region, and the most suitable vehicles to realize them.

Habitat III - United Nations Conference on Housing and Sustainable Urban Development.
Quito, Ecuador, October 17-20.

The United Nations convenes this conference every twenty years to jointly address the challenges of life in large cities. At this conference, which laid the bases for implementing a New Urban Agenda, CAF made a solid contribution through technical inputs and parallel events organized on the topics of inclusion, productivity, gender and climate change, among others.

VI Multilaterales Forum.
Santiago de Chile, October 19-20.

Organized by the AméricaEconomía magazine and sponsored by CAF, this forum brought together leaders from the most global Latin American companies to promote an exchange of points of view about strategic challenges and new trends in key areas, such as innovation and sustainability.

Presentation of CAF's Economy and Development Report (RED 2016).
Lima, Peru, October 24.

Universidad del Pacífico hosted the presentation of CAF's RED 2016 report on "More skills for work and life: the contributions of the family, school, environment, and labor market". This publication contributes to the design and implementation of better public policies on education.

Council of the Americas Symposium and BRAVO Business Awards.
Miami, Estados Unidos, October 28.

The annual forum organized by the Council of the Americas and the Latin Trade magazine partnership brought together a select group of public and private stakeholders who promote economic and social changes in the region. In addition, the 22nd business BRAVO awards were presented at a gala ceremony, recognizing the work of important region leaders.

XXV Ibero-American Summit of Heads of State and Government.
Cartagena de Indias, Colombia, October 28-29.

CAF had a dynamic presence at this summit, which brings together all its shareholder countries. The main topics the participants discussed this year were youth, entrepreneurship and education.

III CAF- Oxford University Conference "The Challenges of Informality in Latin America: political, economic, and social dimensions".
Oxford, United Kingdom, November 4.

This conference focused on the impact of informality on the region's economies and the policies adopted to address it. More than 250 senior officials, experts, academics and students attended the conference, at which Rebeca Grynspan, Secretary General of the Ibero-American General Secretariat, was the keynote speaker.

International seminar "Latin America in the New Regional and Global Scenarios".
Santiago de Chile, November 7.

The Chilean Ministry of Foreign Affairs promoted a high-level dialogue on the region's political and economic challenges in the new global scenario. Michelle Bachelet, President of Chile, attended the seminar.

Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 22).
Marrakech, Morocco, November 7-18.

CAF had a busy agenda of activities during this international meeting, where the key question was how to achieve an effective implementation of the Paris Agreement.

Leadership for the Americas Awards Gala.
Washington, D.C., United States, November 16.

This gala provided the stage for presenting Enrique García, Executive President of CAF, with a leadership award in recognition of his work promoting sustainable development in, and the integration of, Latin America.

Budapest Water Summit 2016.
Budapest, Hungary, November 28-30.

CAF represented Latin America at this meeting organized by the World Water Council to combine efforts among governments and civil society for water to become a source of cooperation, peace and sustainable development for the peoples of the world.

KNOWLEDGE SHARING

CAF PUBLICATIONS SUPPORT IMPLEMENTATION
OF THE ENTITY'S INTEGRAL DEVELOPMENT AGENDA.
A LIST OF THE TITLES PUBLISHED DURING 2016 FOLLOWS.
AVAILABLE AT SCIOTECA.CAF.COM.



RED 2016. More skills for work and life: the contributions of the family, school, environment, and labor market

Skills are the mainstay of human capital. Skills are the abilities of an individual to solve problems efficiently. They not only include knowledge or abstract reasoning, but also different aspects of character, beliefs and even physical abilities. This report shows that having more skills results in better quality jobs, higher productivity, better physical and mental health, a more active participation in community life, being able to complete more years of schooling, feeling content with one's own life, among other aspects of personal well-being. In addition, it also points out that, unlike the human capital measured by years of education, skills for work and life are not only acquired in educational institutions. Family, one's physical and social environment (for instance, a neighborhood or community) and the workplace are also of crucial importance for people to accumulate skills.

Number of pages: 366
Language: Spanish
ISBN: 980-6810-01-5



Pro-inclusion. Practical tools for the comprehensive development of Latin American cities

Latin American cities are the core of the economic and social development of the region. They are home to more than 80% of the region's population and generate in excess of 60% of its GDP. In addition, they have been the main witnesses to their own identity, customs and history. However, Latin America's high urbanization rate brought about by disorganized and unplanned processes in past decades have resulted in a significant concentration of socially marginalized people in urban environments. At present, between 25% and 50% of their citizens live in disadvantaged areas with limited access to goods, services and quality work opportunities. For this reason, providing full access to education, the public space, good transport systems, security, decent housing, health, drinking water and sewage services, among others, become key factors to maximize the development potential of Latin American cities and their inhabitants. With this publication, CAF provides practical tools to facilitate the design of comprehensive policies, from a local perspective, in coordination with governments' development strategies at a national scale, to generate greater social inclusion in the cities.

Number of pages: 224
Language: Spanish
ISBN: 978-980-422-041-8



Urban Mobility Observatory: 2015-2016 Report

The Urban Mobility Observatory's second edition describes the characteristics and conditions of mobility and transportation of 29 metropolitan areas in Latin America. CAF's Urban Mobility Observatory (OMU) for Latin America seeks to provide a response to the lack of sound, reliable and updated information on the region's transportation and mobility. The OMU is an analysis tool that makes it possible to: a) become familiar with the main characteristics of transportation and the urban areas it serves; b) improve understanding of the relationship between transportation and accessibility, mobility and urban development; c) improve the capability to formulate and manage an urban transport policy by the local bodies responsible for decision-making on investment, production and social control; d) promote an exchange of information and good practices among transportation systems and the cities they serve; e) guide discussions on the subject and allow participation of stakeholders; f) act as a catalyst of actions to support cities seeking project financing and capacity building and g) create regional cooperation networks among professionals, authorities, associations, and users.

Number of pages: 35
Language: Spanish



The missing variables in the measurement of poverty

This publication presents a multidimensional vision of poverty. A high-level academic exercise aimed at achieving a complete understanding of the concept of poverty, including aspects such as human well-being and development. At the same time, new criteria and elements are introduced to define public policies and innovative actions that may contribute to a sustainable solution of many Latin American social problems. This study seeks a fuller perspective, a deep analysis oriented to further expand the capabilities of persons, particularly of the poor population. In addition to providing broader perspectives on poverty, it is intended to support public policy makers so that they may promote initiatives improving the life of the disadvantaged; to innovate in measuring the impact of human development programs seeking to generate skills and social inclusion; and to understand the social impact of initiatives promoted by institutions similar to CAF.

Number of pages: 142
Language: Spanish
ISBN: 978-980-422-016-6

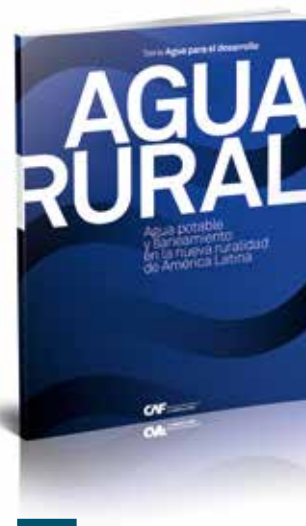


Water + Work. Ventures that change lives

By 2004, more than 95% of the population of Argentina had access to a source of water, ranging from waste water at home to wells, water boreholes and protected springs, according to World Bank figures. However, access methods vary according to country region. In rural Argentina, four in 10 homes had no waste water connection. The provinces where this problem was most pronounced were Buenos Aires, Santiago del Estero and Misiones.

In addition, in regard to unemployment, four million economically active Argentine citizens did not have a formal job. The Water + Work project was then developed to benefit 4,500 persons in the metropolitan area of Buenos Aires. The project, designed to mitigate health risks and promote employability, had a dual purpose: to expand the drinking water supply and sanitation services and, at the same time, to open up new sources of employment through cooperatives supported by the local public sector and the executing company, Agua y Saneamientos Argentinos (AySA).

Number of pages: 24
Language: Spanish
ISBN: 978-980-422-039-5



Drinking water and sanitation in the new Latin American rurality

Latin American and Caribbean countries move toward increasing urbanization, but rural populations will not disappear. It is estimated that, by 2030, the rural population in some countries will be greater than 30%. Also, the social, economic and political changes under way are designing what is known as “new rurality.” Access to water and sanitation is a human right. Despite the progress achieved in the last two decades, gaps in water and sanitation coverage persist between urban and rural areas. However, there have been successful experiences based on programs with broad community participation, as implemented in Ecuador, Bolivia, Honduras, Nicaragua and Peru. With this book, CAF reaffirms its commitment to help countries in the region fulfill their development agenda, in line with the rights to drinking water and sanitation enshrined in the Universal Declaration of Human Rights.

Number of pages: 500
Language: Spanish
ISBN: 978-980-422-038-8

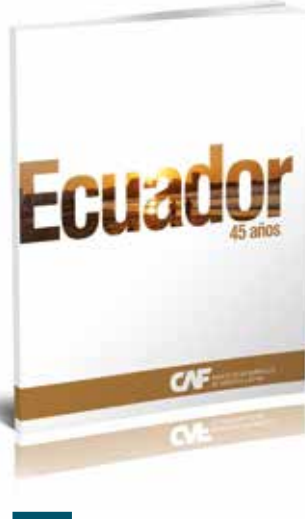


Waterways for South American development and integration

At present, the countries of the region are facing the need to improve productivity and diversify their economy adding ever more value to production in order to expand and increase their insertion in international markets.

One of the most important links in this value chain is the cost of transport and logistics. Waterways are a significant natural element to promote economic integration and social development in their areas of influence. Although the process is only in its infancy as yet, efforts have been made in the last few years to turn river use into an effective driving force for the social and economic development of the region. This document puts into perspective the importance and scale of the region's water resources, emphasizing the role they could play to boost regional development and integration. Secondly, the publication describes CAF's Regional Program for the Development of South American Waterways, and presents the necessary tools and a road map for achieving the river integration of the South American continent.

Number of pages: 44
Language: Spanish
ISBN: 978-980-422-043-2



45 years of CAF Ecuador

As founder member and shareholder country, Ecuador has received continued support to implement programs and projects for the public and the private sectors in critical development areas, such as infrastructure, energy, social development, productivity and institutional strengthening, with an environmental sustainability and integration approach.

This publication proves CAF's participation in Ecuador's development for over 40 years. Such participation has been guided by a comprehensive agenda that seeks to promote a high, sustained, sustainable and quality growth through the synergy of four key elements: macroeconomic stability, microeconomic efficiency, environmental balance and social equality.

Likewise, this document aims to present an outline of CAF's actions in Ecuador, in retrospect and forward looking, with the challenge and commitment to gather the learning from all these years and turn it into a legacy.

Number of pages: 103
Language: Spanish
ISBN: 978-9978-369-75-3



Lima Metro: The Line 1 Case

The first studies to recommend the construction of the Lima Metro's Line 1, a metro line connecting the strategic ends of the city, were completed in 1972. The conclusions led to the construction of an elevated metro in Lima running from Villa El Salvador to San Juan de Lurigancho. CAF granted a USD300 million loan to finance the completion of Stage 1 (the initial stage, between Villa El Salvador and Avenida Grau), and a second loan for the same amount to extend the line to San Juan de Lurigancho (serving more than one million people). A total of 34 km of railway line were built. This publication presents an analysis of the context and execution of this project, in addition to lessons learned and future challenges for the construction of works that are changing the face of the city of Lima.

Number of pages: 114
Language: Spanish
ISBN: 978-980-422-035-7



**Political regimes.
Origins and effects**

As a contribution to the removal of obstacles, and in the context of a general strategy to expand the supply of training approaches for public managers in our region, CAF promotes the publication of this series of volumes on State, Public Management and Development in Latin America. The aim is to promote the development of a widespread culture of excellence in public management, and share experiences to support participants in the process of designing and implementing public policies related to institutional strengthening. This publication will contribute to enriching knowledge generation about the subject, to the debate, and to better understand the major challenges ahead insofar as the institutionalism of the region is concerned.

Number of pages: 431
Language: Spanish and English
ISBN: 978-980-6810-67-9



**Ibero-American Comprehensive
Guide for Traffic Crash Victims**

This guide explains the traffic-related crash events from a legal and psychological perspective so that authorities handling traffic accidents have real information to understand what happens to the victims and their relatives after a traumatic event. The aim of this publication is to help governments in the region create comprehensive care protocols to mitigate the suffering of those affected by the dramatic and hard consequences of a traffic accident. The guide describes several stages, such as breaking the “bad news,” emergency assistance, medical care and rehabilitation. It uses accessible, clear language to describe the various stages that victims and relatives go through to overcome trauma and, at the same time, in the legal system, seeking restorative justice for the victims and preventive justice for society.

Number of pages: 114
Language: Spanish, English and Portuguese
ISBN: 978-980-422-036-4



**Inclusive Growth in Cities:
Challenges & Opportunities**

Every day around the world 180,000 new citizens come to live in cities. By 2050, there will be a total of 3.5 billion new urban residents, which will represent a two-fold increase from current numbers. To understand the local dynamics of each city, it is important to identify how inequalities are affecting their economic performance and what the main obstacles are to increasing social inclusion. Moreover, the role of local governments in national development is critical as they are placed at the core of the design and implementation of public policies that can open new ways for advancing a sustainable model of society that puts people at the center of development. The objective of CAF - Development Bank of Latin America is to closely accompany authorities and provide them with practical tools to support their managerial needs. In response to the importance of generating knowledge about sustainable urban development practices, aligned with the New Urban Agenda, CAF has released this publication, which contains ideas on how to generate higher growth by developing public policies that have a catalytic role in the sustained inclusion of all citizens in our cities’ productive systems.

Number of pages: 96
Language: Spanish and English
ISBN: 978-980-422-047-0



**Cities as growth accelerators:
Fostering national and urban
development policies for success**

The purpose of this paper is to delve into the question of territorial policies from the vantage point of what is best for the achievement of national development goals. National strategies aim to increase economic growth, reduce poverty and improve welfare for a large segment of society. The paper is organized as follows: Chapter 1 discusses global urbanization trends in the context of growth performance and regional dynamics.

Chapter 2 describes the salient urbanization trends in Latin America, including demographic, economic and physical expansion dynamics as well as governance challenges. Chapter 3 highlights how urban development and economic growth are strictly interwoven with the geography of trade in Latin America, while Chapter 4 focuses on public policy issues. Subject to an in-depth examination are areas in which timely interventions by CAF or other stakeholders contributing to economic growth and social development could have a significant impact on the quality of urbanization.

Number of pages: 60
Language: Spanish and English



**PERLOG-LATAM
and PERLOG COUNTRIES**



CAF supports the countries of the region in the development of new plans, projects and programs oriented to intervention in all the elements of domestic logistics systems. Within this context, the Program for Regional Logistics Development in Latin America (CAF-LOGRA) was promoted with the objective of identifying, analyzing, promoting and executing projects and programs contributing to the development and competitive performance of national logistics systems in the region, in the economic, social, sectoral and environmental areas. The “Logistics Profile of Latin America” (PERLOG) was created within the framework of CAF- LOGRA to contribute an analysis of the current situation and

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Language: Spanish
ISBN: 978-980-422-018-0

potential future development of the Latin American Regional Logistics System under a logistics system approach made up of the following elements: infrastructure, services, processes, information systems, management capabilities, institutionalism and regulation. During its first stage (2014), PERLOG was supplemented by the more detailed logistics profiles of eight countries in the region (Bolivia, Colombia, Ecuador, México, Panamá, Paraguay, Peru and Uruguay). Thus, CAF supports the countries of the region in the development of new plans, projects and programs oriented to intervention in all the elements of domestic logistics systems.



A public bicycle system for Lima: Miraflores, San Borja and San Isidro districts

This document is a summary of the report “Structuring of a public bicycle system in the city of Lima (Miraflores, San Borja and San Isidro districts)”, funded by CAF, which describes the incorporation of a public inter-district bicycle rental transport system, examining the elements of system planning and operation. This was initially presented in the practical guide for the implementation of public bicycle systems in Latin America published by CAF in 2015. Public Bicycle Systems (SPB) have grown substantially worldwide, with equipment from various providers and different technological options.



Building a digital single market strategy for Latin America

This report aims to identify and discuss the possible scope, opportunities, and main legal and regulatory challenges associated with the launch of a Digital Single Market (DSM) strategy in Latin America. It presents the rationale, objectives and proposals of the EU Commission’s digital single market strategy. The same subjects are also approached from a Latin American perspective. In addition, the publication reviews the current involvement of regional and sub-regional organizations in specific debates or initiatives for each of the topics analyzed. Finally, it includes a summary of the main findings and indicates the main obstacles to the creation of a flourishing digital single market in Latin America.



The new challenges for Latin America: the vision of emerging leaders in 2015

The governance, political management and public management and leadership for transformation programs are CAF’s initiatives to promote the training and strengthening of the capabilities of public officials and the social agents with whom they interact. This report provides a glimpse of the current situation and future prospects for Latin American development, and the challenges concerning, among other subjects, institutional quality, transparency, confidence in public authorities, poverty, equity and democratic governance. The report contributes to the design of new policies and the adaptation of existing ones, and seeks to reflect the prospects and visions of the current and future development of Latin American emerging leaderships at present.

Number of pages: 60
Language: Spanish

Number of pages: 160
Language: Spanish and English

Number of pages: 40
Language: Spanish
ISBN: 978-980-422-046-3



Socio-Economic Determinants of Financial Education. Evidence for Bolivia, Colombia, Ecuador and Peru

This study allows the main socioeconomic determinants of financial education to be identified by gathering information that is relevant to the four countries and building three indices (household economy, attitudes and behaviors, and concepts and knowledge) to measure the financial education of individuals. The public policies required to promote productive transformation are based on the development of good practices' implementation capabilities and in support specific to the improvement of business management and productivity. CAF makes available its knowledge and expertise, providing efficient support to different sectors and, at the same time, generating documentation and research on success stories relevant to the region.

Number of pages: 105
Language: Spanish
ISBN: : 978-980-422-040-1



The revolution of the FinTech companies and the future of banking. Technological disruption in the financial sector

This document explores the sector of FinTech companies and the financial technology companies' potential to disrupt the banking industry, as well as the trends currently defining this industry for the future. The financial industry is changing due to the competition from FinTech companies and their new business models. The main characteristics of FinTech companies are identified in the first part of the publication. The forces playing for and against the disruption of the banking industry are discussed in the second part. The trends that will define the future banking business model are discussed in the third part, highlighting the migration of transactions and customers to digital banking; interconnected channels (omnichannel); the changing role of branch offices; the need to understand customers and offer them customized services; the opening of technological platforms; and the change of business models. The fourth and last part analyzes cooperation between banks and FinTech companies.

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ARTS AND CULTURE

AWARE OF THE TRANSFORMATIVE POWER OF ART AND ITS POTENTIAL IN CULTURAL INTEGRATION IN LATIN AMERICA, CAF THROUGHOUT ITS HISTORY HAS BEEN A PERMANENT DRIVER OF THE EXCHANGE AND PROMOTION OF CULTURE AND ART IN ITS SHAREHOLDER COUNTRIES THROUGH THE CAF GALLERY AT ITS HEADQUARTERS IN CARACAS, VENEZUELA, AND ARTESPACIO IN THE CAF BUILDING IN LA PAZ, BOLIVIA.



Title: *Luz de vida* (Light of life). Artist: Gil Imaná



Title: N° 12, 1958. Artist: Elsa Gramcko



Title: *El manco de Lepanto y la liga santa* (The one-armed man of Lepanto and the Holy League). Artist: Fernando Wamprechts



Title: *Untitled*. Artist: Mary Brandt

In 2016, the CAF Gallery celebrated its 20th anniversary. This celebration staged “*Pioneras*” (Pioneers), an exhibition of works by four Venezuelan artists: Mary Brandt, Elsa Gramcko, Luisa Palacios and Maruja Rolando.

The nature and culture of Amazonian people were exhibited at CAF Gallery. The exhibition “*Amazonía arte y diseño*” (Amazonia art and design) captured the attributes of the region and the value of contemporary Latin American art, which originated in the most ancient traditions and cultural interrelations.

The exhibition season continued with “*Imaginando a Cervantes*” (Imagining Cervantes), where several contemporary artists’ works highlighted the enigmatic features of Miguel de Cervantes’ face with different interpretations.

Exhibitions at the Artespacio gallery included “*Alquimia de los Sueños*” (Alchemy of dreams), by Alejandro Zapata; “*Geometría, materia y vacío*” (Geometry, matter and void), a group show; “*Kyanos*,” by Daniela Lorini and the 100th exhibition by Gil Imaná. This space also staged the IX Art Biennale SIART 2016 and the X Long Night of Museums in Bolivia.

SPORTS AND INTEGRATION



In 2016, the I CAF-Marathon Photo Contest was held. The winner was Kala Madriz with the picture above

Almost 11,000 runners from 36 countries participated in the fifth edition of the CAF-Caracas Marathon. Runners from Colombia, Venezuela, Peru and Kenya came in at the top places.

This marathon has positioned itself as one of the most important competitions of the South American circuit, certified by the International Association of Athletics Federations (IAAF), the Association of International Marathons and Distance

Races (AIMS) and the Venezuelan Athletics Federation. In 2016, this competition was once again recognized as the Venezuelan National Marathon Championship, a qualifier for the Olympic Games held in Rio de Janeiro.

The I CAF-Marathon Photo Contest was held to document images of this Latin American integration celebration through photographs of a unique morning in Caracas. This initiative, in cooperation with Roberto Mata Taller de Fotografía, attracted more than 200 participants, who submitted more than 450 photographs. The photographic and narrative quality of these stories went beyond reflecting the effort made by runners to show also the value of the city and its people. The I #FotoMaratónCAF granted first, second and third place awards, along with honorable mentions.

In addition, Bolivia organized the eighth session of the La Paz 3600 10K Race, with the participation of almost 10,000 runners. Under the slogan "I run for a marvelous La Paz," this race honored the city of La Paz and the pursuit of peace at the same time; paz means "peace" in Spanish. La Paz has been nominated as one of the seven wonder cities of the world.

It is worth highlighting that the La Paz 3600 10K Race is the only one in Bolivia certified by the Council for Responsible Sport, a non profit organization, which endorses the social benefits of this event and its contribution to a reduced negative environmental impact.

CAF promotes Latin American development and integration through sports as a tool for social inclusion, in the context of its integral development agenda.





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CAF: FROM ANDEAN INSTITUTION TO DEVELOPMENT BANK OF LATIN AMERICA

Enrique Garcia is stepping down after 25 years as CAF's Executive President (1991-2016). In the following text, García reflects on the path taken by the institution over that period and he highlights the challenges overcome, the achievements made and the lessons learned.



This text was extracted from the twenty-five-year anniversary management report available at scioteca.caf.com.

CAF IN ITS BEGINNINGS

The governments of Bolivia, Chile¹, Colombia, Ecuador, Peru and Venezuela created CAF and initiated operations in 1970. The objective was to create a financial instrument for the integration process of the Andean Group's member countries. It was constituted with an authorized capital of USD 100 million and a subscribed capital of USD 25 million.

In its first decade of operations, the Institution financed mainly expansion projects directed for the most part to small companies within the framework of industrial programming agreements reached by the governing bodies of the Andean Group, in order to stimulate Andean production and exports.

As a consequence of the Latin American debt crisis in the early 1980s, the multilateral banks introduced important changes in its financing policy for Latin American countries with problems in their balance of payments and played an important role in additional financing for highly indebted countries. This was handled through operations of structural adjustment and other anti-cyclical instruments based on policy and institutional factors.

Within the framework of this international environment, following the same trend as other multilateral institutions, CAF approved a new operational policy that allowed it to expand its field of action to sectors and activities not necessarily linked with the Andean Group's industrial programming agreements, while expanding its presence in the Andean countries with more appropriate products to mitigate the serious crisis that the region was facing at the time. At that point, CAF's governing bodies (Shareholders' Assembly, Board of Directors and Executive Presidency) assumed full autonomy for exercising the powers of its articles of agreement.

In this context, CAF played an important role in the financing of trade between Andean countries, at a time when traditional financing channels, i.e., from commercial banks, were completely closed and the demand for financing investment projects had declined substantially as a result of the prevailing recession.

¹ Chile withdrew from CAF in 1977 and rejoined in 1992 as a C-series shareholder.



Within this context, the institution opened the door to become not only the financial arm of the Andean integration process derived from industrial programming agreements, but also the support of a more extensive and comprehensive development of its shareholder countries.

At the beginning of the 1990s, after the traumatic lost decade of the 1980s, there was a resurgence of optimism in Latin America regarding the region's return to the path of growth and a boost in comprehensive development that would promote social inclusion, equity and environmental sustainability. This required a proper balance between public and private action that would also seek efficiency and competitiveness to insert the region into global markets. In that environment, the main schemes of regional integration, especially in South America, were strengthened with a focus on open regionalism; the Andean Group and the Mercosur took initial steps to achieve convergence.

At this time, financing from CAF was concentrated in trade-related operations in the five Andean countries. Although CAF's contribution was important at a time when traditional financing sources for such activities were unavailable, the volume was incomparable with the relevance of the Inter-American Development Bank (IADB) and World Bank's sub-region support.

In the middle of the structural reform processes undertaken at the time by the majority of the region's countries, the main sources of multilateral financing –the World Bank and the IADB– continued to support the policies of structural adjustment through quick-disbursing programmatic operations. They also channeled investment financing mainly toward programs and projects related to education, health and social protection, as well as modernization programs for the state. In that scenario, support for projects of economic infrastructure decreased in relative terms, under the assumption that with the reforms undertaken, funding for that kind of investment would come from markets and private initiative.

The main schemes of regional integration were strengthened, especially in South America, with an open regionalism approach.

CAF'S EVOLUTION OVER THE PAST 25 YEARS

In the regional context of the 1990s, given the prevailing operational management of the World Bank and IADB, in 1991 CAF proposed a significant change in its institutional and programmatic orientation. First, it established a mission based on a strategic vision of development that balanced four fundamental objectives: stability, efficiency, equity and environmental equilibrium. Secondly, it proposed to expand membership to other countries in Latin America. Thirdly, a stronger push toward financing investment projects was spearheaded. And, finally, gaining access to international capital markets became a goal to boost CAF's own resources and extend its operational capability. In order to attain all these purposes, CAF first had to obtain an investment-grade rating.

This process marked the launch of CAF's transformation process from a sub-regional Andean bank to become the development bank of Latin America.

CAF'S REGIONAL EXPANSION

Over the past 25 years, CAF's membership has grown from five to 19 shareholder countries. Today, in addition to Bolivia, Colombia, Ecuador, Peru and Venezuela, CAF's shareholders include Argentina, Barbados, Brazil, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Panama, Paraguay, Portugal, Spain, Trinidad and Tobago, Uruguay, and 14 private banks in the region. In addition, an amendment to the articles of agreement, which came into effect in 2008, enabled the accession of new Latin American and the Caribbean countries as full members, a status acquired by Argentina, Brazil, Panama, Paraguay, Uruguay and Trinidad and Tobago. This status put these countries on equal footing with the Andean founders. With the addition of these new member countries, CAF consolidated its Latin American identity and considerably expanded its field of operation in the region. It is through this process that CAF grew from an Andean institution into Latin America's Development Bank.

At the same time, in the past two years, in addition to talks held with other countries in the region, a strategic rapprochement has been established with Cuba. The signing of a memorandum of understanding has opened up the possibility of granting technical assistance and participation in co-funding operations with governments and multilateral and national institutions interested in supporting the transition process Cuba is implementing. This effort is aimed at creating the necessary conditions for the incorporation of Cuba as a member country in the future.

OPERATIONAL EVOLUTION

In 1991, CAF had an authorized capital of USD 2.05 billion and a net worth of USD 576 million. Today, CAF's authorized capital amounts to USD 15 billion, and paid-in capital plus reserves from retained earnings (net worth) amount to more than USD 10.5 billion. In addition, the institution's assets rose from USD 1.14 billion in 1991 to current levels of USD 36.22 billion.

Along the same lines, operations in favor of the shareholder countries also increased. In the 1970s, CAF approved operations for a total of USD 50 million per year on average. In the 1980s, that number grew to USD 300 million. In the last five years only (2012-2016), total approvals were USD 59 billion, almost USD 11 billion per year on average.

Over the past 25 years, CAF's membership grew from five to 19 shareholder countries.

Four capital increases underwritten by countries in the past ten years totaled USD 11.05 billion, which will allow CAF to approve new financing for more than USD 100 billion for the period 2016-2022.

At the same time, starting in the 1990s, CAF significantly expanded its scope of financing mainly in foreign trade and infrastructure, social development, environment, capital market deepening and support for industrial, mining and tourism activities, along with institutional strengthening in public and private areas. At the beginning of the 1990s, about 40% of the loan portfolio involved financing of trade-related operations, the remaining portfolio including financed programs and projects. Currently, more than 85% of the portfolio consists of projects and programs in the above-mentioned sectors.

CAF is the main source of multilateral financing of the five founding countries and has become one of the most important sources in Latin America, along with the IADB and the World Bank. In fact, throughout the 1980s, CAF represented less than 5% of multilateral financing in the region; today, it provides approximately 30% of financing, including the institution's first-place ranking in the approval of infrastructure support operations in recent years. It is also an important financier of the private sector.

USD 11 BILLION

in annual approvals
on average.



CAF has substantially increased its participation in financing for social sectors, environment and the promotion of micro, small and medium-sized enterprises.

DIVERSIFICATION OF PRODUCTS AND SERVICES

Starting in the 1990s, CAF undertook a process to diversify its products and services to meet its customers' changing needs. As a result, in addition to prioritizing funding of investment projects and programs in the infrastructure sector, in recent years the institution has increased considerably its participation in the financing of the social sectors, environment and promotion of micro, small and medium-sized enterprises both directly and through a chain of public and private financial institutions and specialized funds created for this purpose. It has also intensified its advisory and financial structuring activities, as well as the use of catalytic instruments, such as partial guarantees, co-financing, structured project financing, subordinated loans, participation in investment funds, to name a few.

At an anti-cyclical level, as a result of the latest crisis at the end of the first decade of the new millennium and in recent years, CAF, along with other multilateral institutions, introduced instruments that have had a great impact. These include contingent credit lines, extended sector-wide approaches (SWAp), as well as substantial increases in the lines of credit for trade and working capital for the region's financial systems.

More recently, CAF has created an asset manager (CAF-AM) in order to encourage the creation and participation in the management of investment funds. Under this scheme, it has already finalized the creation of two national investment funds (Colombia and Uruguay) and is in the process of formalizing new ones. It is worth noting that, with this tool, CAF is significantly enhancing its catalytic function, as it mobilizes substantial resources from pension funds, insurance companies and other internal and external sources, several times higher than its own committed resources in those instruments.

A field in which CAF has consolidated its leadership is support for the pragmatic regional integration. It has provided technical, institutional and financial support over the last 20 years for the execution of around 70 physical integration projects between countries for an investment of close to USD 30 billion and direct financing in excess of USD 10 billion. Projects include mainly roads, transportation, communications, energy, logistics and environment, as well as multi-sector border development initiatives.

Additionally, CAF has financed comprehensive and strategic operations for close to USD 500 million through technical and financial special cooperation funds, mostly of a non-reimbursable or contingent-recovery nature, that complement the technical capacity of countries, contribute to the generation and dissemination of knowledge and promote a comprehensive development agenda. All these operations have been aimed at strengthening critical issues in the shareholder countries, such as: competitiveness, infrastructure for integration, environment and climate change, institutional development, social inclusion and the field of culture and sports.

FINANCIAL DEVELOPMENT

In regard to fundraising efforts in international markets, CAF has had a very interesting evolution. Until the early 1990s, it mainly operated with capital contributed by its member countries, and with external resources, generally short and medium term, from export banks and development agencies from industrialized countries. Currently, more than 85% of the resources are obtained from capital markets, as well as international banks. Since 1993, CAF has issued more than USD 30 billion in 17 different currencies in more than 20 capital markets.

This successful process was possible thanks to CAF's demonstrated financial strength over the years, which has resulted in 13 risk-rating upgrades since 1993, when the institution received its first investment grade of BBB. In the second half of 2012 and Q1 2013, Standard and Poor's, Moody's and Fitch upgraded CAF's credit rating to AA- or its equivalent; Japan Ratings Agency upgraded CAF to AA. These ratings are substantially greater than the ratings of its shareholder countries, granting the institution a new competitive profile in capital markets.

Over the past 25 years, CAF's accumulated earnings amounted to USD 3.75 billion and its profitability indicators were placed above the established benchmark indices. This sustained increase in earnings allowed CAF to increase its net worth, sustain portfolio growth and allocate resources to special technical and financial cooperation funds. Also, it is worth noting that the institution showed high standards of efficiency. CAF's administrative expenditure indicators have been kept at a level well below other multilateral institutions.

CAF'S INTERNATIONAL OUTREACH

In recent years, CAF has significantly expanded its international outreach, beyond the Latin American region. This international presence is based, on the one hand, on continued access to international capital markets, where CAF is widely recognized, including the solid reputation and demand for its debt securities.

On the other hand, in parallel with the geopolitical decision to maintain more than 90% of the share equity in the hands of countries in the region, CAF has deepened its Latin American dimension, but at the same time it has advanced in building bridges of cooperation with the rest of the world in ways that do not affect its Latin American idiosyncrasy and identity. In this regard, beyond its presence in international financial markets, CAF has signed cooperation agreements with countries outside the region and around the world, including governments, development banks, export promotion agencies, and research and technical cooperation centers from various countries of the hemisphere, Europe and Asia, among other regions.

Following the guidelines established by the IADB and the World Bank, CAF also began in the mid-1990s to build its intellectual and applied research capacity. Today, CAF has a well-earned reputation for its work and effective contributions made.

Using its knowledge generation agenda, the institution has positioned itself as a forum for regional and international debate on development issues in Latin America and has achieved a very important link with prestigious think-tanks and academic communities globally.

Since 1993, CAF has issued more of

USD 30
billion

in 17 different currencies in more than 20 capital markets.



Many of these activities materialize into conferences and international meetings with the participation of internationally renowned stakeholders. These activities include CAF's Annual Conference, organized in partnership with the Inter-American Dialogue in Washington, D.C. over the past 20 years. This conference, which brings together leading representatives from Latin America and the world, has become one of the most important forums in Washington, D.C. and a point of reference for the review and debate about all of Latin America's issues. Others worth highlighting include the annual conferences organized in partnership with the University of Oxford, the London School of Economics, Sciences Po, ILAS (China), and other universities and academic centers throughout the region and around the world.

In addition, dynamic relations of cooperation have been established with institutions like the United Nations, OAS, Brookings Institution, Emerging Markets Forum, Latin Trade, Council of the Americas, among others. In addition, CAF has played an important role in the creation and strengthening of the International Development Finance Club (IDFC), which brings together 23 development banks—on national and regional levels—from different parts around the world. This club is highly committed to addressing the issues pertaining to development financing, particularly in the area of the environment and sustainable development.

Also, increased activity in publishing has contributed to the regional and global discussion on various relevant topics for development. Among these publications, it is worth highlighting the annual Economic and Development Report (RED), the series Infrastructure for the Integral Development of Latin America (Ideal), the collection of Public Policies and Productive Transformation, among others, amounting to a total of 800 publications over the past 25 years.

THE FUNDAMENTAL FACTORS DRIVING CAF'S TRANSFORMATION

It could be argued that the successful transformation of CAF has been the result of strong support from its shareholder countries through continuous capital increases, impeccable debt service, strict compliance with all the obligations and non-interference in the institution's professional management. But all this does not explain this transformation.

In fact, a more thorough examination highlights other factors that have also played a role of paramount importance in the evolution of CAF. In summary, it can be argued that, in addition to the strong and continuous support of its shareholder countries, CAF's success has in large part been built on its ability to articulate a vision of development, define a clear mission, achieve a firm commitment by its member countries, in addition to its ability to mobilize external resources based on its institutional administrative and financial strength. All this has been achieved within the framework of visionary articles of agreement, which made possible CAF's continuous transformation and its adaptation to the changing realities of its member countries.

In this regard, six themes have been critical to CAF's transformation.

VISIONARY ARTICLES OF AGREEMENT

The visionary, pragmatic and flexible approach of CAF's articles of agreement constitute the fundamental pillar that has enabled CAF to periodically reinvent itself to respond and adjust to changing situations and scenarios in the geopolitical, economic and social sphere at global and regional levels.

The articles of agreement created an institution that operates with the public and private sectors. They contemplated the incorporation of new shareholder countries, defined a non-resident directory at a high political level and established a unique governance with senior management positions. In this regard, a good example is the decision to open its stock to other countries in Latin America and the Caribbean, a fact of vital importance that made it possible to expand beyond the Andean borders, both CAF's integrationist vocation and its operational base.

A key issue for the incorporation of new countries was the emphasis placed on sustainable development and regional integration in CAF's mission, which was updated in 1993. The physical interconnection and border development were a strong draw for the non-founding countries that joined the institution in the 1990s.

AN INSTITUTIONAL MISSION AND AN INTEGRAL DEVELOPMENT AGENDA

Over the past 20 years, CAF's activities have been framed in a clear institutional mission, whose main pillars have been sustainable development and regional integration, and a Comprehensive Development Agenda, which has been regularly updated on the basis of the dynamic evolution of global and regional conditions, as an arc of reference to establish the institutional mission. These criteria, which are the result of a consensual process, have given CAF a clear

CAF's successful transformation has been the result of the strong support of its shareholder countries.

The comprehensive agenda of development adopted by CAF in the early 1990s, as a guide and compass for its actions, is undoubtedly a critical element, which has contributed in a special manner to CAF's development.

sense of direction, appreciated by the shareholders and shared by the board of directors and management.

The Comprehensive Development Agenda adopted by CAF at the beginning of the 1990s, as a guide and compass for its actions, is, without a doubt, a remarkable element that has helped its development in a unique manner. A more recent contribution as a tool for the adaptation of this agenda is the strategic book *América Latina 2040. Rompiendo con las complacencias: una agenda para el resurgimiento* [*Latin America 2040. Breaking up with complacencies: an agenda for resurgence*], drafted with the support of international consultants and discussed widely with the member countries.

The updated agenda aims to achieve high sustained and sustainable quality growth: high in order to correct the development gap with respect to high-income countries; sustained to avoid volatility and ensure the continuity of economic progress and social welfare; efficient to allow a productive transformation and competitive international insertion; equitable to provide an inclusive and fair participation to the majority of citizens; and sustainable to ensure inter-generational viability of natural capital, with respect for cultural diversity and the environment.

In order to achieve these objectives, CAF's comprehensive development agenda promotes actions so that the region's growth leads to a reduction in its high concentration in commodity exports and dependency on the changing conditions of the international economic environment. It seeks a transformation of the economies that improve their productivity, add value to the national comparative advantages and increase investment in all forms of capital: human, social, natural, physical, productive and financial. In this vision, regional integration with a pragmatic approach that simultaneously allows a more effective inclusion at a global level also becomes a key strategic objective.

Based on this comprehensive vision of the development process, the expansion of the scope of CAF's operations has exceeded the activities originally set forth in relation to integration, regional trade and infrastructure to include others with an impact on issues like competitiveness and entrepreneurship, the strengthening of financial systems, social and environmental development, modernization of the state, democracy, governance and public security. This has helped consolidate the institution as a key player for the region's development.

REGIONAL IDENTITY

The composition of CAF's membership has been an important factor in its successful institutional transformation. In this regard, in the mid-1990s, CAF decided to uphold a regional identity, which led to the large majority shareholding and voting power held by countries in the region. Furthermore, there are not two categories of partners, i.e. industrialized countries that provide capital but are not eligible to receive funding, and developing countries that receive financing exclusively. In fact, 17 of its 19 shareholders are Latin America and Caribbean countries, which own 95% of the capital. In addition, shareholder countries are eligible to receive CAF's funding.

Thanks to this special identity, CAF enjoys unique positioning and recognition among multilateral agencies, along with a very special “sense of ownership” by all of its shareholders, which, in a virtuous circle, and as a counterpart to the services provided by CAF, proactively support the institution and work enthusiastically toward its robustness and prosperity.

ACCESS TO CAPITAL MARKETS

Undoubtedly, competitive access to international capital markets led to significant changes in CAF’s role as a development institution. Access to capital markets enabled CAF to enhance its own resources and fueled the rapid growth of its operations, which would not have been possible otherwise. As a result, CAF became an effective mechanism for attracting external resources and channeling development financing for its shareholder countries.

Access to capital markets and holding onto a certain risk rating has required that CAF achieve and sustain a high level of paid-in capital in relation to the total capital, in addition to maintaining relevant policies and strong financial indicators. Unlike agencies whose main shareholders include member countries of the Organization of Economic Cooperation and Development (OECD) with credit risk ratings of AAA or AA, most of CAF’s shareholder countries do not comply with that requirement, in which case, the guarantee capital is not what is really important, as in the case of the World Bank, the Asian Development Bank or IADB, but rather paid-in capital and retained earnings.

CORPORATE GOVERNANCE

Another aspect that has influenced CAF’s dynamic and robust evolution is the existence of a non-resident Board of Directors, whose members include ministers and high-level authorities, the same individuals who act as governors of the World Bank, IADB and most multilateral banks. In addition, aside from the different equity interests of the shareholders, like in the case of a more traditional model of multilateral banking, the structure of the voting power—one director, one vote—ensures a more balanced, agile decision-making process that is less prone to political influence outside the institution’s specific operations and activities.

A fundamental issue, which is closely tied to the former, is the board’s strong decision-making capacity on essential issues connected to strategies, policies and capitalization processes; and the approval of corporate annual plans, budgets and programs, as well as the management’s operating, financial and administrative results. At the same time, this governance model implies a high level of delegation of credit, operational and administrative authority to management and its relevant committees, which brings objectivity, transparency, agility and speed to the decision-making process. In this context, it is worth noting that shareholder countries do not interfere, neither politically or otherwise, with the institution’s management processes, which has guaranteed, at the same time, a significant level of professionalism through a merit-based recruitment and promotion system.

95%

of the institution’s capital belongs to 17 Latin American and Caribbean countries

CAF became an effective mechanism for attracting external resources and channeling development financing for its shareholder countries.

The regulations for the election of CAF's executive president approved in 2016 was an objective, competitive and transparent instrument for the election of a new executive president for the institution.

The regulations for the election of CAF's executive president approved in 2016 are an extremely important achievement in this area. It was an objective, competitive and transparent instrument for the election of the new executive president, whose mandate shall begin in April 2017.

INTERNAL MANAGEMENT AND CORPORATE CULTURE

Since its inception, a remarkable aspect of CAF has been its ability to implement adjustments required in order to adapt the institution, operational policies, products and services to the changing realities of the region and the needs of their customers, with the support of international consultants of high prestige. This particular quality has allowed CAF to sustain its relevance for the shareholder countries throughout its history, despite the changing reality in which it has been operating. It could be said that its adaptability to change has been a constant that has made CAF's successful track record possible.

On the other hand, of special note is CAF's corporate culture of not trying to impose one-size-fits-all models or solutions on shareholder countries and the prevailing corporate attitude of respecting ideological differences, as well as maintain a continuous presence in all countries, especially in difficult times.

CAF has proven since its foundation to be a loyal and supportive partner that has been there in support of countries in the good times, but especially at difficult moments, playing a significant anti-cyclical role in these circumstances.

Another important aspect of CAF's corporate culture is the high priority given to its catalytic role, a primary responsibility for a development bank. In CAF's persistent pursuit to act as a catalyst, the institution has played an important role obtaining resources from other sources to channel them, along with its own resources, toward the financing of projects and activities in the region. Fulfilling that role was another critical factor in CAF's successful transformation.

LOOKING TOWARD THE FUTURE: LATIN AMERICA'S STRUCTURAL CHALLENGES

What are some of the main future challenges that the region is facing and what role could CAF play to help their shareholder countries meet these challenges?

While it is true that generalities usually veil differences, often important ones, that distinguish countries, it is possible to highlight some phenomena which, to a greater or lesser extent, affect them all. The experience of the majority of the countries in the region during the last crisis in 2008-2009, as well as the recent impact of the fall in prices and demand for primary products, have brought to light certain commonalities that constitute some of the most relevant problems still plaguing Latin American countries. That experience is particularly important if one considers that the region needs to reach sustained annual growth higher than 6% on average if it wants to converge with the industrialized countries in terms of their levels of income per capita within 25 years approximately, while addressing the problems of poverty and inequality in a sustainable manner².

Within the framework of the aforementioned approach, an urgent long-term resolution is needed for the structural problems and bottlenecks, which include some of the most pressing priorities.

². According to a study conducted by CAF and Centennial Group 2040. Rompiendo con las complacencias: una agenda para el resurgimiento.

In first place, most Latin American countries' exports are still highly concentrated in primary products, a pattern that was exacerbated by high commodity prices over the past several years. The detrimental effects of this situation are now seen in the fall in demand and the prices of those products. Consequently, a priority is to achieve a productive transformation of the region's economies, with an evolution of the production model characterized by comparative advantages based on the exploitation of primary products in favor of a model based on more sophisticated comparative advantages, which incorporate greater added value and generate better quality jobs.

In second place, the economic growth in recent decades was not based on sustained growth of investment levels; rather, the gap was widened between Latin America's other emerging economies in this area. Indeed, the capacity for savings and investment is 20% of GDP on average, less than half of the Asian indexes, not enough to grow at rates above 6% per year, a level of growth that requires investments above at least 27%. Reaching that level will require an extraordinary effort to increase domestic savings and attract external resources, to the extent that domestic savings continue not to be enough to increase the levels of investment required for faster economic growth.

In third place, competitiveness and productivity indexes do not favor the majority of the region's countries. According to the measurements of the World Economic Forum, generally, countries of Latin America and the Caribbean are relegated. An improvement in these indexes will require better infrastructure, higher education and training, as well as the incorporation of improved technologies into the production process, support of business innovation and, especially, the strengthening of institutions, among others. Today, serious limitations affect market mechanisms in underdeveloped countries, such as automatic instruments to generate efficiency and competitiveness. It is now increasingly clear that competitiveness and economic efficiency are highly influenced by the complex institutional framework in which a society operates.

Finally, to solve the serious deficiencies in social issues facing Latin America is a major challenge. Indeed, despite progress in recent years, the problem is still critical given that about one third of the Latin American population lives in conditions of poverty with the least equal income distribution in the world. Similarly, it is imperative that the region continues to strengthen its environmental criteria in the planning of development strategies, given the increased vulnerability caused by pollution, global warming and the increased acceleration of natural disasters, which conspire against the achievement of comprehensive quality development.

Therefore, it can be anticipated that huge resources will still be needed to support countries' efforts to finance infrastructure; mitigate marginality; improve health, education, the environment, and channel it to other areas that have traditionally been financed by multilateral institutions. In addition, it will be necessary to accelerate the identification, preparation and implementation of well-designed projects and programs that make further investment possible.

CAF and, in general, multilateral agencies, can provide significant support to the countries in the region in the effort that will be required from them to address these challenges successfully.

In this regard, CAF, in particular, within the framework of the Comprehensive Development Agenda, and as a result of a process of consultation and assessment of development strategies and needs of its shareholder countries, has managed to reach a consensus on an operational plan for the near future, which takes as its main focus of action productive transformation, i.e., support for shareholder countries in the process of evolving the comparative advantages of the farm-based economies of primary products to the development of new, more sophisticated comparative advantages, incorporating more productive activities with higher value-added content.

One third of the Latin American population lives in conditions of poverty and the income distribution is the least equitable in the world.

Indeed, the capacity for savings and investment is 20% of GDP on average, less than half of the Asian indexes, not enough to grow at rates above 6% per year, a level of growth that requires investment above at least 27%.

However, in order to sustain development driven by productive transformation and ensure its quality, social inclusion and environmental should not be overlooked. In addition, the feasibility of implementing productive transformation with social inclusion and environmental sustainability requires a number of enabling conditions and actions, such as the improvement of the economic and social infrastructure, the strengthening of institutions, macroeconomic stability and microeconomic efficiency, business capacity and innovation, access to better technologies, the adoption of conscious policies that foster productive transformation as well as the strengthening of regional integration for the articulation of larger and more relevant regional markets in the international context. All of these criteria, specified in the Comprehensive Development Agenda, are aimed at supporting shareholder countries against future challenges and will drive CAF's actions in the coming years.

CAF, with a track record of more than 45 years, is a good example of how multilateral development banks can play a fundamental role to cover the need for comprehensive support of their member countries. This institution has strengthened its operational and financial capacity through the adoption of a comprehensive development agenda, the expansion of its membership, the diversification of products and services, and its effective positioning in international capital markets. Governance adopted since CAF's creation has been, without a doubt, a decisive factor that has facilitated its development.



Looking toward the future, it is imperative to preserve the high level of professionalism and non-political interference in the institution's management, to preserve the risk ratings, maintain the due balance between operational growth and financial strength, always offering innovative products and services. Also, it is vital for CAF to maintain and strengthen its critical attributes: agility, flexibility, efficiency, proximity to the customer and productivity. These make CAF stand out among other similar agencies and make up its distinct competitive advantage.

Without a doubt, CAF is and will remain a leading example for the development of Latin America: a bank that promotes sustainable development and regional integration, while responding continuously and efficiently to the requirements of its customers in a context of ongoing change.

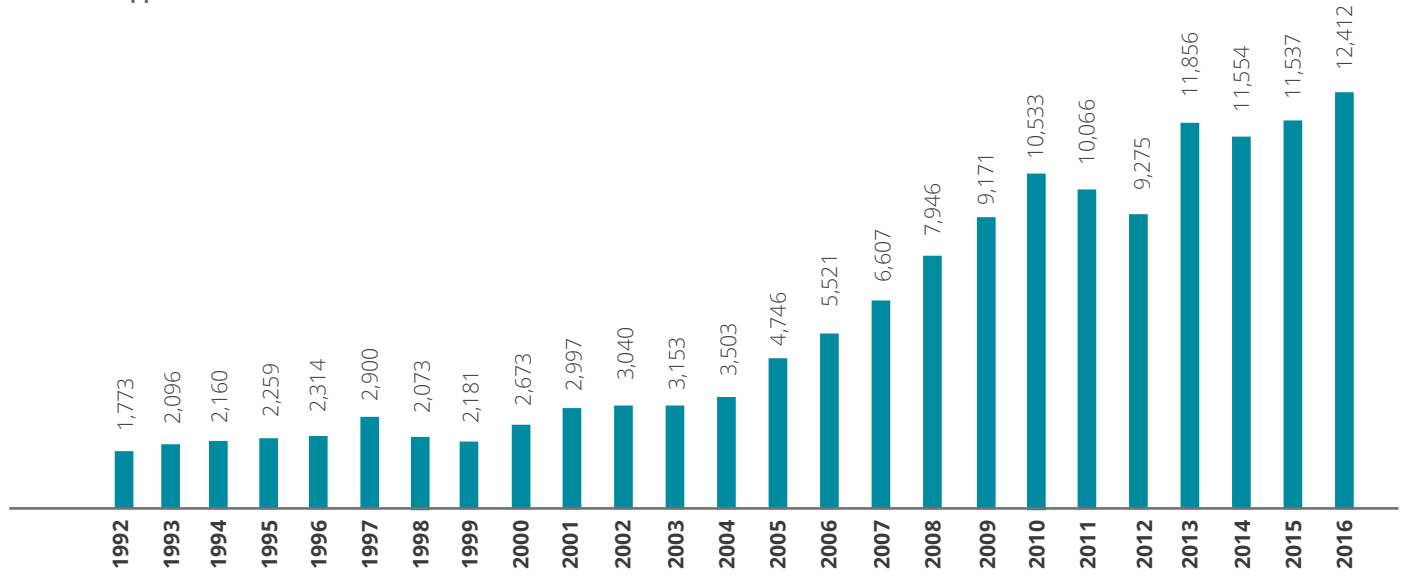


CAF and, in general, multilateral agencies, can provide significant support to the countries in the region in the effort that will be required from them to address these challenges successfully.

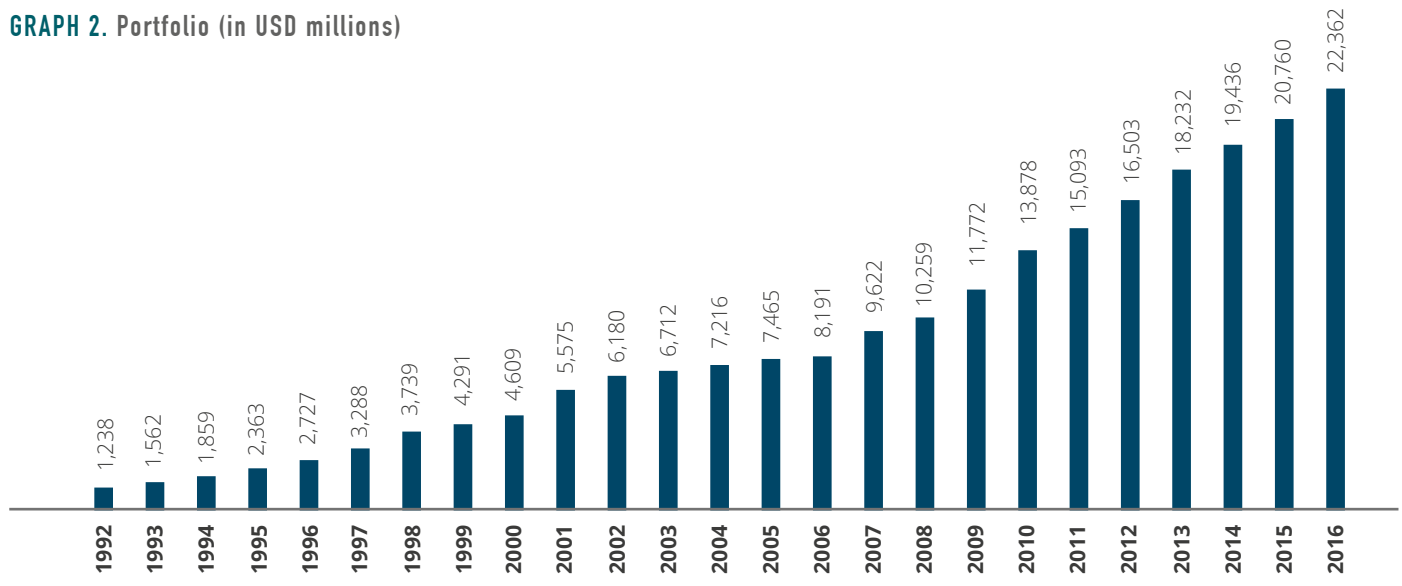
25 YEARS IN FIGURES

1992-2016 RECORD LEVEL IN OPERATIONS

GRAPH 1. Approvals (in USD millions)*



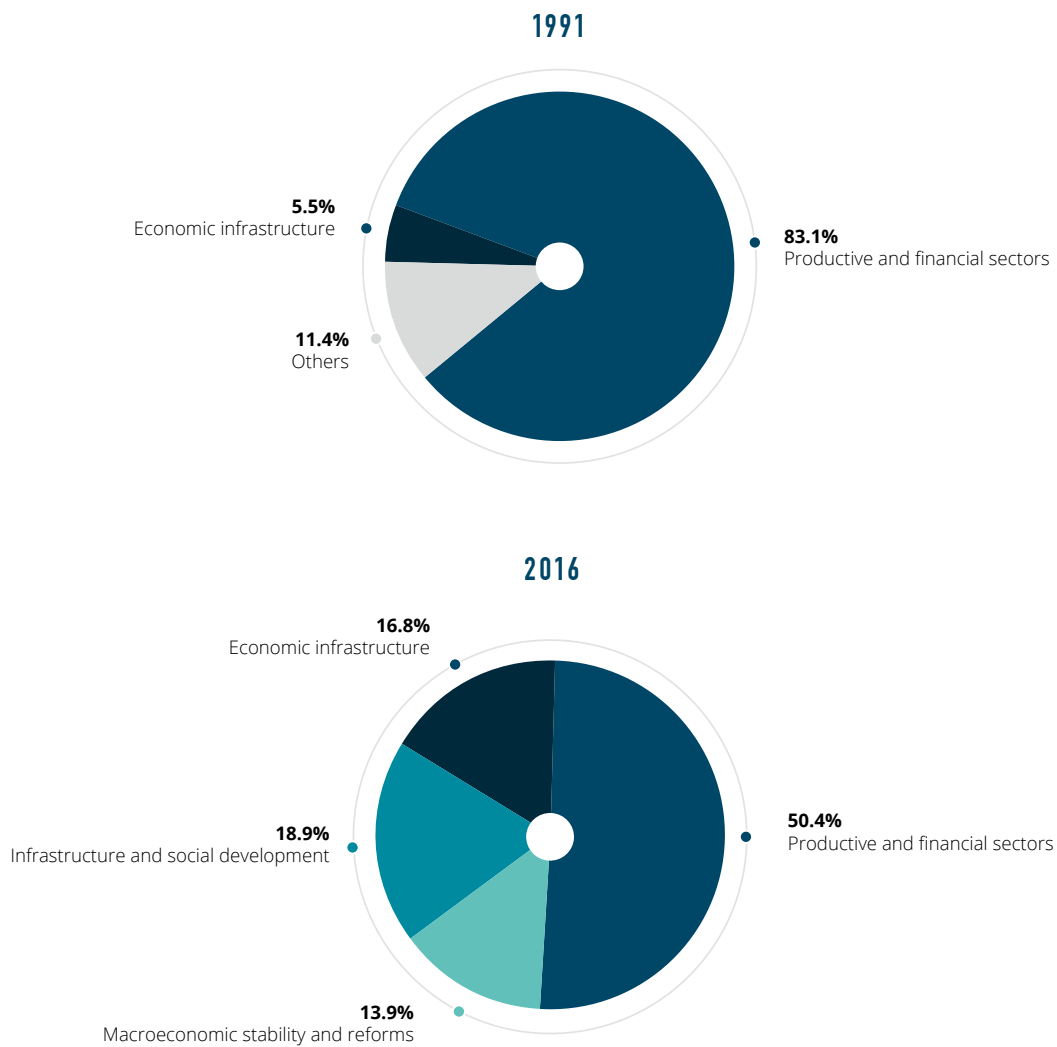
GRAPH 2. Portfolio (in USD millions)



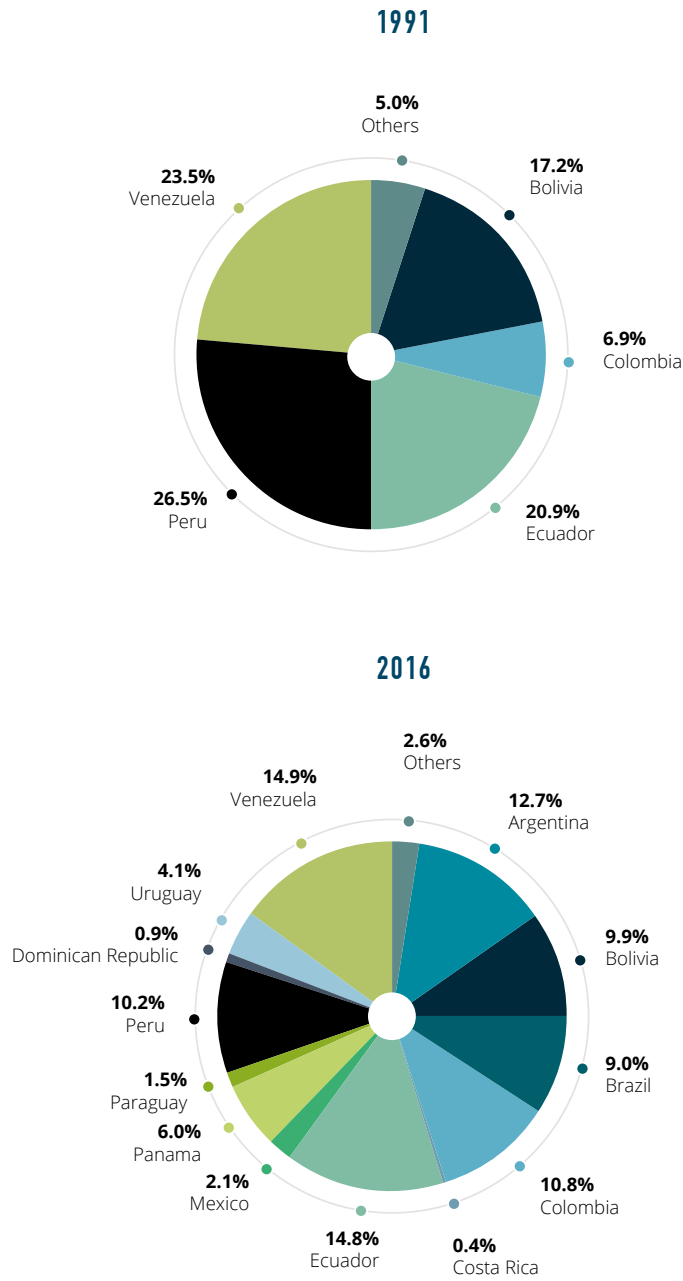
* Does not include mobilization of resources for third parties

DIVERSIFICATION IN AREAS OF STRATEGIC INTEREST FOR THE SHAREHOLDER COUNTRIES

GRAPH 3. Approvals by sector

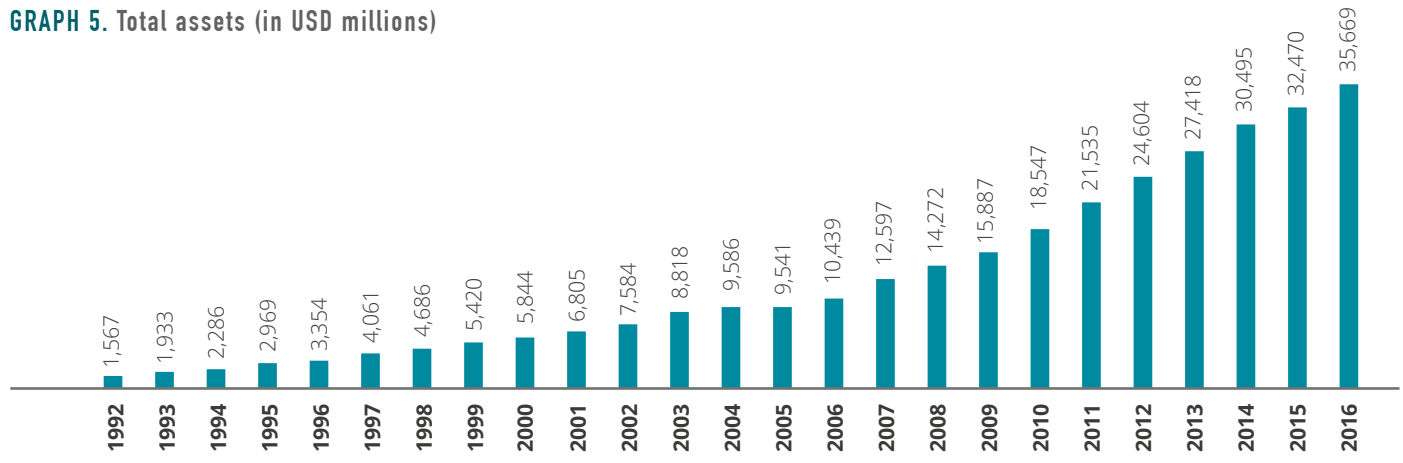


GRAPH 4. Geographic diversification of the portfolio

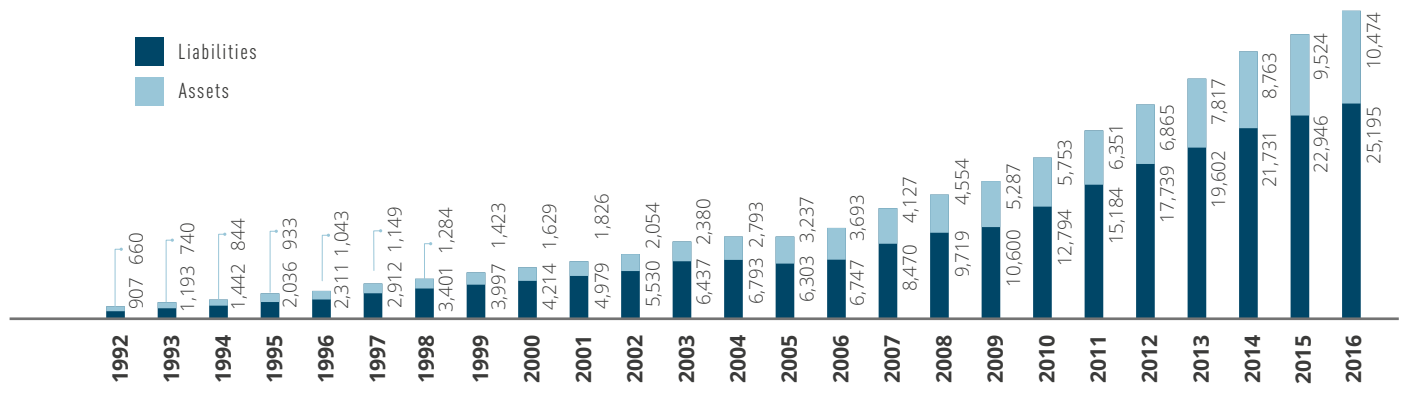


25 YEARS OF OPTIMAL FINANCIAL PERFORMANCE 1992-2016

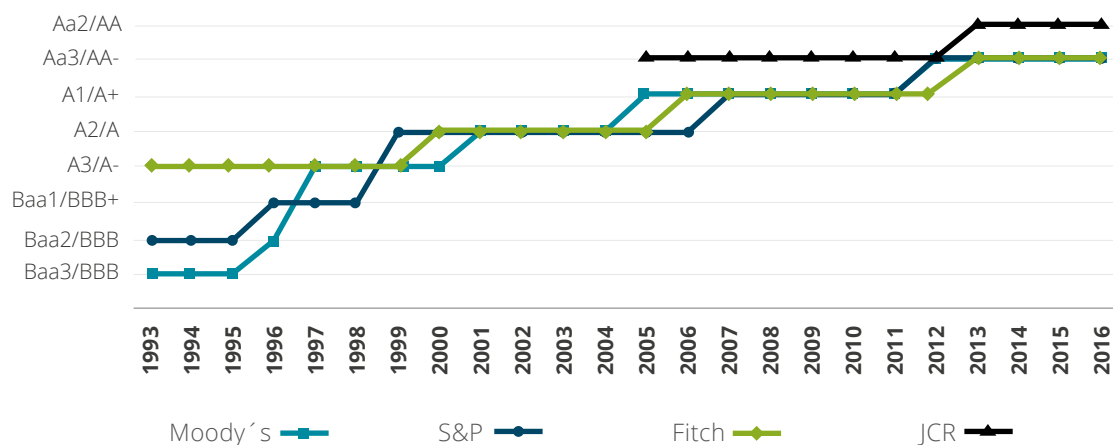
GRAPH 5. Total assets (in USD millions)



GRAPH 6. Equity (in USD millions)



GRAPH 7. Latin American issuer with the highest credit ratings





INTERNAL MANAGEMENT

During 2016, CAF pursued the strategy of strengthening the organization, its processes and internal capabilities through CAFway, a model based on the Lean Management System method to develop a management system based on a set of process optimization principles, operational practices and methods, retaining flexibility and openness to change, and remaining customer-centric both for internal and external customers.

The Process Excellence Unit (UDEP) was created to ensure the continuity and sustainability of such an approach within the organization. In 2016, UDEP completed two new process transformation projects: (1) procurement and contracts, and (2) technical cooperation. The credit process was further optimized by defining performance indices for the established standards, fulfillment of the action coordination and business areas communication scheme, team work and efficiency.

The same organizational momentum has driven the human capital project to reinforce the talent management process, one of the year's priorities. Consulting firm McKinsey & Company was hired for the project. The initiative will allow CAF to define and execute any necessary interventions for a successful alignment of human capital management with CAF's institutional mission, and will provide guidance as to where efforts should be focused in the years to come.

Attracting new young talent is essential for the institution to keep its dynamic profile. During this year, the Professional Development Program (PRODES) received its tenth cohort of young talent, selected among graduates with high academic achievements from prestigious universities around the world, who will support CAF's strategic business areas.

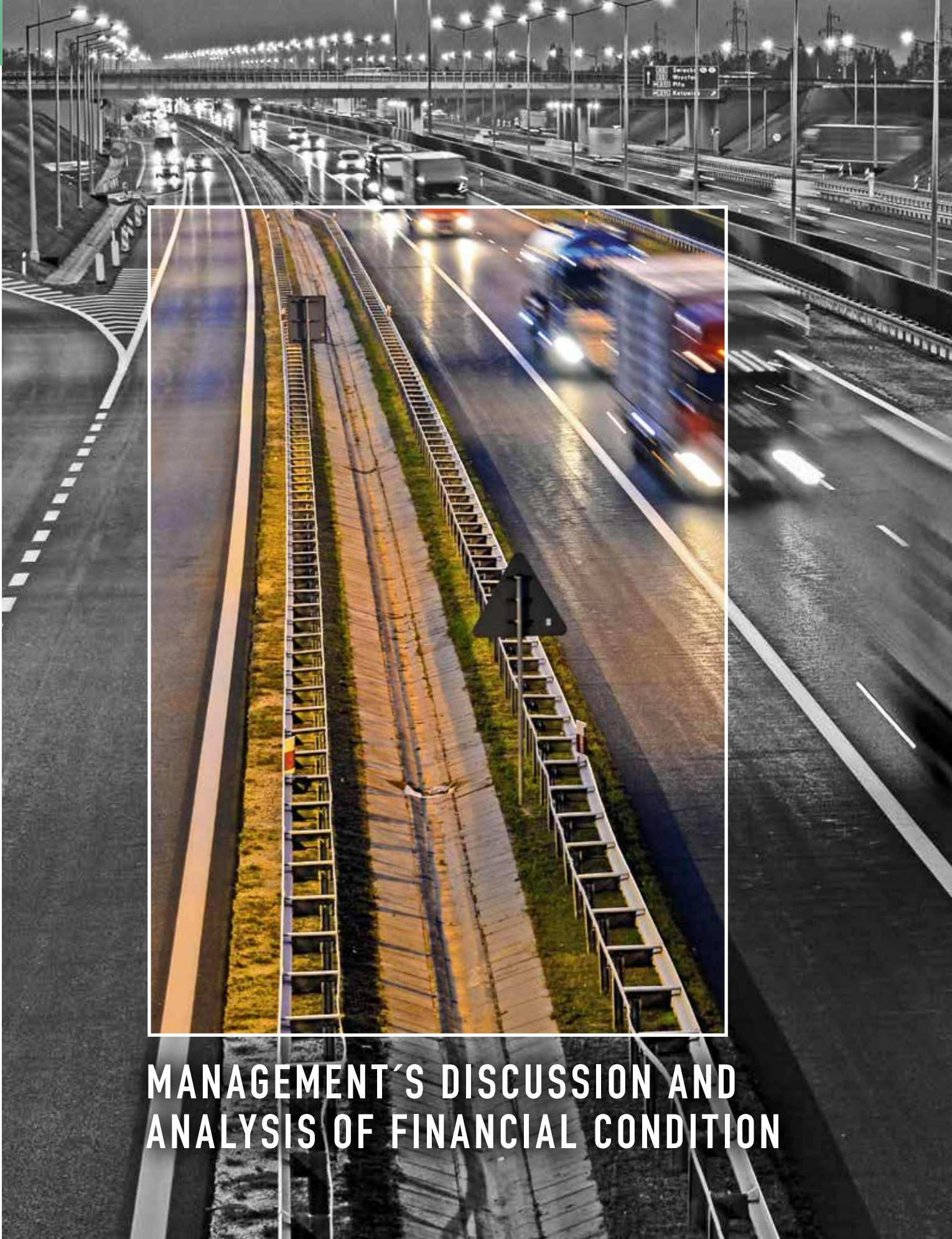
Of note this year was the incorporation of Trinidad and Tobago as a full member country after meeting all necessary requirements. Also noteworthy in the external relations sphere was CAF's international presence in public activities organized on three continents and more than 20 countries; the consolidation of academic networks in Latin America, North America, and Europe; and the sponsorship of key investor meetings at main world financial centers.

Given the growth needs in the region, construction of a new CAF headquarters began in March 2016 in Uruguay. The building of 15,678 square meters with 7,955 square meters of outdoor areas, is located in the old part of Montevideo. It will house CAF's offices for the South Region, made up of Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay. In 2016, the CAF Building in La Paz, Bolivia, received the LEED Gold Certification, a recognized verification of buildings that comply with high green construction standards.

In terms of operations and technology, in 2016, CAF consolidated its organizational structure with the creation of the Business Architecture Unit and the Technological Projects Administration Unit in order to improve the strategic alignment with institutional goals and project administration processes. In addition, the Information Security Committee was officially launched to escalate risks identified or materialized on the technological platform to CAF's senior management, and to validate and propose logical security initiatives for information.

In regard to control and audit activities, the management of the Prevention and Detection of Asset Laundering System was strengthened and CAF's Business Continuity Management System (SGCN) was certified under the new ISO 22301 standard.

In addition, CAF deepened its information efforts and established new media contacts to reinforce the institution's position as a major multilateral financing player and generator of knowledge in the region. Likewise, the promotion of CAF's main international events and conferences was intensified.



MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION



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In 2016, CAF reaffirmed its position as one of the most important sources of multilateral financing in Latin America and the Caribbean, as shown by levels of approvals (USD 12.4 billion) and disbursements (USD 8.4 billion), mainly directed toward medium and long-term project financing.

During 2016, rating agencies continued to recognize CAF's creditworthiness and role as one of the main multilateral institutions in the region. In this regard, Fitch Ratings, Japan Credit Ratings, Moody's Investors Service and Standard & Poor's reaffirmed CAF's short and long term debt ratings as shown in Table 1.

TABLE 1. CREDIT RATINGS

	Long Term	Short Term	Outlook
Fitch Ratings	AA-	F1+	Stable
Japan Credit Rating Agency	AA	-	Stable
Moody's Investors Service	Aa3	P-1	Stable
Standard & Poor's	AA-	A-1+	Negative

The credit ratings given by the agencies, positioned the institution among Latin American issuers with the highest credit ratings. This reflects the strength and stability of CAF's financial indicators, the prudent management of its credit and financial policies, the independence with which it undertakes its operations and the continuous support of its shareholder countries.

As further evidence of the support from the shareholder countries, in November 2015 the Board of Directors approved a general paid-in capital increase of USD 4.5 billion. These resources will allow CAF to continue to grow and maintain solid financial indicators. During 2016, the majority of the shareholder countries subscribed agreements for USD 3.3 billion; the remaining amount is expected to be signed in 2017. At the same time, shareholders continued to make substantial paid-in capital contributions, for a total of USD 828 million.

The operating income¹ in 2016 was USD 204 million, which represents an increase in respect to the previous year. Net interest income increased in 2016 mainly due to an increase in the average 6-month LIBOR rate from 0.48% in 2015 to 1.03% in 2016. The main profitability indicator - Return on Equity (ROE) - was 2.1%, in line with the established benchmarks.

In 2016, the institution issued 21 bonds for approximately USD 4.0 billion in the international capital markets, including two USD Global benchmarks and its first themed-bond. In addition, CAF continued diversifying its investor base by issuing in eight different currencies.

Regarding short-term borrowings, time deposits reached a year-end balance of USD 3.1 billion. Commercial papers in the United States and European markets were another important source of funds, with a closing balance of USD 2.1 billion.

¹ Operating Income is defined as net income before unrealized changes in the fair value related to financial instruments and contributions to stockholders' special funds.

FIGURE 1. BALANCE SHEET

As of December 31 of each year (in millions of USD)

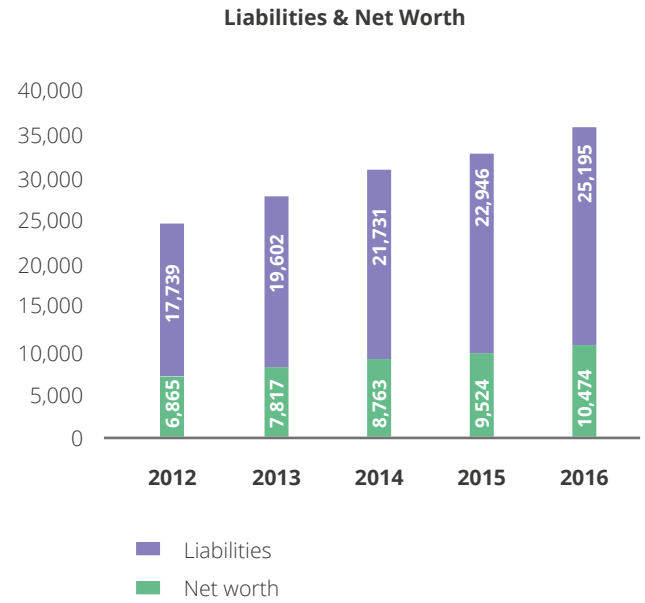
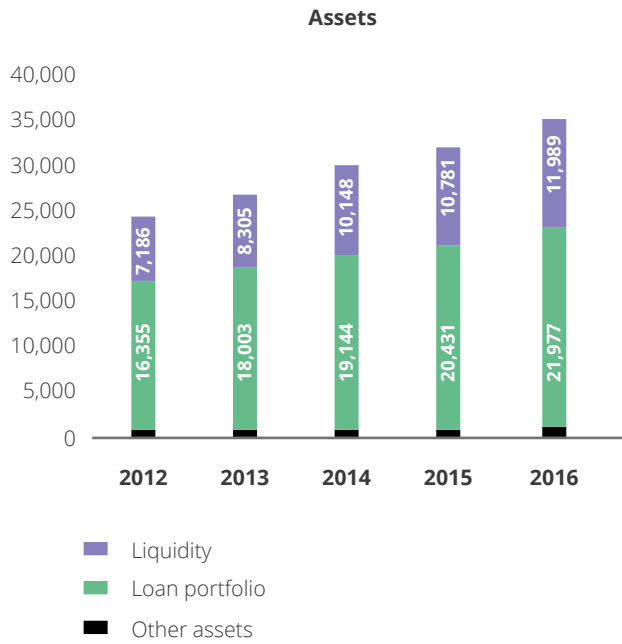
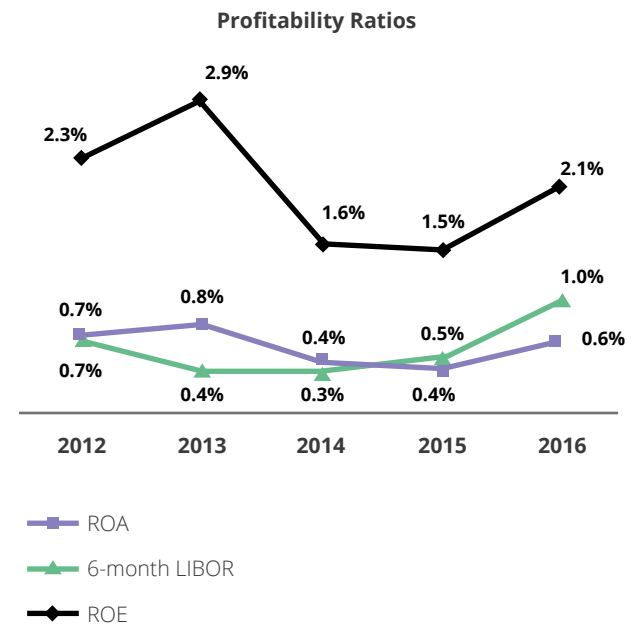
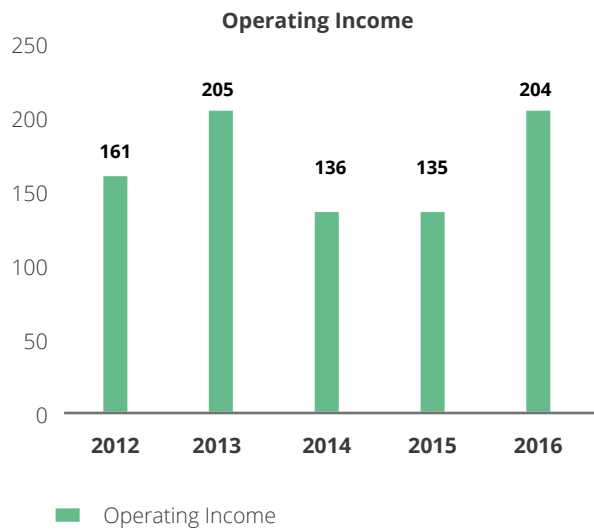


FIGURE 2. OPERATING INCOME AND PROFITABILITY

As of December 31 of each year (in millions of USD)



SUMMARY OF FINANCIAL STATEMENTS

During 2016, CAF's total assets reached USD 35.7 billion, representing an increase of 9.8% with respect to the previous year (Figure 1). This increase is not only due to the growth of the loan portfolio but also to an increase in liquidity. The loan portfolio closed at USD 22.0 billion, 7.6% higher than the previous year, and liquidity reached USD 11.2 billion, 6.2% higher than the prior year, and equivalent to 33.6% of the total assets.

At year-end 2016, CAF's total net worth was USD 10.5 billion with paid-in capital of USD 4.8 billion, additional paid-in capital of USD 2.9 billion and USD 2.8 billion in the form of reserves and retained earnings. At the end of 2016, net worth represented 29.4% of total assets and 40.3% of the risk-weighted assets according to the methodology established in the Basel Accord.

The net interest income in 2016 registered an increase of 24.1% as a result of a combined increase in the LIBOR rate and the loan portfolio, joined with a reduction in funding costs.

Operating income and ROE showed an increase mainly due to a raise in the LIBOR rate, loan portfolio and liquidity. The operating income was USD 204 million in 2016 and the ROE was 2.1%, while the average US treasury 10-year bond was 1.83% and the average 6-month LIBOR rate was 1.03% (Figure 2). The Return on Assets (ROA) for the year was 0.60%.

LOAN PORTFOLIO

At year-end 2016, the loan portfolio reached USD 22.0 billion, which represents an increase of 7.6% compared to the USD 20.4 billion of the previous year.

The loan portfolio distribution continued to be largely concentrated in public sector projects, representing 85.4% of the total portfolio as of December 31, 2016. Regarding distribution of the loan portfolio by countries, Venezuela and Ecuador had the largest exposure with 15.1% of the total loan portfolio each one, followed by Argentina with 12.9%, Colombia 10.6%, Peru with 10.3%, Bolivia with 10.1%, Brazil with 9.0%, Panama with 6.7%, Uruguay with 4.3%, Mexico with 1.7% and Paraguay with 1.5%. The increasing participation of the new full-member shareholders contributes to the diversification of the loan portfolio. In this respect, the new full-members accounted for 34.4% of the loan portfolio at year-end 2016.

The leading development projects by sectors financed by CAF in 2016 were transportation infrastructure which represented 34.4% of the loan portfolio, energy projects with 33.3%, commercial banks with 11.2% and social services and health care services with 10.6%.

At year-end 2016, the Non-accrual ratio was 0.55% of the total loan portfolio and provisions for loan losses reached USD 63.7 million or 0.3% of the loan portfolio. In 2016, one loan was written off for the amount of USD 33.7 million (Table 2).

TABLE 2. ASSET QUALITY (IN MILLIONS OF USD)

	2012	2013	2014	2015	2016
Overdues	0.0	0.0	0.0	0.0	7.5
Loans in non-accrual status	7.9	0.0	16.5	0.0	120.8
Allowance for loan losses	125.8	38.3	55.8	58.9	63.7
Overdue as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.03%
Non-accrual loans as a percentage of loan portfolio	0.05%	0.00%	0.09%	0.00%	0.55%
Allowance as a percentage of loan portfolio	0.77%	0.21%	0.29%	0.29%	0.29%

LIQUID ASSETS

As of December 31, 2016, liquid assets totaled USD 12.0 billion, equivalent to 33.6% of total assets. The investment portfolio was characterized by its short duration, which averaged 0.35 years. As an evidence of its excellent credit rating, 97.5% of this portfolio was rated A-/A3 or above with an average rating of AA/Aa2, only 2.5% was rated below. CAF's policies require that at least 90% of its liquid assets have to be held in instruments with investment grade and credit ratings of at least A-/A3.

FUNDING

At year-end 2016, total financial liabilities were USD 23.8 billion, while total liabilities reached USD 25.2 billion.

The year 2016 was the most active in CAF's history regarding issuances in the international bond markets. The institution issued 21 bonds for an approximate amount of USD 4.0 billion. Additionally, CAF continued diversifying its geographic distribution, issuing in eight different currencies around the world.

During 2016, CAF issued two global benchmark transactions, one for USD 1.25 billion and another for USD 1.0 billion. These issuances were very successful in terms of competitive funding costs and diversification of CAF's investor base. The Institution issued three bonds in the Swiss market for a total amount of CHF 400 million, becoming the third supranational issuer in this market in terms of volume. Additionally, CAF issued a bond of AUD 340 million in the Australian market. These issuances not only registered an increasing share in the participation of official institutions and central banks as investors, but also added further reference points in the curve of the main bond markets for CAF. Both facts contribute to CAF's strategy in accessing multiple capital markets.

CAF also issued its first themed bond, destined to finance projects related to water and sanitation in the region. This *water bond* was issued in the Japanese Uridashi market in two currencies: the South African rand and the Turkish lira. It is important to highlight that this bond falls into the category of socially responsible investments (SRI).

Furthermore, several private placements were made in different currencies such as US Dollar, Hong-Kong Dollar and Japanese Yen, aimed at investors that have major strategic value for CAF.

With respect to short-term borrowings, CAF has maintained its presence in the commercial paper markets in the United States and Europe. Borrowing spreads decreased in 2016, contributing to lower funding costs for the year.

Time deposits also represented an important source of short-term funding, reaching USD 3.1 billion by year-end 2016. Therefore, these instruments have maintained their importance as a competitive and stable source of funding.

With respect to medium and long-term loans from development financial institutions, international agencies and multilateral banks, new credit facilities have been negotiated for USD 100 million with the Japan Bank for International Cooperation (JBIC), USD 155 million with KfW and USD 300 million with the Instituto de Crédito Oficial (ICO) of Spain to enhance support in social development projects, climate change, energy and SMEs, among others. Additionally, the local currency loan program for microfinance institutions continues in many countries in Latin America; in this regard CAF has negotiated a new credit line of USD 100 million with Banco Pichincha of Ecuador. It is also important to note that the co-financing efforts led to agreements with GCF, KfW, OFID, EIB and FONPLATA for USD 69 million, USD 70 million, USD 32 million, USD 80 million and USD 43 million, respectively. Most of these co-financing deals were focused on financing specific energy and infrastructure projects. Additionally, USD 52 million was obtained through loan portfolio sales.

As of December 31, 2016, 81.0% of CAF's total indebtedness came from international capital markets. The main source of funding was bond issuances, representing 72.1% of financial liabilities (Figure 3) and commercial papers with 8.9%. Additionally, deposits received accounted for 13.0% and other medium- and long-term loans and credit lines with 6.0%.

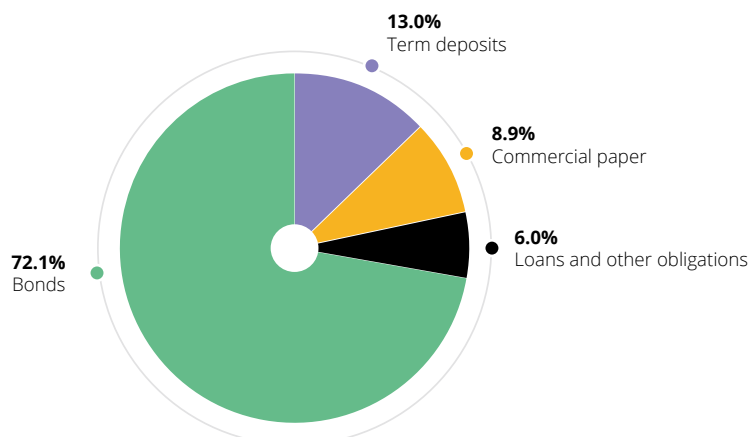
Details of CAF's 2016 bond issues are shown in Table 3.

TABLE 3. 2016 BOND ISSUES IN THE INTERNATIONAL MARKETS

Date	Market	Amount in original currency of issuance (in millions)	Equivalent in USD million
Bond Issuance			
January	Japanese	ZAR 590	38
January	Japanese	TRY 192	65
February	Swiss	CHF 150	151
February	Euro	EUR 250	278
March	Swiss	CHF 250	253
March	Australian	AUD 260	198
April	Australian	AUD 80	62
May	USA	USD 1,250	1,250
September	USA	USD 1,000	1,000
	Private placements		669
	Total 2016		3,964
Short-Term Issuance Programs			
	Commercial paper (USA)	USD 2,000	2,000
	Commercial paper (Europe)	USD 3,000	3,000

FIGURE 3. FINANCIAL LIABILITIES

As of December 31, 2016



CAPITAL

During 2016, CAF received USD 828 million in capital contributions from its shareholders. Most of these contributions correspond to the general capital increases approved in 2009 and 2011, for a total of USD 2.5 billion and USD 2.0 billion, respectively. In 2015, CAF’s Board of Directors approved a general paid-in capital increase for up to USD 4.5 billion, of which up to USD 4 billion are available to be subscribed by the Series B shareholders and up to USD 500 million for the Series C shareholders. Capital contributions will begin in 2017, which not only will provide CAF with additional growth capacity to meet the shareholders’ needs, but also will strengthen its equity position. The majority of the shareholder countries subscribed a total amount of USD 3.3 billion in 2016, while the remainder is expected to be made this following year.

At year-end 2016, net worth reached USD 10.5 billion, 10.0% higher than the amount registered in 2015, strengthened by capital contributions made by shareholder countries and retained earnings.

Favored by the increase in shareholders’ equity, the capitalization ratios remained above the levels established by the institution’s internal policies (Table 4).

TABLE 4. CAPITALIZATION RATIOS

	2012	2013	2014	2015	2016
Gearing (times)²	2.4	2.4	2.5	2.4	2.4
Leverage (times)³	2.5	2.4	2.4	2.3	2.3
Capital/Risk-Weighted Assets (BIS)⁴	40.2%	39.3%	35.8%	36.6%	40.3%

2. According to CAF’s Articles of Agreement, this exposure measure should be less than or equal to 4.0 times.

3. According to CAF’s Articles of Agreement, this indebtedness measure should be less than or equal to 3.5 times.

4. According to CAF’s Board of Directors Policies, the capitalization level calculated in accordance with the Basel methodology, should be greater than or equal to 30%.

ASSET LIABILITY MANAGEMENT

In order to mitigate foreign exchange risk as well as interest rates risk, CAF's lending and borrowing activities are primarily conducted in floating rates and U.S. dollars. As of December 31, 2016, 99.8% of assets and 99.4% of liabilities were denominated in US dollars after swaps, while 99.2% of the loans and 97.1% of the financial liabilities were based on LIBOR after swaps. Transactions that are not denominated in US dollars or based on LIBOR are converted through swaps to those terms. The swaps book reached USD 18.2 billion at year-end 2016. CAF's policies establish that swap counterparties must be rated at least A-/A3 or have a credit support annex (CSA). Thus, CAF has established CSAs agreements with its derivatives counterparts, reducing the credit risk since valuations are made on a mark-to-market basis and the debtor has to post the corresponding collateral within certain predetermined parameters. CAF does not trade derivatives on its own account. Derivative instruments are used only for hedging purposes.

CAF seeks to maintain a conservative relationship between the average term of its assets and liabilities. As of December 31, 2016 the average life of its assets was 3.8 years and that of its liabilities 5.0 years.



AUDITED FINANCIAL STATEMENTS

- 233 MANAGEMENT'S REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING
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MANAGEMENT'S REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Corporación Andina de Fomento (CAF)'s internal control over financial reporting is a process effected by those in charge of governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

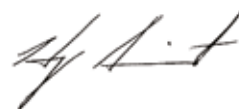
The Management of CAF is responsible for designing, implementing and maintaining effective internal control over financial reporting. Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on that assessment, CAF's Management concluded that CAF's internal control over financial reporting is effective as of December 31, 2016.

Internal control over financial reporting has inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

CAF's financial statements as of December 31, 2016, have been audited by an independent accounting firm, which has also issued an independent auditors' report on CAF's internal control over financial reporting. The audit report, which is included in this document, expresses an unmodified opinion on CAF's internal control over financial reporting as of December 31, 2016.



L. Enrique García
Executive President



Hugo Sarmiento K.
Corporate Vice President of Finance



Marcos Subía G.
Director, Accounting
and Budget

January 31, 2017

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF)

We have audited the internal control over financial reporting of **Corporación Andina de Fomento (CAF)** as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for Internal Control over Financial Reporting

CAF's management is responsible for designing, implementing, and maintaining effective internal control over financial reporting, and for its assessment about the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Effectiveness of Internal Control over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on the CAF's internal control over financial reporting based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit includes obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, **Corporación Andina de Fomento (CAF)** maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Report on Financial Statements

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the years ended December 31, 2016 and 2015 of CAF, and our report dated January 31, 2017, expressed an unmodified opinion on those financial statements.



January 31, 2017
Caracas - Venezuela

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF)

We have audited the accompanying financial statements of **Corporación Andina de Fomento (CAF)**, which comprise the balance sheets as of December 31, 2016 and 2015, and the related statements of comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Corporación Andina de Fomento (CAF)** as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Internal Control over Financial Reporting

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the CAF's internal control over financial reporting as of December 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 31, 2017 expressed an unmodified opinion on the CAF's internal control over financial reporting.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script font.

January 31, 2017
Caracas - Venezuela

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

BALANCE SHEETS

As of December 31, 2016 and 2015

(In thousands of U.S. dollars)

	NOTES	2016	2015
ASSETS			
Cash and due from banks	3	72,403	216,078
Deposits with banks	3	1,652,367	2,590,453
Cash and deposits with banks		1,724,770	2,806,531
Marketable securities:			
Trading	5 and 21	9,267,953	6,787,875
Other investments	4	996,554	1,186,286
Loans (US\$ 37,196 and US\$ 26,108 at fair value as of December 31, 2016 and 2015)	6 and 21	21,977,081	20,430,792
Less loan commissions, net of origination costs		95,682	94,996
Less allowance for loan losses	6	63,749	58,929
Loans, net		21,817,650	20,276,867
Accrued interest and commissions receivable		345,115	303,935
Equity investments	7	386,051	328,390
Derivative financial instruments	20 and 21	118,353	215,509
Property and equipment, net	8	75,200	72,923
Other assets	9	937,342	491,379
TOTAL		35,668,988	32,469,695
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	10	3,098,883	2,700,248
Commercial paper	11	2,112,717	2,589,875
Borrowings (US\$ 535,514 and US\$ 526,807 at fair value as of December 31, 2016 and 2015)	12 and 21	1,422,375	1,463,850
Less debt issuance costs		909	934
Borrowings, net		1,421,466	1,462,916
Bonds (US\$ 16,740,167 and US\$ 14,526,090 at fair value as of December 31, 2016 and 2015)	13 and 21	17,171,924	15,058,361
Less debt issuance costs		26,618	29,763
Bonds, net		17,145,306	15,028,598
Accrued interest payable		281,058	249,534
Derivative financial instruments	20 and 21	1,021,292	808,097
Accrued expenses and other liabilities	14	114,622	106,333
Total liabilities		25,195,344	22,945,601
STOCKHOLDERS' EQUITY:			
Subscribed capital		7,219,455	6,511,460
Less callable capital portion		(1,589,660)	(1,553,660)
Capital subscriptions receivable		(846,250)	(466,525)
Paid-in capital		4,783,545	4,491,275
Additional paid-in capital		2,890,091	2,354,537
Reserves		2,678,853	2,601,223
Accumulated other comprehensive income		(1,563)	(571)
Retained earnings		122,718	77,630
Total stockholders' equity		10,473,644	9,524,094
TOTAL		35,668,988	32,469,695

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2016 and 2015
(In thousands of U.S. dollars)

	NOTES	2016	2015
Interest income:			
Loans	2 (f)	666,548	526,084
Investments and deposits with banks	2 (e), 3 and 4	108,144	53,636
Loan commissions	2 (f)	38,768	41,539
Total interest income		813,460	621,259
Interest expense:			
Bonds		397,755	293,240
Deposits		17,057	8,716
Commercial paper		18,366	8,900
Borrowings		27,278	23,828
Commissions		10,591	10,707
Total interest expense		471,047	345,391
Net interest income		342,413	275,868
Provision for loan losses	6	38,270	18,703
Net interest income, after provision for loan losses		304,143	257,165
Non-interest income:			
Other commissions		3,784	9,150
Dividends and equity in earnings of investees	7	15,155	3,103
Other income	12	32,662	4,511
Total non-interest income		51,601	16,764
Non-interest expenses:			
Administrative expenses	24	140,973	125,072
Impairment charge for equity investments	7	9,200	11,046
Other expenses		1,404	3,045
Total non-interest expenses		151,577	139,163
Net income before unrealized changes in fair value related to financial instruments and Contributions to Stockholders' Special Funds		204,167	134,766
Unrealized changes in fair value related to financial instruments	22	(13,449)	(3,136)
Net income before Contributions to Stockholders' Special Funds		190,718	131,630
Contributions to Stockholders' Special Funds	17	68,000	54,000
Net income		122,718	77,630
Other comprehensive income:			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 18	(1,563)	(603)
Amortization of defined benefit pension items	15 and 18	571	-
Total comprehensive income		121,726	77,027

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2016 and 2015

(In thousands of U.S. dollars)

	NOTES	Paid-in capital	Additional Paid-in capital	Reserves			Accumulated other comprehensive income	Retained earnings	Total stockholders' equity
				General reserve	Article 42 of by-laws	Total reserves			
BALANCES AT DECEMBER 31, 2014		4,250,495	1,911,487	2,012,149	451,435	2,463,584	32	137,639	8,763,237
Capital increase	16	240,780	443,050	-	-	-	-	-	683,830
Net income	16	-	-	-	-	-	-	77,630	77,630
Appropriated for general reserve	16	-	-	123,874	-	123,874	-	(123,874)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	13,765	13,765	-	(13,765)	-
Other comprehensive income	18	-	-	-	-	-	(603)	-	(603)
BALANCES AT DECEMBER 31, 2015		4,491,275	2,354,537	2,136,023	465,200	2,601,223	(571)	77,630	9,524,094
Capital increase	16	292,270	535,554	-	-	-	-	-	827,824
Net income	16	-	-	-	-	-	-	122,718	122,718
Appropriated for general reserve	16	-	-	69,830	-	69,830	-	(69,830)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	7,800	7,800	-	(7,800)	-
Other comprehensive income	18	-	-	-	-	-	(992)	-	(992)
BALANCES AT DECEMBER 31, 2016		<u>4,783,545</u>	<u>2,890,091</u>	<u>2,205,853</u>	<u>473,000</u>	<u>2,678,853</u>	<u>(1,563)</u>	<u>122,718</u>	<u>10,473,644</u>

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(In thousands of U.S. dollars)

	NOTES	2016	2015
OPERATING ACTIVITIES:			
Net income		122,718	77,630
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Contributions to Stockholders' Special Funds	17	22,500	16,000
Unrealized loss on trading securities	5	4,260	9,766
Amortization of loan commissions net of origination costs		(15,261)	(14,152)
Provision for loan losses	6	38,270	18,703
Impairment charge for equity investments	7	9,200	11,046
Equity in earnings of investees		(4,790)	(1,060)
Exchange difference	12	(28,223)	-
Amortization of deferred charges		5,360	4,206
Depreciation of property and equipment	8	5,682	5,725
Provision for employees' severance benefits		11,581	10,317
Provision for employees' savings plan		1,367	1,340
Unrealized changes in fair value related to financial instruments		13,449	3,267
Net changes in operating assets and liabilities:			
Severance benefits paid or advanced		(6,755)	(7,517)
Employees' savings plan paid or advanced		(771)	(449)
Trading securities, net		(2,492,444)	334,826
Interest and commissions receivable		(41,180)	(11,610)
Other assets		(4,658)	(1,577)
Accrued interest payable		31,523	9,987
Accrued expenses and other liabilities		(15,323)	899
		(2,466,213)	389,717
		(2,343,495)	467,347
INVESTING ACTIVITIES:			
Purchases of other investments	4	(3,477,421)	(4,003,321)
Maturities of other investments	4	3,667,153	4,413,643
Loan origination and principal collections, net	6	(1,560,635)	(1,282,438)
Equity investments, net	7	(62,071)	(46,032)
Purchases of property and equipment, net	8	(7,959)	(9,645)
Net cash used in investing activities		(1,440,933)	(927,793)
Carried forward,		(3,784,428)	(460,446)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2016 and 2015

(In thousands of U.S. dollars)

	NOTES	2016	2015
Brought forward,		(3,784,428)	(460,446)
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits		398,635	(996,262)
Net (decrease) increase in commercial paper		(477,158)	736,593
Net increase in derivative related collateral		(449,354)	(320,905)
Proceeds from issuance of bonds	13	3,961,421	3,044,137
Repayment of bonds	13	(1,557,104)	(1,255,123)
Proceeds from borrowings	12	272,352	172,965
Repayment of borrowings	12	(273,949)	(218,672)
Proceeds from issuance of shares	16	827,824	683,830
Net cash provided by financing activities		2,702,667	1,846,563
NET (DECREASE) INCREASE IN CASH AND DEPOSITS WITH BANKS		(1,081,761)	1,386,117
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		2,806,531	1,420,414
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		1,724,770	2,806,531
SUPPLEMENTAL DISCLOSURE:			
Interest paid during the year		417,009	328,254
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		97,156	168,194
Changes in derivative financial instruments liabilities		213,195	425,011

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

(In thousands of U.S. dollars)

1. ORIGIN

Business description – Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its Constitutive Agreement. Series “A” and “B” stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Series “C” stockholder countries are: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal and Spain. In addition, there are 13 banks which are Series “B” stockholders. CAF is headquartered in Caracas and has offices in Asuncion, Bogota, Brasilia, Buenos Aires, Mexico City, Panama City, La Paz, Lima, Madrid, Montevideo, Port of Spain and Quito.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping stockholder countries diversify their economies and become more competitive and responsive to social needs.

CAF offers financial and related services to the governments of its stockholder countries, as well as their public and private institutions, corporations and joint ventures. CAF’s principal activity is to provide short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in stockholder countries. Furthermore, CAF manages and supervises third-party cooperation funds owned and sponsored by other countries and organizations, destined to finance programs agreed upon with donor countries and organizations which are in line with CAF policies and strategies.

CAF raises funds to finance operations both within and outside its stockholder countries.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

a. Financial statement presentation – The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles with the U.S. dollar as the functional currency.

b. Use of estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related to the preparation of CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and estimating the allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

c. Transactions in other currencies – Transactions in currencies other than U.S. dollars are converted into U.S. dollars at exchange rates prevailing in international markets on the dates of the transactions. Currency balances other than U.S. dollars are converted into U.S. dollars at year-end exchange rates. Any foreign exchange gains or losses, including related hedge effects, are included in the statement of comprehensive income.

d. Cash and cash equivalents – Cash and cash equivalents comprised of cash, due from banks and short-term deposits with banks with an original maturity of three months or less.

e. Marketable securities – CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading marketable securities are mainly bought and held with the purpose of selling them in the short term. Trading marketable securities are recorded at fair value. Gains and losses from sales of trading marketable securities and changes in the fair value of trading marketable securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

f. Loans – CAF grants short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its loan portfolio into sovereign and non-sovereign.

Sovereign loans – Include loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.

Non-sovereign loans – Include loans granted to corporate and financial sectors (public and private sectors), among others, which are not guaranteed by national governments.

Loans are carried at their outstanding principal balances less: (i) write-offs, (ii) the allowance for loan losses, and (iii) loan commission fees received upon origination net of certain direct origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as interest income - loan commissions in the statement of comprehensive income.

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

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

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are payments status and the probability of collecting scheduled principal and interest payments when due.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirms the uncollectibility of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in any one country or economic group, which might be affected by market situations or other circumstances. For this reason, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan portfolio, exposure to economic groups from public and private sectors, among others. CAF reviews, on a semi-annual basis, the credit risk rating of its loans and classifies the risk into the following categories:

Satisfactory-excellent – Extremely strong capacity to meet financial commitments.

Satisfactory-very good – Strong capacity to meet financial commitments, not significantly vulnerable to adverse economic conditions.

Satisfactory-adequate – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.

“Watch” – Acceptable payment capacity however some indicators and elements require special attention otherwise they could result in impairment.

Special mention – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.

Sub-standard – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.

Doubtful – Currently highly vulnerable.

Loss – Payment default on financial commitments.

g. Troubled debt restructuring – A restructuring of debt constitutes a troubled debt restructuring if the creditor for economic or legal reasons related to the debtor's financial difficulties, grants a concession to the debtor that it would not otherwise consider.

The concession granted by CAF may include the modifications or renegotiation to the contractual terms of the loans such as interest rate reductions, principal discounts, restatement of future cash flows, extension of loan terms, and other modifications in order to minimize possible economic losses.

Loans whose terms are modified in a troubled debt restructuring, generally, already will have been identified as impaired. CAF's management individually evaluates the compliance of the new terms of the restructured loan for a reasonable period to calculate specific allowances for loan losses and if the remaining balance of the restructured loan is considered collectible, the restructured loan could return to accrual status.

h. Allowance for loan losses – The allowance for loan losses is maintained at a level CAF believes to be adequate to absorb losses inherent in the loan portfolio as of the date of the financial statements.

For purposes of determining the allowance for loan losses, CAF management classifies its portfolio for credit risk purposes into sovereign and non-sovereign. The allowance for loan losses is estimated considering the credit risk exposure, default probability and loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

The allowance for loan losses on sovereign loans is collectively evaluated and established by CAF based on the individual long-term foreign currency debt rating of the borrower countries, which is determined as the average rating of three recognized international risk rating agencies as of the date of each of the balance sheet presented. The long-term foreign currency debt rating considers a default probability. Given CAF's status as a de facto preferred creditor arising from its status as a multilateral financial institution and from the interest of its borrowers in maintaining their credit standing with CAF, and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, a factor reflecting a lower default probability – usually equivalent to three levels above its risk rating – is used.

For the non-sovereign loans, the allowance for loan losses is individually evaluated and calculated by considering CAF's internal rating of each borrower, using the probability of default corresponding to the average of the equivalent categories of the risk rating agencies.

For those cases where the category equivalent to the rating of a given borrower determined in accordance with any of the risk rating agencies is higher than the risk rating in local currency of the country corresponding to such borrower, or if for any reason there is no risk rating, the risk rating in local currency of such country determined by risk rating agencies will be used.

A specific allowance for loan losses is individually evaluated and established by CAF for impaired loans. A loan is considered as impaired when, based on currently available information and events, it is probable that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the original loan's effective interest rate. The allowance for loan losses is reported as a deduction from loans.

i. Equity investments – CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and funds and their participation in the securities markets and to serve as a catalytic agent in attracting resources to stockholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist when CAF holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee Company.

Investments representing less than 20% of the voting rights of the investee are recorded using the cost method, recognizing any dividends received as income.

A decline in the value of any equity investment accounted at cost or equity method, which is not deemed to be temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated, any impairment is charged to income and a new value for the investment is established.

The equity investments under cost method do not have available market price quotations and it is impracticable to determine the fair value of these investments without incurring excessive cost.

j. Property and equipment, net – Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair expenses are charged directly to the statements of comprehensive income for the year as incurred, while improvements and renewals are capitalized. Depreciation is calculated using the straight-line method, and charged to the statements of comprehensive income over the estimated useful life of assets.

The estimated useful life for assets is as follows:

Buildings	30 years
Building improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

k. Other assets – Other assets mainly include collateral, intangible assets and receivable from investment securities sold (Note 2e).

Collateral – CAF requires or posts collateral from or to individual swap counterparties and futures contracts in the form of cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap and futures counterparties for fulfilling its obligations under the collateral agreement. CAF records cash collateral received in other assets with a corresponding obligation to return the cash collateral received in accrued expenses and other liabilities. Cash collateral posted to swap counterparties and futures contracts, under the collateral agreement, are recorded in other assets.

Intangible assets – Include software investments which are reported at cost less accumulated amortization. The amortization is calculated with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

l. Impairment – A financial asset is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of the financial asset.

m. Deposits and commercial paper – Deposits and commercial paper are recorded at amortized cost.

n. Borrowings – The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are recorded at amortized cost, except for some borrowings that are designated as fair value hedge or as an economic hedge. The up-front costs and fees related to the issuance of borrowings recorded at amortized cost are deferred and reported in the balance sheet as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense (Note 2v).

o. Bonds – Medium and long-term bond issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are recorded as follows:

- Bonds denominated in currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related bond’s up-front costs and fees, are recognized in the statement of comprehensive income when they occur. CAF enters into cross-currency and interest rate swaps to economically hedge the interest rate and foreign exchange risks related with these bonds.
- The interest rate risk on US\$ denominated bonds is hedged using interest rate swaps, and such interest rate swaps are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the “shortcut method”). The related bond’s up-front costs and fees are deferred and reported in the balance sheet as a direct deduction from the face amount of the bonds, and amortized during the term of the bonds as interest expense (Note 2v).

Partial repurchases of bond issuances result in the derecognition of the corresponding liabilities. The difference between the repurchase price and the bond’s carrying amount is recognized as income/loss for the year.

p. Employees' severance benefits – Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the labor law of the member countries, when applicable. The accrual for employee severance benefits is presented as part of "labor benefits" account under "Accrued expenses and other liabilities" caption.

Under CAF's employee policies, employees earn a severance benefit equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, employees earn an additional two days' salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary per year. Severance benefits are recorded in the accounting records of CAF and interest on the amounts owed to employees are paid annually.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional severance benefit of one month of salary per year of service.

q. Pension plan – In March 2005, CAF established a pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan's benefits are calculated based on years of service and the average salary of the three consecutive years in which the employee received the highest salary. CAF periodically updates the benefit obligations considering actuarial assumptions.

r. Derivative financial instruments and hedging activities – CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. For derivative contracts for which hedge accounting is intended to apply, CAF designates the derivative financial instrument as a fair value hedge on the date the derivative contract is entered into. CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivative financial instruments that are designated as fair value hedge to specific assets and liabilities on the balance sheet, or to specific firm commitments. CAF's policy is not to enter into derivative financial instruments for speculative purposes. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values of the hedged items.

Changes in the fair value of highly effective derivative financial instruments considered to be hedges from an accounting perspective (fair value hedge) are recognized in the balance sheet. The ineffective portion of the change in fair value for a hedged derivative is recognized in the statement of comprehensive income.

Certain derivative financial instruments, although considered to be an effective hedge from an economic perspective (economic hedge), have not been designated as a hedge for accounting purposes. The changes in the fair value of such derivative financial instruments are recognized in the statement of comprehensive income, concurrently with the change in fair value of the underlying assets and liabilities.

CAF discontinues hedge accounting prospectively upon determining that the derivative financial instrument is no longer effective in offsetting changes in the fair value of the hedged item; the derivative expires or is sold, terminated or exercised; the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that the designation of the derivative financial instrument as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair value hedge, CAF continues to carry the derivative financial instrument on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative financial instrument at its fair value on the balance sheet, and recognizes any changes in its fair value in the statement of comprehensive income.

s. Fair value of financial instruments and fair value measurements – An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1 – Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets

or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

t. Guarantees – CAF provides guarantees for loans originated by third parties to support projects located within a stockholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention of sharing the risk with private lenders or holders of securities. CAF's responsibility is limited to paying up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the period covered by the guarantee.

u. Provision for guarantees losses – Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed exposures are classified as either sovereign or non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a de facto preferred creditor, arising from its status as a multilateral financial institution and from the interest of its borrowers in maintaining their credit standing with CAF, and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's Constitutive Agreement and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this average rating. For non-sovereign guarantees, the provision is determined by considering the CAF internal rating of each client and the average rating of the aforementioned agencies.

The provision for credit risks on contingent accounts, such as stand-by letters of credit and guarantees, are reported as other liabilities.

v. Recent accounting pronouncements applicable –

ASU 2015-14, Revenue from Contracts with Customers

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. This ASU will be effective for CAF in 2018.

During the year 2016, the following complementary updates related to Revenue from Contracts with Customers (Topic 606) were issued:

- ASU 2016-08, Principal versus Agent Considerations (Reporting Revenue Gross versus Net).
- ASU 2016-10, Identifying Performance Obligations and Licensing.
- ASU 2016-12, Narrow-Scope Improvements and Practical Expedients.
- ASU 2016-20, Technical Corrections and Improvements.

The modifications of these updates issued during the year 2016, which affect the Accounting Standards Update Guide N° 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements in Topic 606 (and any other Topic amended by Update 2014-09). Accounting Standards Update 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date, defers the effective date of Update 2014-09 by one year.

ASU 2016-01, Financial Instruments Recognition and Measurement of Financial Assets and Financial Liabilities

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU require all equity investments to be measured at fair value with changes in the fair value recognized through net income (other than those accounted for under equity method of accounting

or those that result in consolidation of the investee). The amendments in this ASU also require an entity to present separately in other comprehensive income the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. In addition the amendments in this ASU eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities and the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet for public business entities. This ASU will be effective for CAF in 2018.

ASU 2016-07, Investments – Equity Method and Joint Ventures

In March 2016, the FASB issued ASU 2016-07. The amendments in this update eliminate the requirement that when an investment qualifies for use of the equity method as a result of an increase in the level of ownership interest or degree of influence, an investor must adjust the investment, results of operations, and retained earnings retroactively on a step-by-step basis as if the equity method had been in effect during all previous periods that the investment had been held. The amendments require that the equity method investor add the cost of acquiring the additional interest in the investee to the current basis of the investor’s previously held interest and adopt the equity method of accounting as of the date the investment becomes qualified for equity method accounting and also require that an entity that has an available-for-sale equity security that becomes qualified for the equity method of accounting recognize through earnings the unrealized holding gain or loss in accumulated other comprehensive income at the date the investment becomes qualified for use of the equity method. This ASU will be effective for CAF in 2017.

ASU 2016-13, Financial Instruments – Credit Losses

In June 2016, the FASB issued ASU 2016-13. Financial Instruments – Credit Losses, which amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale debt securities. The ASU eliminates the probable initial recognition threshold in current guidance and, instead, requires an entity to reflect its current estimate of all expected credit losses. This ASU affects entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. This ASU will be effective for CAF in 2020.

ASU 2016-18, Restricted Cash – a consensus of the FASB Emerging Issues Task Force

In November 2016, the FASB issued ASU 2016-18, Restricted Cash – a consensus of the FASB Emerging Issues Task Force. The amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU will be effective for CAF in 2018.

3. CASH AND DEPOSITS WITH BANKS

Bank deposits with original maturity of three months or less include the following:

	December 31,	
	2016	2015
Cash and due from banks	72,403	216,078
Deposits with banks:		
U.S. dollars	1,652,367	2,590,453
	<u>1,724,770</u>	<u>2,806,531</u>

4. OTHER INVESTMENTS

Deposits with banks due in 90 days or more (original maturity) as follows:

	December 31,	
	2016	2015
U.S. dollars	995,792	1,185,463
Other currencies	762	823
	<u>996,554</u>	<u>1,186,286</u>

As of December 31, 2016 and 2015, the interest rate of these deposits ranged from 0.90% to 1.62% and from 0.22% to 1.12%, respectively.

5. MARKETABLE SECURITIES

Trading

A summary of trading securities follows:

	December 31,			
	2016		2015	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	1,867,916	1.82	1,895,996	2.03
Non-U.S. governments and government entities bonds	236,945	0.66	85,448	0.99
Financial institutions and corporate securities:				
Commercial paper	3,005,618	0.20	1,711,389	0.17
Certificates of deposits	2,257,292	0.36	1,176,718	0.48
Bonds	1,233,530	1.51	1,405,333	1.37
Collateralized mortgage obligation	336,041	4.47	306,152	4.66
Liquidity funds	330,611	1.00	206,839	1.00
	<u>7,163,092</u>	0.71	<u>4,806,431</u>	0.91
Marketable securities	<u>9,267,953</u>	0.93	<u>6,787,875</u>	1.23

Each certificate of deposit bears a maturity date and specified fixed interest rate. It also is registered with The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security and facilitates trading. The liquidity funds are comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

The fair value of trading securities include net unrealized losses of US\$ 4,260 and US\$ 9,766 at December 31, 2016 and 2015, respectively.

Net realized gains and losses from trading securities of US\$ 25,986 and US\$ 3,262 at December 31, 2016 and 2015, respectively, are included in the statement of comprehensive income in the line Investment and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits as to credit ratings, limits as to duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. As of December 31, 2016 and 2015, CAF does not have any significant concentrations of credit risk according to its investment guidelines. Non-US dollar-denominated securities included in marketable securities amounted to the equivalent of US\$ 33,452 and US\$ 4,158 at December 31, 2016 and December 31, 2015, respectively.

Maturity of debt securities follows:

	December 31,	
	2016	2015
Remaining maturities:		
Less than one year	6,289,696	3,919,518
Between one and two years	2,249,657	2,083,753
Between two and three years	424,450	451,920
Between three and four years	126,963	133,526
Between four and five years	85,918	115,925
Over five years	91,269	83,233
	<u>9,267,953</u>	<u>6,787,875</u>

6. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loans are to Series "A" and "B" stockholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31,	
	2016	2015
Stockholder country:		
Argentina	2,839,947	2,771,280
Barbados	85,000	50,000
Bolivia	2,211,132	2,027,045
Brazil	1,984,105	2,060,065
Chile	111,000	20,000
Colombia	2,339,206	2,080,181
Costa Rica	113,570	119,587
Dominican Republic	212,064	224,096
Ecuador	3,317,875	3,044,551
Jamaica	4,496	5,085
Mexico	381,729	225,646
Panama	1,464,317	1,288,004
Paraguay	337,105	290,515
Peru	2,274,512	2,297,980
Spain	44,203	177,671
Uruguay	935,256	654,827
Venezuela	3,320,841	3,094,364
Sub-total loans	<u>21,976,358</u>	<u>20,430,897</u>
Fair value adjustments	723	(105)
Carrying value of loans	<u>21,977,081</u>	<u>20,430,792</u>

Fair value adjustments of loans represent adjustments to the amount of loans for which the fair value option is elected.

At December 31, 2016 and 2015, loans denominated in other currencies were granted for an equivalent of US\$ 57,212 and US\$ 30,057, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2016 and 2015, fixed interest rate loans amounted to US\$ 177,070 and US\$ 100,354, respectively.

Loans classified by public sector and private sector borrowers are as follows:

	December 31,	
	2016	2015
Public sector	18,773,300	16,822,700
Private sector	3,203,058	3,608,197
	<u>21,976,358</u>	<u>20,430,897</u>

The average yield of the loan portfolio is shown below:

	December 31,			
	2016		2015	
	Amount	Weighted Average yield (%)	Amount	Weighted Average yield (%)
Loans	<u>21,976,358</u>	<u>3.41</u>	<u>20,430,897</u>	<u>2.85</u>

Loans by industry segments are as follows:

	December 31,			
	2016	%	2015	%
Agriculture, hunting and forestry	150,018	-	78,094	-
Manufacturing industry	215,513	1	275,341	1
Electricity, gas and water supply	7,314,488	34	7,060,091	35
Transport, warehousing and communications	7,557,849	34	7,203,320	36
Financial Services - Commercial banks	1,626,136	7	1,646,223	8
Financial Services - Development banks	867,899	4	655,205	3
Social and other infrastructure programs	4,105,846	19	3,313,958	16
Others	138,609	1	198,665	1
	<u>21,976,358</u>	<u>100</u>	<u>20,430,897</u>	<u>100</u>

Loans mature as follows:

	December 31,	
	2016	2015
Remaining maturities:		
Less than one year	4,174,292	3,713,933
Between one and two years	2,142,039	2,069,209
Between two and three years	2,303,002	1,935,815
Between three and four years	2,061,910	2,027,559
Between four and five years	1,932,948	1,789,567
Over five years	9,362,167	8,894,814
	<u>21,976,358</u>	<u>20,430,897</u>

The loan portfolio classified based on the type of credit risk is as follows:

	December 31,	
	2016	2015
Sovereign guaranteed	18,028,341	16,482,282
Non-sovereign guaranteed	3,948,017	3,948,615
	21,976,358	20,430,897

CAF maintains an internal risk rating system to evaluate the quality of the non-sovereign guaranteed loan portfolio, which identifies, through a standardized rating and review parameters, those risks related to credit transactions. The sovereign guaranteed loan portfolio is classified by CAF as satisfactory - very good. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 2g).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2016 and 2015 is presented by internal credit risk classification, as follows:

	December 31,	
	2016	2015
Risk classification:		
Satisfactory-very good	1,671,461	2,042,901
Satisfactory appropriate	1,331,783	892,042
<i>Watch</i>	632,629	832,337
Special mention	173,761	57,500
Sub-standard	-	123,835
Doubtful	138,383	-
	3,948,017	3,948,615

Loan portfolio quality

The loan portfolio quality indicators and the related amounts are presented below:

	December 31,	
	2016	2015
During the year CAF recorded the following transactions:		
Impaired loans	120,841	0
Loans written-off	33,730	16,354
Purchases of loan portfolio	0	0
Sales of loan portfolio	52,500	107,110
Trouble debt restructured	44,203	0
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	120,841	0
Overdue loans	7,513	0
Allowance for loan losses as a percentage of loan portfolio	0.29%	0.29%
Nonaccrual loans as a percentage of loan portfolio	0.55%	0.00%
Overdue loan principal as a percentage of loan portfolio	0.03%	0.00%

A/B Loans

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2016 and 2015, CAF had loans of this nature amounting to US\$ 743,401 and US\$ 1,109,267, respectively; whereas other financial institutions provided funds for US\$ 455,754 and US\$ 763,217, respectively.

Troubled Debt Restructuring

As of December 31, 2016 there was a troubled debt restructuring of a non-sovereign guaranteed loan, classified as impaired, with an outstanding balance of US\$ 44,203. As a result of the restructuring, the principal modifications to the loan agreement consisted in extension of loan term, interest rate reductions and restatement of future cash flows, based on these facts CAF recognized a reduction of allowance for loan losses of US\$ 1,486. During 2015, there were no loans restructured.

Allowance for Loan Losses

Changes in the allowance and the balance for loan losses over the outstanding amounts, individually and collectively evaluated, are presented below:

	December 31,					
	2016			2015		
	Sector		Total	Sector		Total
Sovereign	Non-sovereign	Sovereign		Non-sovereign		
Balances at beginning of year	26,269	32,660	58,929	20,241	35,522	55,763
Provision for loan losses	(5,042)	43,312	38,270	6,028	12,675	18,703
Loans written-off	-	(33,730)	(33,730)	-	(16,354)	(16,354)
Recoveries	-	280	280	-	817	817
Balances at end of year	<u>21,227</u>	<u>42,522</u>	<u>63,749</u>	<u>26,269</u>	<u>32,660</u>	<u>58,929</u>
Allowance:						
Individually evaluated for loan losses	-	42,522	42,522	-	32,660	32,660
Collectively evaluated for loan losses	<u>21,227</u>	<u>-</u>	<u>21,227</u>	<u>26,269</u>	<u>-</u>	<u>26,269</u>
	<u>21,227</u>	<u>42,522</u>	<u>63,749</u>	<u>26,269</u>	<u>32,660</u>	<u>58,929</u>
Loans:						
Individually evaluated for loan losses	-	3,948,017	3,948,017	-	3,948,615	3,948,615
Collectively evaluated for loan losses	<u>18,028,341</u>	<u>-</u>	<u>18,028,341</u>	<u>16,482,282</u>	<u>-</u>	<u>16,482,282</u>
	<u>18,028,341</u>	<u>3,948,017</u>	<u>21,976,358</u>	<u>16,482,282</u>	<u>3,948,615</u>	<u>20,430,897</u>

7. EQUITY INVESTMENTS

Equity investments, which have no readily determinable fair value, are as follows:

	December 31,	
	2016	2015
Direct investment in company accounted under equity method	10,674	9,979
Investment funds accounted under equity method	27,198	33,369
Direct investments in companies at cost	80,689	81,189
Investment funds at cost	<u>267,490</u>	<u>203,853</u>
	<u>386,051</u>	<u>328,390</u>

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31,	
		2016	2015
Investment Funds:			
Bolivia	20	2,891	3,090
Brazil	Between 9 and 19	30,990	31,377
Colombia	Between 6 and 19	53,881	46,657
Mexico	Between 6 and 23	89,496	48,475
Peru	6	6,758	6,726
Regional	Between 2 and 33	110,671	100,896
		<u>294,687</u>	<u>237,221</u>
Direct Investments in companies			
Argentina	17	-	2,000
Bolivia	20	10,674	9,979
Brazil	13	7,000	7,000
Colombia	8	15,000	15,000
Ecuador	10	490	490
Peru	Between 1 and 13	11,740	11,740
Regional	Between 1 and 20	46,460	44,960
		<u>91,364</u>	<u>91,169</u>
		<u>386,051</u>	<u>328,390</u>

Details of equity investments under equity method are as follows:

	Equity participation	Latest financial statements	December 31,	
			2016	2015
Company:				
Banco de Desarrollo de la Producción	20%	08/31/2016	<u>10,674</u>	<u>9,979</u>
Funds:				
Darby Latin American Mezzanine Fund II	20%	09/30/2016	12,366	10,481
Emerging Energy Latin America Fund	0%		-	1,576
Fondo de Fondos México II	0%		-	8,278
Microfinance Growth Fund	20%	09/30/2016	5,990	5,854
Produbanco Darby-Probanco Fund II	33%	09/30/2016	5,951	4,090
Próspero Microfinanzas Fund	20%	09/30/2016	2,891	3,090
			<u>27,198</u>	<u>33,369</u>

During 2016 and 2015, CAF recognized income of US\$ 10,365 and US\$ 2,043, respectively, for dividends received from investments under the cost method, which are included in the statements of comprehensive income.

At December 31, 2016 and 2015, CAF recognized impairment related to cost-method investments of US\$ 9,200 and US\$ 11,046, respectively.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment, net follows:

	December 31,	
	2016	2015
Land	27,029	27,029
Buildings	38,931	38,814
Buildings improvements	20,984	19,773
Leased building improvements	6,948	6,392
Furniture and equipment	25,956	24,066
Vehicles	1,020	1,008
	<u>120,868</u>	<u>117,082</u>
Less accumulated depreciation	59,677	54,589
Projects in progress	14,009	10,430
	<u><u>75,200</u></u>	<u><u>72,923</u></u>

Depreciation expenses of US\$ 5,682 and US\$ 5,725 for property and equipment for the years ended December 31, 2016 and 2015, respectively, are included in the statement of comprehensive income.

9. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2016	2015
Derivative related collateral	904,902	455,361
Intangible assets, net	14,052	13,795
Receivable from investment securities sold	-	2,876
Other	18,388	19,347
	<u>937,342</u>	<u>491,379</u>

10. DEPOSITS

A summary of deposits follows:

	December 31,	
	2016	2015
Demand deposits	77,321	333,969
Time deposits:		
Less than one year	3,021,562	2,366,279
	<u>3,098,883</u>	<u>2,700,248</u>

At December 31, 2016 and 2015, the weighted average cost was 0.61% and 0.28%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits denominated in other currencies amount to US\$ 914 and US\$ 1,058 at December 31, 2016 and 2015, respectively.

11. COMMERCIAL PAPER

The outstanding amount of commercial paper issued by CAF amounting to US\$ 2,112,717 at December 31, 2016 will mature in 2017 (US\$ 2,589,875 at December 31, 2015 matured in 2016).

At December 31, 2016 and 2015, the weighted average interest rate cost was 0.82% and 0.43% respectively.

12. BORROWINGS

A summary of borrowings by currency follows:

	December 31,	
	2016	2015
U.S. dollars	1,269,296	1,280,884
Euros	112,900	112,900
Peruvian nuevos soles	35,416	21,695
Venezuelan bolivars	60	34,127
Other currencies	7,425	5,337
	<u>1,425,097</u>	<u>1,454,943</u>
Fair value adjustments	(2,722)	8,907
Less debt issuance costs	909	934
Carrying value of borrowings	<u>1,421,466</u>	<u>1,462,916</u>

At December 31, 2016 and 2015, the fixed interest-bearing borrowings amounted to US\$ 555,514 and US\$ 549,413, respectively. At December 31, 2016 and 2015, the weighted average interest rate after considering the impact of interest rate swaps was 2.02% and 1.75%, respectively.

During the year ended December 31, 2016, CAF recognized income for US\$ 28,223, mainly from exchange difference in borrowings denominated in Venezuelan bolivars, which are presented in "Non-interest income - Other income".

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2016	2015
Remaining maturities:		
Less than one year	111,936	476,242
Between one and two years	540,411	104,872
Between two and three years	158,231	206,041
Between three and four years	129,841	131,757
Between four and five years	117,841	116,757
Over five years	366,837	419,274
	<u>1,425,097</u>	<u>1,454,943</u>

Some borrowing agreements contain covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2016 and 2015, there were unused term credit facilities amounting to US\$ 478,995 and US\$ 511,216, respectively.

13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2016			2015		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)
U.S. dollars	7,799,202	7,799,202	2,28	6,762,371	6,762,371	2.37
Euro	4,977,094	4,169,433	2,05	4,257,096	3,602,169	1.86
Swiss francs	2,639,425	2,457,002	2,28	2,235,639	2,108,434	1.75
Australian dollars	718,094	643,556	2,43	772,283	658,078	1.57
Norwegian kroner	622,501	488,361	2,26	622,501	475,964	1.59
Hong Kong dollars	548,686	548,972	1,85	386,060	386,437	1.88
Japanese yen	347,939	290,723	3,31	310,578	244,996	2.77
Turkish lira	134,555	98,898	1,39	70,105	53,808	0.77
Colombian pesos	112,565	73,899	3,58	112,565	70,408	2.96
Mexican pesos	98,108	63,701	3,61	98,108	16,462	2.87
South African rand	60,362	61,378	1,41	22,598	16,247	0.80
Peruvian nuevos soles	14,943	14,583	1,60	22,397	21,532	0.91
	<u>18,073,474</u>	<u>16,709,708</u>		<u>15,672,301</u>	<u>14,416,906</u>	
Fair value adjustments		462,216			641,455	
Less debt issuance costs		26,618			29,763	
Carrying value of bonds		<u>17,145,306</u>			<u>15,028,598</u>	

A summary of the bonds issued, by remaining maturities at original exchange rate, follows:

	December 31,	
	2016	2015
Remaining maturities:		
Less than one year	2,080,201	1,561,251
Between one and two years	2,290,870	2,087,629
Between two and three years	2,366,440	2,225,655
Between three and four years	1,607,932	1,074,313
Between four and five years	2,537,642	1,133,701
Over five years	7,190,389	7,589,752
	<u>18,073,474</u>	<u>15,672,301</u>

At December 31, 2016 and 2015, fixed interest rate bonds amounted to US\$ 17,801,069 and US\$ 15,201,393, respectively, of which US\$ 10,286,532 and US\$ 8,927,226, respectively, are denominated in other currencies.

There were no bonds repurchased during the years ended December 31, 2016 and 2015.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2016	2015
Derivatives related collateral	187	-
Employees' severance benefits and savings plan	82,241	72,995
Payable for investment securities purchased	-	5,488
Contributions to Stockholders' Special Funds	22,500	16,000
Provision for contingencies	2,607	4,105
Other liabilities	7,087	7,745
	114,622	106,333

15. PENSION PLAN

At December 31, 2016 and 2015, the Plan has 568 and 489 participants and active employees, respectively. The measurement date used to determine pension plan benefit obligation is December 31.

For the years ended December 31, 2016 and 2015, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2016	2015
Change in benefit obligation:		
Benefit obligation at beginning of year	14,002	11,294
Service cost	1,715	1,438
Interest cost	594	481
Plan participants' contributions	1,600	1,319
Actuarial loss	1,177	224
Benefit paid	(325)	(754)
Benefit obligation at end of year	18,763	14,002

For the years ended December 31, 2016 and 2015, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2016	2015
Change in plan assets:		
Fair value of plan assets at beginning of year	13,431	11,326
Actual return on plan assets	325	221
Contributions	3,770	2,638
Benefit paid	(325)	(754)
Fair value of plan assets at end of year	17,201	13,431

Plan assets are as follows:

	December 31,	
	2016	2015
Plan assets:		
Deposits with banks	17,201	13,431

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2016 and 2015:

	December 31,	
	2016	2015
Service cost	1,715	1,438
Interest cost	594	481
Expected return on plan assets	(201)	(170)
	<u>2,108</u>	<u>1,749</u>

A summary of the net projected cost for the year 2017 follows:

Service cost:	
Contributions to the plan	1,776
Guaranteed benefit	412
	2,188
Interest cost	794
Expected return on plan assets	(258)
	<u>2,724</u>

A summary of the benefits expected to be paid for the next five years follows:

2017	539,441
2018	993,517
2019	345,823
2020	214,332
2021	437,735

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2016 and 2015 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	1.5%
Salary increase rate	3%

16. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2016 and 2015 amounts to US\$ 15,000,000, distributed among Series "A", "B" and "C" shares.

Additional paid-in capital

The additional paid-in capital of CAF at December 31, 2016 and 2015 amounts to US\$ 2,890,091 and US\$ 2,354,537, respectively. The additional paid-in capital is the amount paid by Series "B" and Series "C" stockholders in excess of the par value.

Subscribed Callable Capital

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

Shares

CAF's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Series "A" shares grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US\$ 1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela. Each of these shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Also, the commercial banks that currently hold Series "B" shares of CAF are entitled, as a group, to elect one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$ 5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares confer the right of representation on CAF's Board of Directors to two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2016 and 2015 follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2014	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495
Issued for cash	-	46,201	1,955	-	231,005	9,775	240,780
At December 31, 2015	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275
Issued for cash	1	56,224	1,990	1,200	281,120	9,950	292,270
Transfer of shares	-	23,457	(23,457)	-	117,285	(117,285)	-
At December 31, 2016	11	881,771	72,298	13,200	4,408,855	361,490	4,783,545

Subscribed and paid-in capital at December 31, 2016 is presented as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	88,423	-	1,200	442,115	-	443,315
Bolivia	1	50,003	-	1,200	250,015	-	251,215
Brazil	1	85,042	-	1,200	425,210	-	426,410
Colombia	1	163,894	-	1,200	819,470	-	820,670
Ecuador	1	50,324	-	1,200	251,620	-	252,820
Panama	1	23,676	-	1,200	118,380	-	119,580
Paraguay	1	23,938	-	1,200	119,690	-	120,890
Peru	1	176,550	-	1,200	882,750	-	883,950
Trinidad and Tobago	1	23,457	-	1,200	117,285	-	118,485
Uruguay	1	27,374	-	1,200	136,870	-	138,070
Venezuela	1	168,678	-	1,200	843,390	-	844,590
Barbados	-	-	3,522	-	-	17,610	17,610
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,796	-	-	33,980	33,980
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	198,695
Commercial banks	-	412	-	-	2,060	-	2,060
	11	881,771	72,298	13,200	4,408,855	361,490	4,783,545

At December 31, 2016, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	2,816	14,080	-	-	25,200	126,000	-	-
Bolivia	14,791	73,955	-	-	14,400	72,000	-	-
Brazil	2,816	14,080	-	-	25,200	126,000	-	-
Colombia	52,507	262,535	-	-	50,400	252,000	-	-
Ecuador	14,791	73,955	-	-	14,400	72,000	-	-
Panama	16,551	82,755	-	-	7,200	36,000	-	-
Paraguay	2,428	12,140	-	-	7,200	36,000	-	-
Peru	-	-	-	-	50,400	252,000	-	-
Trinidad and Tobago	-	-	-	-	7,200	36,000	-	-
Uruguay	14,086	70,430	-	-	7,200	36,000	-	-
Venezuela	48,156	240,780	-	-	50,400	252,000	-	-
Barbados	-	-	-	-	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	239	1,195	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Commercial banks	69	345	-	-	-	-	-	-
	<u>169,011</u>	<u>845,055</u>	<u>239</u>	<u>1,195</u>	<u>259,200</u>	<u>1,296,000</u>	<u>58,732</u>	<u>293,660</u>

Subscribed and paid-in capital at December 31, 2015 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	81,934	-	1,200	409,670	-	410,870
Bolivia	1	46,985	-	1,200	234,925	-	236,125
Brazil	1	69,194	-	1,200	345,970	-	347,170
Colombia	1	159,414	-	1,200	797,070	-	798,270
Ecuador	1	47,306	-	1,200	236,530	-	237,730
Panama	1	21,211	-	1,200	106,055	-	107,255
Paraguay	1	21,192	-	1,200	105,960	-	107,160
Peru	1	167,420	-	1,200	837,100	-	838,300
Uruguay	1	25,060	-	1,200	125,300	-	126,500
Venezuela	1	161,962	-	1,200	809,810	-	811,010
Barbados	-	-	1,761	-	-	8,805	8,805
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,567	-	-	32,835	32,835
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	198,695
Trinidad and Tobago	-	-	23,457	-	-	117,285	117,285
Commercial banks	-	412	-	-	2,060	-	2,060
	<u>10</u>	<u>802,090</u>	<u>93,765</u>	<u>12,000</u>	<u>4,010,450</u>	<u>468,825</u>	<u>4,491,275</u>

At December 31, 2015, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	9,305	46,525	-	-	25,200	126,000	-	-
Bolivia	4,428	22,140	-	-	14,400	72,000	-	-
Brazil	18,664	93,320	-	-	25,200	126,000	-	-
Colombia	16,702	83,510	-	-	50,400	252,000	-	-
Ecuador	4,428	22,140	-	-	14,400	72,000	-	-
Panama	5,635	28,175	-	-	7,200	36,000	-	-
Paraguay	5,174	25,870	-	-	7,200	36,000	-	-
Peru	9,130	45,650	-	-	50,400	252,000	-	-
Uruguay	3,019	15,095	-	-	7,200	36,000	-	-
Venezuela	14,587	72,935	-	-	50,400	252,000	-	-
Barbados	-	-	1,761	8,805	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	468	2,340	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Commercial banks	4	20	-	-	-	-	-	-
	<u>91,076</u>	<u>455,380</u>	<u>2,229</u>	<u>11,145</u>	<u>252,000</u>	<u>1,260,000</u>	<u>58,732</u>	<u>293,660</u>

General Reserve

CAF maintains a general reserve approved by the Stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the general reserve by US\$ 69,830 and US\$ 123,874 during the years ended December 31, 2016 and 2015, through appropriations from net income for the years ended December 31, 2015 and 2014, respectively.

Reserve Pursuant to Article N° 42 of the Constitutive Agreement

CAF's Constitutive Agreement requires that at least 10% of annual net income is to be appropriated to a reserve fund until that reserve fund amounts to 50% of the subscribed capital, which is considered an equity reserve. Additional appropriation may be approved by the stockholders. At the Stockholders' Assembly in March 2016 and 2015, it was authorized to increase the reserve fund by US\$ 7,800 and US\$ 13,765, through an appropriation from net income for the years ended December 31, 2015 and 2014, respectively.

17. CONTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

The stockholders' special funds are created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries. CAF has no residual interest in these stockholders' special funds.

The Stockholders' Assembly approves a maximum amount to be contributed to stockholders' special funds during the fiscal year and to recognize these contributions as expenses. The Executive President by delegation of the Stockholders' Assembly may authorize, up to the maximum approved amount, the amounts that will be contributed during the current period, based on the analysis of the new commitments contracted or the resources required by the stockholders' special funds.

In March 2016, the Stockholders' Assembly approved the contribution up to a maximum amount of US\$ 72,000 to some stockholders' special funds for 2016. Subsequently, the Executive President directly or by delegation based on the analysis of the new commitments contracted or the resources required by the stockholders' special funds authorized the contributions of US\$ 36,000, US\$ 20,000, US\$ 10,000 and US\$ 2,000 to Compensatory Financing Fund (FFC), Technical Cooperation Fund (FCT) Fund for the Development of Small and Medium Enterprises (FIDE), and Human Development Fund (FONDESHU), respectively. As of December 31, 2016, CAF recognized US\$ 68,000 as an expense and recognized an unconditional obligation (accounts payable) for US\$ 22,500 which will be paid in January 2017.

In March 2015, the Stockholders' Assembly approved the contribution of up to a maximum amount of US\$ 72,000 to some stockholders' special funds for 2015. Subsequently, the Executive President directly or by delegation authorized the disbursement of US\$ 32,000, US\$ 20,000 and US\$ 2,000 to FFC, FCT and FONDESHU, respectively. As of December 31, 2015, CAF recognized US\$ 54,000 as an expense and recognized an unconditional obligation (accounts payable) for US\$ 16,000, which were paid in 2016.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income balances as of December 31, 2016 and 2015, and the amounts reclassified out of accumulated other comprehensive income and into net income were as follows:

	December 31,	
	2016	2015
Balances at beginning of the year	(571)	32
Unrecognized changes in assets/ liabilities under benefit pension plan	(1,563)	(603)
Amortization of defined benefit pension items (1)	571	-
Balances at end of year	<u>(1,563)</u>	<u>(571)</u>

(1) This accumulated other comprehensive income component is included in administrative expenses in the statement of comprehensive income.

19. TAX EXEMPTIONS

In all Full Member Shareholder Countries, CAF is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any taxes.

20. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

The market risk associated with interest rate and foreign currency risk is managed by swapping marketable securities - trading, loans, borrowings and bonds, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative financial instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings. Derivative contracts held by CAF consist of interest rate swaps designated as fair value hedges of specifically identified loans, bonds or borrowings with fixed interest rates and denominated in U.S. dollars. Also CAF enters into cross-currency and interest rate swaps as an economic hedge (derivative that is entered into to manage a risk but is not accounted as a hedge) for interest rate and foreign exchange risks related with bonds, borrowings or loans denominated in currencies other than the U.S. dollar where CAF's management elected to measure those liabilities and assets at fair value under the fair value option guidance.

When the fair value of a derivative financial instrument is positive, the counterparty owes CAF, creating credit risk for CAF. When the fair value of a derivative financial instrument is negative, CAF owes the counterparty and, therefore, it does not have credit risk. CAF minimizes the credit risk in derivative financial instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

In order to reduce the credit risk in derivative financial instruments, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap contracts are regularly marked-to-market, and the party being the net obligor is required to post collateral when the net marked-to-market exposure exceeds certain predetermined thresholds. This collateral is in the form of cash.

CAF does not offset for each counterparty, the fair value amount recognized for derivative financial instruments with the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty. CAF reports separately the cumulative gross amounts for the receivable from and payable to for derivative financial instruments.

CAF also utilizes futures derivatives instruments to reduce exposure to price risk. These are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities. CAF generally closes out open positions prior to maturity. Therefore, cash receipts or payments are limited to the change in fair value of the future contracts. Additionally, CAF utilizes forward contracts to reduce exposure to foreign currency risk.

At December 31, 2016 and 2015, balance sheet details related to CAF's derivative financial instruments is as follows:

	Derivative assets		Derivative liabilities	
	December 31,		December 31,	
	2016	2015	2016	2015
Interest rate swap	61,657	123,618	78,076	13,097
Cross-currency swap	56,238	91,603	942,965	794,589
U.S Treasury Futures	318	271	26	134
Cross-currency forward contracts	140	17	225	277
	<u>118,353</u>	<u>215,509</u>	<u>1,021,292</u>	<u>808,097</u>

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2016 and 2015:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2016:				
Marketable securities - Trading	-	29,982	476	452
Loans	21,495	-	290	8
Loans	-	15,000	-	151
Borrowings	-	112,900	-	7,822
Borrowings	425,336	-	7,115	3,057
Bonds	-	10,286,532	55,762	934,540
Bonds	7,353,173	-	54,252	75,011
	<u>7,800,004</u>	<u>10,444,414</u>	<u>117,895</u>	<u>1,021,041</u>
At December 31, 2015:				
Loans	-	6,117	3,045	-
Loans	22,143	-	179	27
Borrowings	-	112,900	-	4,138
Borrowings	405,000	-	12,581	132
Bonds	-	8,927,226	88,558	790,451
Bonds	6,212,803	-	110,858	12,938
	<u>6,639,946</u>	<u>9,046,243</u>	<u>215,221</u>	<u>807,686</u>

The following table presents the notional amount and fair values of U.S. treasury futures and cross-currency forward contracts at December 31, 2016 and 2015:

At December 31, 2016

	Start date	Termination date	Contract Currency	Notional amount	Fair value
					Derivative assets
Forward contracts	Various	Until January 2017	Various	<u>43,593</u>	<u>140</u>
Futures short	Various	Until March 2017	Various	<u>1,177,200</u>	<u>318</u>
					Fair value
	Start date	Termination date	Contract Currency	Notional amount	Derivative liabilities
Forward contracts	Various	Until January 2017	Various	<u>43,680</u>	<u>(225)</u>
Futures long	Various	Until March 2017	Various	<u>21,200</u>	<u>(26)</u>

At December 31, 2015

	Start date	Termination date	Contract Currency	Notional amount	Fair value
					Derivative assets
Forward contracts	Various	Until March 2016	Various	<u>21,335</u>	<u>17</u>
Futures long	Various	Until March 2016	Various	82,600	(27)
Futures short	Various	Until March 2016	Various	18,000	298
				<u>100,600</u>	<u>271</u>
					Fair value
	Start date	Termination date	Contract Currency	Notional amount	Derivative liabilities
Forward contracts	Various	Until March 2016	Various	<u>21,525</u>	<u>(277)</u>
Futures short	Various	Until March 2016	Various	<u>(553,200)</u>	<u>(134)</u>

The amount of collateral posted related with futures at December 31, 2016 and December 31, 2015, was US\$ 20,059 and US\$ 4,098, respectively.

CAF enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting arrangements with substantially all of its derivative counterparties. These legally enforceable master netting arrangements give CAF the right to take cash or liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty. The following tables present information about the effect of offsetting of derivative financial instruments, although CAF has elected not to offset any derivative financial instruments by counterparty in the balance sheet:

At December 31, 2016

Derivative assets

Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	117,895	(117,467)	-	428

Derivative liabilities

Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	(1,021,041)	117,467	884,843	(18,731)

At December 31, 2015

Derivative assets

Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	215,221	(213,364)	-	1,857

Derivative liabilities

Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	(807,686)	213,364	451,263	(143,059)

21. FAIR VALUE MEASUREMENTS

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each financial instrument is classified. Where appropriate, the description includes details of the valuation techniques and the key inputs to those models.

When available, CAF generally uses quoted prices in active markets to determine fair value.

If quoted market prices in active markets are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc.

Where available, CAF may also make use of quoted prices in active markets for recent trading activity in positions with the same or similar characteristics to the financial instrument being valued. The frequency and size of trading activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed quoted prices from those markets.

The following valuation methodologies are used to estimate the fair value and determine the classification in the fair value hierarchy of CAF's financial instruments:

- **Marketable securities:** CAF uses quoted prices in active markets to determine the fair value of trading securities. These securities are classified in Level 1 of the fair value hierarchy.
- **Loans:** The fair value of fixed rate loans, is determined by using the current variable interest rate for similar loans. These loans are classified in Level 2 of the fair value hierarchy.

- **Derivative assets and liabilities:** Derivative financial instruments transactions contracted and designated by CAF as hedges of risks related to interest rates, currency rates or both, for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated using market prices provided by the counterparties, which are determined based on discounted cash flows using observable inputs. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.
- **Bonds and borrowings:** For CAF's bonds issued and medium and long term borrowings, fair value is determined by using a discounted cash flow technique, taking into consideration benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market fluctuation of key variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Bonds and borrowings are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the valuation technique.

During 2016 and 2015, there were no transfers between levels 1, 2 and 3.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair value hierarchy levels CAF's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2016 and 2015:

At December 31, 2016

	Level 1	Level 2	Level 3	Total
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,867,916	-	-	1,867,916
Non-U.S. governments and government entities bonds	236,945	-	-	236,945
Financial institutions and corporate securities:				
Commercial paper	3,005,618	-	-	3,005,618
Certificate of deposits	2,257,292	-	-	2,257,292
Bonds	1,233,530	-	-	1,233,530
Collateralized mortgage obligation	336,041	-	-	336,041
Liquidity funds	330,611	-	-	330,611
	<u>7,163,092</u>	<u>-</u>	<u>-</u>	<u>7,163,092</u>
Sub-total financial assets at fair value	9,267,953	-	-	9,267,953
Loans	-	37,196	-	37,196
Derivative instruments:				
Interest rate swap	-	61,657	-	61,657
Cross-currency swap	-	56,238	-	56,238
U.S Treasury Futures	-	318	-	318
Cross-currency forward contracts	-	140	-	140
	<u>-</u>	<u>118,353</u>	<u>-</u>	<u>118,353</u>
Total financial assets at fair value	<u>9,267,953</u>	<u>155,549</u>	<u>-</u>	<u>9,423,502</u>
Liabilities:				
Borrowings	-	535,514	-	535,514
Bonds	-	16,740,167	-	16,740,167
Derivative instruments:				
Interest rate swap	-	78,076	-	78,076
Cross-currency swap	-	942,965	-	942,965
U.S Treasury Futures	-	26	-	26
Cross-currency forward contracts	-	225	-	225
	<u>-</u>	<u>1,021,292</u>	<u>-</u>	<u>1,021,292</u>
Total financial liabilities at fair value	<u>-</u>	<u>18,296,973</u>	<u>-</u>	<u>18,296,973</u>

At December 31, 2015

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,895,996	-	-	1,895,996
Non-U.S. governments and government entities bonds	85,448	-	-	85,448
Financial institutions and corporate securities:				
Commercial paper	1,711,389	-	-	1,711,389
Certificate of deposits	1,176,718	-	-	1,176,718
Bonds	1,405,333	-	-	1,405,333
Collateralized mortgage obligation	306,152	-	-	306,152
Liquity funds	206,839	-	-	206,839
	<u>4,806,431</u>	<u>-</u>	<u>-</u>	<u>4,806,431</u>
Sub-total financial assets at fair value	6,787,875	-	-	6,787,875
Loans	-	26,108	-	26,108
Derivative instruments:				
Interest rate swap	-	123,618	-	123,618
Cross-currency swap	-	91,603	-	91,603
U.S Treasury Futures	-	271	-	271
Cross-currency forward contracts	-	17	-	17
	<u>-</u>	<u>215,509</u>	<u>-</u>	<u>215,509</u>
Total financial assets at fair value	<u><u>6,787,875</u></u>	<u><u>241,617</u></u>	<u><u>-</u></u>	<u><u>7,029,492</u></u>
Liabilities:				
Borrowings	-	526,807	-	526,807
Bonds	-	14,526,090	-	14,526,090
Derivative instruments:				
Interest rate swap	-	13,097	-	13,097
Cross-currency swap	-	794,589	-	794,589
U.S Treasury Futures	-	134	-	134
Cross-currency forward contracts	-	277	-	277
	<u>-</u>	<u>808,097</u>	<u>-</u>	<u>808,097</u>
Total financial liabilities at fair value	<u><u>-</u></u>	<u><u>15,860,994</u></u>	<u><u>-</u></u>	<u><u>15,860,994</u></u>

Items that are not measured at fair value

The carrying amount and estimated fair values of CAF's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	Hierarchy Levels	December 31,			
		2016		2015	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	72,403	72,403	216,078	216,078
Deposits with banks	1	1,652,367	1,652,367	2,590,453	2,590,453
Other investments	1	996,554	996,554	1,186,286	1,186,286
Loans, net	2	21,780,453	21,784,619	20,250,759	20,253,744
Accrued interest and					
commissions receivable	2	345,115	345,115	303,935	303,935
Derivate related collateral	1	904,902	904,902	455,361	455,361
Receivable from investment					
securities sold	1	-	-	2,876	2,876
Financial liabilities:					
Deposits	2	3,098,883	3,098,883	2,700,248	2,700,248
Commercial paper	2	2,112,717	2,112,717	2,589,875	2,589,875
Borrowings	2	885,952	888,029	936,108	936,770
Bonds	2	407,150	408,140	502,509	503,773
Accrued interest payable	2	281,059	281,059	249,534	249,534
Derivate related collateral	1	187	187	-	-
Payable for investment					
securities purchased	1	-	-	5,488	5,488

The following methods and assumptions were used to estimate the fair value of those financial instruments not accounted for at fair value:

- **Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, accrued interest payable, derivate related collateral, receivable from investment securities sold and payable for investment securities purchased:** The carrying amounts approximate fair value because of the short maturity of these instruments.
- **Loans:** CAF is one of the few institutions that grant loans for development projects in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined by using the current variable interest rate for similar loans. The fair value of impaired loans is estimated on the basis of discounted cash flows.
- **Equity investments:** CAF's equity investments in other entities accounted for at cost of US\$ 348,179 and US\$ 285,042 as of December 31, 2016 and 2015, respectively, do not have available market price quotations and it is impracticable to determine the fair value of these investments without incurring excessive cost.
- **Bonds and borrowings:** For CAF's bonds issued and medium and long term borrowings, fair value is determined by using a discounted cash flow technique, taking into consideration yield curves to discount the expected cash flows for the applicable maturity, thus reflecting the fluctuation of variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those transactions are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the valuation technique.

During 2016 and 2015, there were no transfers between levels 1, 2 and 3.

22. FAIR VALUE OPTION

CAF's management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted derivatives as an economic hedge to mitigate exposure to interest rate risk and foreign currency risk.

The results recorded in the statement of comprehensive income resulting from the periodic cash flows and unrealized changes in fair value as of December 31, 2016 and 2015 for instruments for which the fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2016	2015
Marketable securities - trading	992	-
Bond related swaps	(7,956)	(2,451)
Loan related swaps	90	347
Borrowings related swaps	(444)	(596)
Futures and forwards	(6,131)	(436)
	<u>(13,449)</u>	<u>(3,136)</u>

23. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2016	2015
Loan commitments subscribed - eligibles	5,622,081	5,387,461
Lines of credit	4,104,214	3,951,669
Loan commitments subscribed - non eligibles	1,896,500	2,333,937
Equity investments agreements subscribed	224,185	268,478
Guarantees	185,435	261,650
Letters of credit	12,050	4,849

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

In the ordinary course of business, CAF has entered into commitments to extend loans; such loan commitments are reported in the above table upon signing the corresponding loan agreement and are reported as loans in the balance sheets when disbursements are made. Loan commitments that have fulfilled the necessary requirements for disbursement are classified as eligible.

The commitments to extend loans have fixed expiration dates and in some cases expire without a loan being disbursed. Also, based on experience, portions of the loan commitments are disbursed on average two years after the signing of the loan agreement. Therefore, the amounts of total commitment to extend loans do not necessarily represent future cash requirements.

The lines of credit are extended to financial and corporate institutions as a facility to grant short term loans basically to finance working capital and international trade activities.

Guarantees mature as follows:

	December 31,	
	2016	2015
Less than one year	8,047	20,734
Between one and two years	32,582	59,408
Between three and five years	-	1,400
Over five years	144,806	180,108
	<u>185,435</u>	<u>261,650</u>

To the best knowledge of CAF's management, CAF is not involved in any litigation that is material to CAF's business or that is likely to have any impact on its business, financial condition or results of operations.

24. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2016 and 2015, CAF recorded administrative expenses as follows:

	December 31,	
	2016	2015
Salaries and employee benefits	91,763	80,085
Professional fees, seminars and other expenses	21,448	18,499
Logistics and infrastructure	16,389	14,740
Telecommunications and technology	11,373	11,748
	140,973	125,072

25. SPECIAL FUNDS AND OTHER FUNDS UNDER MANAGEMENT

CAF, as a multilateral financial institution, acts as administrator of several funds owned by third-parties and CAF's stockholders' special funds.

The stockholders' special funds contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions. The stockholders' special funds are governed by the provisions of the Constitutive Agreement and any other provisions that may be established by the Board of Directors. The resources of the stockholders' special funds, that come from a contribution by CAF (note 17), are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. With regard to the use of the stockholders' special funds, the financial responsibility of CAF, as administrator, is limited to the net assets of each of the constituted stockholders' special funds. CAF has no residual interest in the net assets of the stockholders' special funds.

As of December 31, 2016 and 2015, managed funds net assets are US\$ 418,536 and US\$ 455,209, respectively. The balances of these funds are as follows:

	December 31,	
	2016	2015
Compensatory Financing Fund (FFC) (1)	258,343	294,590
Fund for the Development of Small and Medium Enterprises (FIDE)	62,526	52,957
Technical Cooperation Fund (FCT)	42,839	50,162
Human Development Fund (FONDESHU)	10,186	13,430
Latin American Carbon, Clean Alternative Energies Program (PLAC)	5,712	6,448
Others non related with stockholders' special funds	38,930	37,622
	418,536	455,209

(1) FFC was created by CAF's stockholders for the purpose of compensating a portion of the interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the years ended December 31, 2016 and 2015, FFC compensated interest amounting to US\$ 75,460 and US\$ 70,307, respectively.

26. SEGMENT REPORTING

Management has determined that CAF has only one operating and reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate on the basis of the nature of the products or services provided the preparation process, or the method for providing services among individual countries.

For the years ended December 31, 2016 and 2015, loans made to or guaranteed by seven countries individually generated in excess, of 10% of loan income, as follows:

	December 31,	
	2016	2015
Argentina	92,253	82,950
Bolivia	67,749	53,067
Brazil	71,223	57,115
Colombia	-	41,867
Ecuador	100,268	75,382
Peru	73,691	64,450
Venezuela	96,861	75,429
	<u>502,045</u>	<u>450,260</u>

27. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2017, the date of issue of these financial statements. As a result of this evaluation, Management has determined that there are no subsequent events that require a disclosure in CAF's financial statements at the year ended December 31, 2016, except for:

- On January 24 2017, CAF issued bonds for BRL 220, 2 million, 8.10%, due 2020, under its Medium Term Notes Programme.
- On January 25 2017, CAF issued bonds for EUR 750 million, 0.50%, due 2022, under its Medium Term Notes Programme.

GOVERNING BODIES

CORPORACIÓN ANDINA DE FOMENTO

Shareholders' Meeting¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

The Board of Directors is comprised of representatives of Series A, B and C shareholders. It establishes CAF's policies, appoints the President, approves credit operations, the annual budget, as well as guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated as well to the Executive Committee or the President, according to criteria set forth by the Board.

Executive Committee

The Executive Committee was established by the Board of Directors in 1971. It is comprised of Directors designated by Series A, B and C shareholders, and is chaired by the President. It approves financial operations within the limits established by the Board.

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of the Chairman of the Board, Directors elected by the Board for a two-year period, and CAF's President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly; the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report on its implementation.

President

The President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The President is appointed for a five year period, and may be re-elected.

¹. The XLVII Ordinary Shareholders' Meeting was held on March 15, 2016.

². In 2016, four board meetings were held: March 15 (CLVI Board Meeting), July 19 (CLVII Board Meeting), December 13 (CLVIII Board Meeting and Extraordinary Board Meeting).

³. The Audit Committee met twice in 2016: March 14 (XXVII Audit Committee Meeting) and December 12 (XXVIII Audit Committee Meeting).

BOARD OF DIRECTORS (2014 - 2017)

PRESIDENT OF THE BOARD OF DIRECTORS (PERIOD 2016-2017):
Alfonso Prat-Gay, Minister of Economy and Public Finance of Argentina
(until December 31, 2016)*

SERIE "A" SHAREHOLDERS 2014 – 2017

ARGENTINA

Principal: Alfonso Prat-Gay
Minister of Economy and Public Finance

Alternate: Félix Martín Soto
Under Secretary for International
Financial Relations
Ministry of Economy and Public Finance

COLOMBIA

Principal: Mauricio Cárdenas
Minister of Finance and Public Credit

Alternate: María Claudia Lacouture
Minister of Commerce, Industry and
Tourism

PARAGUAY

Principal: Santiago Peña Palacios
Minister of Finance

Alternate: Lea Giménez
Vice Minister of Finance

BOLIVIA

Principal: René Gonzalo Orellana Halkyer
Minister of Development Planning

Alternate: Harley Rodríguez Téllez
Vice Minister of Public
Investment and External Financing

ECUADOR

Principal: María Soledad Barrera
President of the Board Directors of
Corporación Financiera Nacional

Alternate: Roberto Murillo
General Manager
Corporación Financiera Nacional

PERU

Principal: Alfredo Thorne
Minister of Economy and Finance

Alternate: Rossana Carla Polastri Clark
Vice Minister of Finance

TRINIDAD AND TOBAGO

Principal: Colm Imbert
Minister of Finance

Alternate: Alvin Hilaire
Governor of the Central Bank of
Trinidad and Tobago

BRAZIL

Principal: Dyogo Henrique de Oliveira
Minister of Planning, Budget and Management

Alternate: Jorge Saba Arbache Filho
Secretary of International Affairs of the
Ministry of Planning, Budget and Management

PANAMA

Principal: Dulcidio de La Guardia
Minister of Economy and Finance

Alternate: Iván Zarak
Vice Minister of Economy

URUGUAY

Principal: Danilo Astori
Minister of Economy and Finance

Alternate: Mario Bergara
President of the Central Bank of
Uruguay

VENEZUELA

Principal: Rodolfo Medina del Río,
Minister of Banking and Finance

Alternate: Dixorys Cachima
Vice Minister of Finance People's
Ministry of Banking and Finance

SERIES "B" SHAREHOLDERS 2014 – 2017

BOLIVIA

Principal: Luis Alberto Arce
Minister of Economy and Public Finance

Alternate: Sergio Cusicanqui
Vice Minister of Treasury and Public
Credit

PERU

Principal: Pedro Luis Grados Smith
President of the Board Directors
Corporación Financiera de Desarrollo
(COFIDE)

Alternate: Carlos Abel Paredes Salazar
Acting General Manager
Corporación Financiera de Desarrollo
(COFIDE)

COLOMBIA

Principal: José Darío Uribe
General Manager of Banco de la República

Alternate: Simón Gaviria
General Director of National Planning
Department

VENEZUELA

Principal: Simón Alejandro Zerpa
President of Banco de Desarrollo
Económico y Social de Venezuela
(BANDES)

Alternate: Vanessa Avendaño
Executive Vicepresident
Banco de Desarrollo Económico y
Social de Venezuela (BANDES)

ECUADOR

Principal: Patricio Rivera
Minister of Finance

Alternate: Madeleine Abarca
General Manager of Central Bank
of Ecuador

PRIVATE BANKING

Principal: Miguel Uccelli Labarthe
Vice President of the Board of
Directors and General Manager
Scotiabank Perú

Alternate: Gustavo Julio Vollmer Acedo
President of Mercantil, C.A., Banco
Universal de Venezuela

SERIES "C" SHAREHOLDERS 2015 – 2018

SPAIN

Principal: Luis de Guindos Jurado
Minister of Economy and Competitiveness

DOMINICAN REPUBLIC

Alternate: Donald Guerrero Ortiz
Minister of Finance

MEXICO

Principal: José Antonio Meade
Secretary of Finance and Public Credit

CHILE

Alternate: Eduardo Bitran Colodro
Executive Vice President of CORFO

* Until March 31, 2016, Rodolfo Medina del Río, Minister of Finance and Public Banking of Venezuela, presided over the Board of Directors.

EXECUTIVE MANAGEMENT

(As of December 31, 2015)

President and Chief Executive Officer L. Enrique García
Executive Vicepresident Luis Enrique Berrizbeitia
General Advisor Luis Sánchez Masi

Chief Legal Counsel Ricardo Sigwald
Associate Legal Counsel Fred Aarons

Corporate Secretary, Secretariat and External Relations Andrés Rugeles

Corporate Comptroller Marcelo Zalles
Director, Internal Audit Mayra Andrade
Director, Compliance and Portfolio Qualification Marcia Arliani

Corporate Director, Human Capital José Bellido
Director, Human Capital Planning Leopoldo Gómez
Special Advisor, Talent Management José Flores

Corporate Director, Risk & Credit Carlos Sanz
Director, Risk Control Martha Diez
Director, Private Risk Elizabeth Martínez

Corporate Director, Strategic Communication Mara Rubiños

Corporate Director, Technology and Operations Germán Alzate
Director, Operations Control Renato Castellanos
Director, Information Technology Diego Grillo

Corporate Director, European Office Guillermo Fernández
Corporate Director, Strategic Affairs, European Office Germán Ríos

Corporate Director, Physical Infrastructure, Logistic and Administration Elvira Lupo
Director, Development and Physical Infrastructure Maintenance Angel Contramaestre
Director, Logistic and Administrative Services Alfonso Márquez

Corporate Director, Environment and Climate Change Ligia Castro
Corporate Director, Institutional Development Christian Asinelli
Corporate Director, Social Innovation Ana Mercedes Botero

Special Advisor, Office of the President, Regional Integration Juan Pablo Rodríguez
Special Advisor, Office of the President Víctor Traverso

Corporate Vicepresident, Country Programs Liliana Canale
Corporate Director, Country Programs Alexis Gómez
Director, Operational Programming Miguel Ostos
Director, Development Cooperation Trust Funds Corina Arroyo
Director, Argentina
Director, Bolivia Emilio Uquillas
Director, Brazil Víctor Rico
Director, Colombia Carolina España
Director, Ecuador Bernardo Requena
Director, Mexico Moira Paz Estenssoro
Director, Panama Susana Pinilla
Director, Paraguay Jorge Gartner
Director, Peru Eleonora Silva
Director, Trinidad and Tobago Joel Branski
Director, Uruguay Gladis Genua

Corporate Vicepresident and Chief Financial Officer Hugo Sarmiento
Corporate Director, Financial Policies and International Emissions Gabriel Felpeto
Director, Institutional Funding Félix Bergel
Director, Treasury José Luis Villanueva
Director, Accounting and Budget Marcos Subía
Director, Market Strategies Aureliano Fernández

Corporate Vicepresident, Infrastructure Antonio Juan Sosa
Director, Sectorial Analysis and Programming Sandra Conde
Director, Northern Region Projects Lucía Meza
Director, Southern Region Projects Julián Suarez

Corporate Vicepresident, Productive and Financial Sectors Gustavo Ardila
Corporate Director, Productive and Financial Sectors Manuel Malaret
Director, Productive and Financial Sectors Northern Region Mauricio Salazar
Director, Productive and Financial Sector Southern Region Alejandro Gumucio
Director, Productive and Financial Development Juan Carlos Elorza

Corporate Director, Specialized Financial Services Carmen Elena Carbonell
Director, Financial Advisory Services Ignacio Fombona
Director, Structured Financing Ignacio Andino
Director, Equity Investments Carlos Suñer

Corporate Vicepresident, Social Development José Carrera
Director, Social Development Projects Northern Region Daniel Rivera
Director, Social Development Projects Southern Region Jaime Holguín
Director, Social Sustainability Silvia Oteyza

Corporate Vicepresident, Energy Hamilton Moss
Corporate Director, Energy Projects Renny López
Director, Energy Analysis and Strategies Mauricio Garrón

Corporate Director, Economic Analysis and Knowledge for Development Pablo Sanguinetti
Director, Investigaciones Socioeconómicas
Director, Macroeconomic Studies Adriana Arreaa
Director, Impact Evaluation and Policy Learning Daniel Ortega

Director, Special Assets Octavio Rosselli

PRODUCTS AND SERVICES

CAF's activities are aimed at supporting sustainable development and regional integration among its shareholder countries. As a multilateral source of financial resources, the institution attracts funds from international markets for Latin America with the objective of promoting investment and trade opportunities in the region. Likewise, CAF provides resources, typically non-reimbursable, for a series of special programs that promulgate its mission within the framework of its Comprehensive Development Agenda. These funds are devoted to socioeconomic development in shareholder countries through the financing of operations that contribute to improving the competitiveness of their economies, development of infrastructure, fostering of physical integration, promotion of micro-, small and medium-sized enterprises, strengthening of financial markets, development of human capital, and reform and modernization of states.

The institution offers financial products and services to shareholder countries and their public, private and mixed capital companies.

The products and services offered by CAF are aimed at supporting the implementation of the Comprehensive Development Agenda and its strategic programs. They include a series of financial instruments designed to meet clients' requirements and market opportunities, under the following headings:

Loans

Loans represent CAF's main financing instrument. They are used to support investment projects and activities aligned with the institution's corporate mission.

Project financing loans

Project financing loans are allocated for the development and execution of road, transportation, telecommunications, energy, water and environmental sanitation initiatives, along with border development and physical integration actions in shareholder countries. CAF also provides financing to

Support to the private sector

The private sector has a direct impact as a wealth creator, a generator of employment and a promoter of trade and markets. Companies also have a key multiplier role in education, knowledge and technology transfer. CAF promotes private sector participation in investment projects for the productive sectors of its shareholder countries. In addition, the institution structures physical integration projects to include private sector participation, on account of the large capital investments involved in infrastructural developments in Latin American countries. CAF offers direct assistance through loans—preferably long-term loans— and indirect assistance through partial coverage guarantees for government obligations in underlying transactions or part-financing.

Similarly, the institution offers advice on governance, corporate governance and the promotion of corporate social responsibility, which also requires the active participation of the sector.

corporate projects in the industrial field to enhance and renovate productive capacity and to insert businesses into regional and global markets.

Credit lines

Credit lines allow the institution to offer clients maximum resources for a given period without this representing an express commitment for the client.

Project structuring and financing

CAF actively participates in the financing of projects structured with limited guarantees (limited recourse lending). This category is mainly utilized for the financing of Build, Operate and Own (BOO) projects in the infrastructure sector, generally arising from concession contracts granted by governments or for mining, energy, and oil and gas exploitation projects.

Co-financing

Co-financing is a type of loan that complements the financial resources provided by CAF and draws external capital to the region. Under this instrument, the institution contributes the A portion of the loan using its own resources, while distributing the B portion among international banks or institutional investors. In addition, CAF co-finances operations with other multilateral organizations, such as the Inter-American Development Bank, the World Bank, the International Investment Corporation, the Nordic Investment Bank, the International Finance Corporation and the International Fund for Agricultural Development, as well as official bodies and local and international private banks.

Guarantees

CAF uses guarantees to endorse credit operations approved by other sources for governments, businesses and financial institutions.

Partial Credit Guarantees

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed by a third party. This mechanism allows CAF to bring in fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

Financial advice

The institution provides financial advice to public, private and mixed capital clients. Among other services, CAF offers assistance in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate to the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors bids to participate in public tender processes; iv) mergers and acquisitions; and v) company valuations.

Public-Private Participation

CAF participates actively in the structuring of financing operations with the private sector in order to overcome the shortage of funds available to finance infrastructure projects.

Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets. In some cases, CAF participates in the financing of these operations.

Treasury services

Treasury services include attracting deposits via the money desk, from very short terms (overnight) up to one year. CAF offers these services to its shareholder countries.

Equity investments

Equity investments are capital investments utilized by CAF to support business development and growth in shareholder countries and their access to securities markets, as well as to attract resources for the region.

Cooperation funds

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or contingent recovery, depending on the nature and purpose of the operation. Cooperation funds are primarily intended to support reforms related to state modernization processes, such as administrative decentralization and institutional strengthening.

They also contribute to export and investment levels, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and CAF's social responsibility activities.

CAF also manages and supervises funds, mostly non-reimbursable, received from other countries and bodies. They are used to finance programs aligned with CAF's policies and strategies and approved by donor organizations.

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