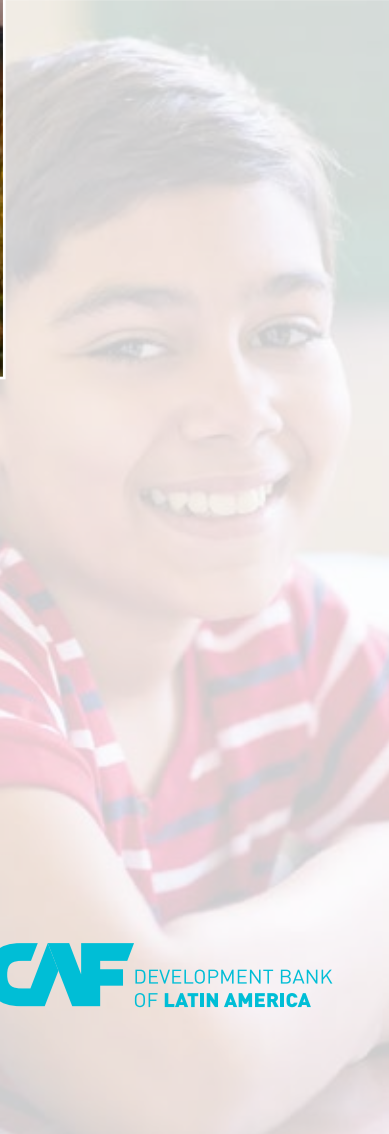




ANNUAL REPORT 2017



CAF assists the public and private sectors, providing multiple products and services to a wide portfolio of clients comprised 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.

ANNUAL REPORT 2017



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 comprised 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

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

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Message from the Executive President

In a context marked by important social, political and economic transformation throughout 2017, CAF operated as a true ally of development in Latin American countries, not only from a financial perspective but also as a generator of knowledge.

We have continued to do so because of the impact of our operations on critical areas such as urban mobility, regional integration, increased competitiveness, productive transformation, reduced inequality and the promotion of more sustainable cities. In 2017, we approved a series of credits that will have a direct incidence on the wellbeing of the Latin American people. In the sector of road infrastructure, for example, we supported financing operations for the construction, improvement and rehabilitation of 3,300 kilometers of new roads, which will benefit more than half a million users a year in different countries of the region. In terms of urban mobility, our operations will help some 120,000 people travel with new and better transportation systems.

In addition, as a result of the modernization of water infrastructure in 2017, we will contribute to improving the living conditions of 230,000 Latin Americans, while another 70,000 will enjoy better quality sanitation solutions and 28,000 households will have access to drinking water. These figures, which appear in the chapter on Operations and Development Contributions in this report, are testimony to CAF's support for the development of its member countries.

In regard to the institution's global position, in 2017, we approved 150 credit operations in the amount of USD 12.3 billion, we consolidated a loan portfolio and equity investments of USD 24 billion and we added assets for USD 38.1 billion.

These figures are a reflection of CAF's commitment to Latin America's sustainable and inclusive development, and they represented an important contribution to national development plans, in a year in which the region resumed economic growth—at a rate of around 1% on average—after two years of recession.

Although there are differences between countries, the overall soundness of macro-fiscal policies has made it possible to absorb a considerable external shock and resume the path to growth, given the improvements in international conditions.

To ensure that the region continues to develop, in the coming years it will be necessary to boost productivity, insert our products into global value chains and, at the same time, expand the important social progress achieved in recent years. The challenge for Latin America is to become an economically thriving and socially inclusive region, for which it is essential to have political stability and solid institutions committed to carry out this paradigm shift in productive systems.



In the corporate sphere, we defined several objectives in 2017 to bolster financial support of our shareholders: strengthened financial conditions, a balanced portfolio and greater leveraging.

Throughout the year we also promoted operational improvements and initiated various strategic projects with the aim to increase the quality and efficiency of our interventions and achieve a greater impact on the region's development, such as the Program for the Integration of Logistics Corridors, which will foster trade between our countries and increase competitiveness.

On the other hand, in 2017, we consolidated CAF's financial strength, which allowed us to ratify the ratings granted by the main risk rating agencies, such as Fitch, Moody's, Japan Credit and Standard & Poor's thanks to the trust and commitment of our shareholder countries.

In the institutional sphere, we promoted organizational changes with the aim of achieving greater internal operational efficiency, with austerity criteria oriented toward compliance with the institution's strategic objectives. We gave continuity to the development and implementation of improvements in all stages of the credit process, which has allowed us to boost the quality of our interventions, optimize the use of human and financial resources, and ensure the capture and permanence of the generated knowledge.

During 2017, we also promoted the consolidation of CAF as one of the main generators of knowledge about Latin American development and as a key actor to connect the region with the world. We organized urgent structural debates, such as the role of cities in socio-economic growth, the new economic and financial opportunities of the region in a changing international context, and the increase in productivity and competitiveness to overcome the trap of average income.

In conclusion, I want to thank the governments, our shareholders, members of the Board of Directors and, above all, CAF's staff for their tireless work toward Latin America's sustainable development. Their commitment and dedication have been, are and will continue to be the main guarantee of success of all our initiatives aimed at improving the living standards of all Latin Americans.

A handwritten signature in black ink, appearing to read 'Luis Carranza Ugarte', written in a cursive style.

LUIS CARRÁNZA UGARTE,
Executive President

CAF MEASURES THE CONTRIBUTIONS TO DEVELOPMENT OF ITS APPROVED CREDIT OPERATIONS THROUGHOUT THE YEAR, ESPECIALLY THE PROGRAMS, INVESTMENT PROJECTS AND CORPORATE LOANS. SOME OF THE MAIN HIGHLIGHTS FROM 2017 INCLUDE:



3,301 km

Built, improved and/or rehabilitated **roadways**



543,150

Users of built, improved and/or rehabilitated roadways



120,000

Travelers using new or improved sustainable transport



28,613

Households that benefitted from new or improved potable water connection



70,000

Individual beneficiaries of sanitation solutions



100,000

People living in neighborhoods where improvements in their habitat have been made

2017 HIGHLIGHTS

Total assets

2017

USD 38.1

billion

2016

USD 35.7

billion

Liquid assets

2017

USD 12.7

billion

2016

USD 12.0

billion

Net equity

2017

USD 11.1

billion

2016

USD 10.5

billion

Loan and investment portfolio

2017

USD 24.1

billion

2016

USD 22.4

billion

Paid-in capital

2017

USD 8.2

billion

2016

USD 7.7

billion

Operating income*

2017

USD 164

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





OPERATIONS AND DEVELOPMENT CONTRIBUTIONS

Operational management
Development contributions
Cross-cutting attributes

THROUGHOUT THE YEAR, CAF SPEARHEADED OPERATIONS WITH A COMPREHENSIVE APPROACH, SEEKING TO ESTABLISH CLOSER TIES BETWEEN TECHNICAL COOPERATION FUNDS AND ITS BUSINESS IN AN EFFORT TO OBTAIN A GREATER IMPACT ON DEVELOPMENT IN THE REGION. THESE OPERATIONS WERE FULLY ALIGNED WITH THE STRATEGIC TARGETS DEFINED BY CAF'S NEW EXECUTIVE PRESIDENCY.

In addition, operational improvements in all phases of the credit process were implemented to enrich interventions; to optimize the use of CAF's human and financial resources; and to ensure knowledge was captured and stored. In addition, several strategic projects were developed to improve the quality of the information. These projects helped to strengthen decision-making processes and to manage risk faced by the institution.

In 2017, CAF's Framework of Corporate Results (CAF-MRC)¹ was implemented. This framework aims to expand the scope of monitoring of CAF's results, to go beyond operative management and to incorporate aspects of development contributions and cross-cutting attributes of

the operations to promote the institution's contributions made as the region's development bank, in addition to the financial funds disbursed. This framework seeks to measure and show CAF's results in three areas: **operative management, development contributions and cross-cutting attributes.**

In terms of **operative management**, CAF will continue to measure and report the main business variables, such as approvals, disbursements and portfolio.

Development contributions reviews the added-value component of CAF's interventions in terms of the proposed development objectives for operations. The specific products financed with CAF credit and technical cooperation funds will be measured and reported,

along with an estimate of the results CAF expects to obtain from these interventions. To do this, CAF has defined a set of sector-specific indicators that will form part of all its operations. This guarantees the presence of the development perspective throughout their implementation.

In compliance with the third area, the **cross-cutting attributes** of all operations are being monitored. These refer to the priority cross-cutting concepts for CAF's interventions, such as contributions to countries' productivity, the mobilization of third-party funds, green financing, regional integration, institutional development and non-financial additionality.

Below are CAF's results for 2017 in these three dimensions.

¹ Formerly known as Integral Framework for Operational Management and Development Contributions.

Operational Management 2017

APPROVALS

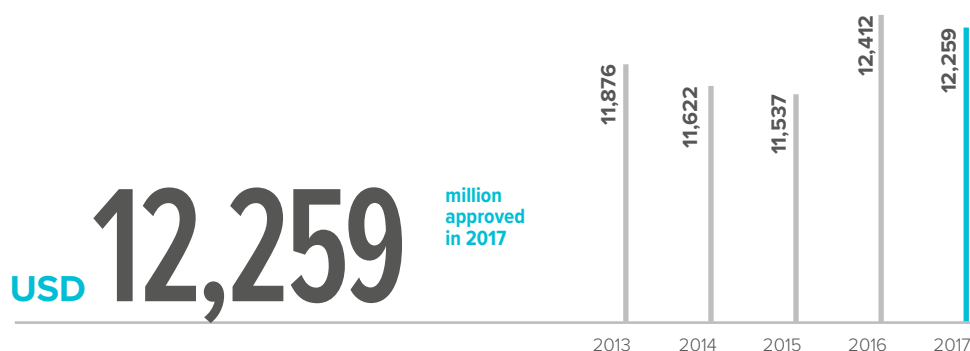
In 2017, Latin America was able to leave behind the economic recession, which had lingered since 2015, thanks to the recovery of external demand, an increase in prices of key raw materials for the region and some recovery of domestic expectations. However, the expected GDP growth is only 1%, with a high degree of heterogeneity between the different countries with a very moderate perspective of recovery in the coming years.

In this context, the demand for funding from the shareholder countries was more

oriented toward long-term investment projects and programs that contribute to the fulfilment of their development objectives. However, an important part of the financing was granted to freely available and rapid disbursement loans to mitigate the short-term macro-economic challenges that persist in some countries.

In 2017, 150 operations were approved for a total of USD 12.3 billion in financing, a figure very similar to what was approved the previous year as shown in the following graph:

GRAPH 1. **TOTAL APPROVALS** (in millions of USD)



IN 2017, SHAREHOLDER COUNTRIES' FINANCING NEEDS WERE ORIENTED TOWARD LONG-TERM INVESTMENT PROGRAMS AND PROJECTS THAT CONTRIBUTE TO THE FULFILLMENT OF THEIR DEVELOPMENT OBJECTIVES.

Table 1, which breaks down approvals by product, illustrates the priority that CAF placed on sovereign loans, working with the central governments of the shareholder

countries, as well as medium and long-term non-sovereign loans, which contribute to improving productivity in the region.

TABLE 1. **APPROVALS BY PRODUCT 2017** (Millions of USD)

Sovereign	6,436
Loans	4,001
Investment projects and programs	2,331
Policy-based loans (<i>PBLs</i>) and <i>SWAps</i>	1,670
Contingent credit facilities	1,500
Financial credit lines	935
Non-sovereign	5,794
Loans	354
Credit lines	5,420
Corporate	251
Financial	5,169
Partial credit guarantees	10
Stock holdings and investment funds	10
Development cooperation funds	30
Total approvals	12,259
Mobilization of third-party funds	294
Total	12,554

Over half of all approvals (60%) were in countries of the northern region, 35% were in countries in the southern region and 5% pertained to multinational operations. The largest recipients of approvals were Brazil, Colombia, Mexico and Peru with a 52% of the approved total, as a result of the corporate, financial and contingent credit facilities granted to these countries (Table 4).

Based on a breakdown by economic sector, a wide range of initiatives in the area of productive infrastructure (energy, transport and telecommunications) aligned with the strategies of developing countries were approved for USD 1.8 billion. In urban and social development approvals reached USD 1.7 billion, which reflects CAF's commitment to supporting

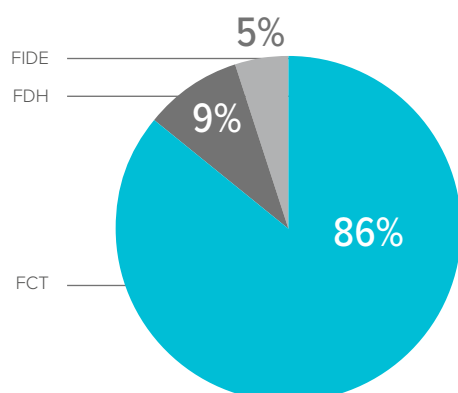
the most vulnerable sectors of its shareholder countries and fostering their sustainable comprehensive development.

In regard to operations linked to macroeconomic stability and structural reforms, CAF approved USD 2.5 billion, which will allow the institution to accompany its shareholder countries' counter-cyclical programs. One of these programs is Mexico's Support Program for Climate Change Mitigation and Adaptation Policies, which was granted USD 300 million in the first sovereign loan awarded to the Mexican government.

In the productive and financial sector, USD 6.3 billion in loans and credit facilities were approved for public and private companies and banks with the objective of strengthening and establishing new relations with clients in these sectors.

During the year, USD 29.8 million were approved for operations financed with CAF's Special Funds, which aim to complement the institution's financial action. Of this amount, USD 28.4 million were non-reimbursable cooperation funds for development and USD 1.4 million went to other special funds. The fund with the highest participation was FCT with 86%.

GRAPH 2.
DEVELOPMENT COOPERATION FUNDS IN 2017 APPROVALS BROKEN DOWN BY FUND
(percentage)



CAF'S SPECIAL FUNDS

Fund for Technical Cooperation (FCT)

Finances operations aimed at generating and strengthening skills, knowledge transfer and best practices; generation and dissemination of knowledge on development issues; promotion and positioning of the shareholder countries and the region as a whole; and finally, accompanying, promoting and disseminating CAF's activities.

Human Development Fund (Fondeshu)

Finances operations that promote sustainable human development in marginalized social sectors in CAF's shareholder countries with a high visible impact.

Business Development and Investment Fund (FIDE)

Finances operations that contribute to the strengthening of small and medium-sized businesses (SMBs) and promote the development and regulation of venture capital in CAF's shareholders countries.

Compensatory Financing Facility (CFF)

Reduces the financial costs of sovereign risk loans, either directly with a national government or sub-national governments and public companies, as long as they are guaranteed by the respective national government.

197

approved development cooperation operations in 2017

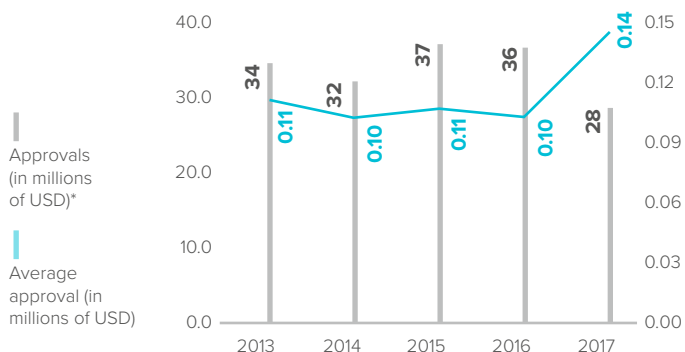
45%

of the development cooperation approvals were linked to CAF's credit operations

73%

of the cooperation for development operations were aimed at activities with the public sector

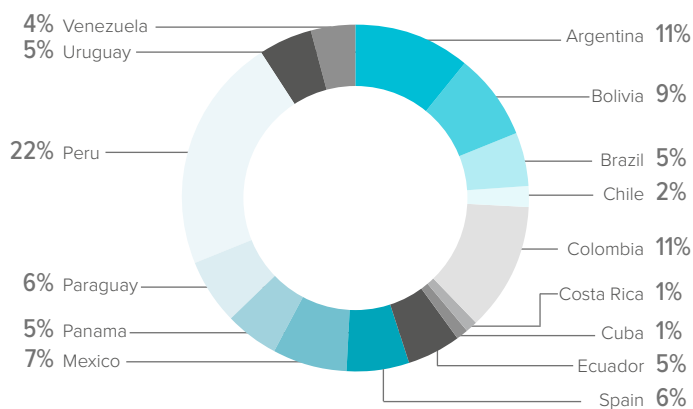
GRAPH 3. TOTAL APPROVALS AND AVERAGE OF DEVELOPMENT COOPERATION FUNDS PER OPERATIONS (Millions of USD)



Total approvals financed with FCT and Fondeshu declined 22% from levels in 2016 due to a more conservative allocation of resources, although they were more equitable and concentrated in terms of their impact on development in alignment with the CAF's new guidelines, a trend illustrated in Graph 3.

Of the development cooperation funds, 40% was directly implemented in shareholder countries and 60% through multinational projects and programs. However, there is a concentration in some countries such as Peru, for example, with 22% of total approvals broken down by country of execution, Colombia with 11%, Argentina with 11% and Bolivia with 9% as shown in Graph 4.

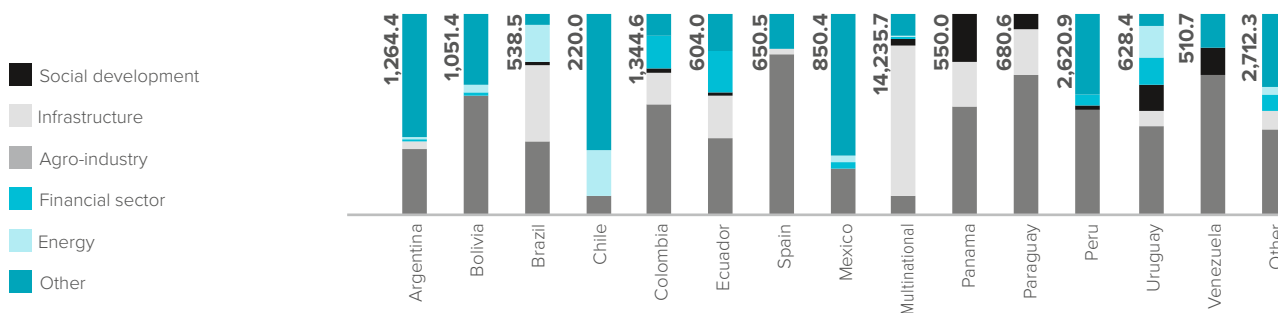
GRAPH 4. ALLOCATION OF FUNDS IN 2017. BROKEN DOWN BY COUNTRY OF EXECUTION (percentage)



In terms of sectors, in 2017, the lion's share of approved development cooperation funds went to infrastructure with USD 11 million and social development with USD 8 million. In Graph 5 in the category 'Other,' approvals for USD 5 million were destined to projects tied to institutional development; external relations and strategic positioning; and humanitarian aid.

The highest share of funds invested in each sector broken down by country are: social development in Peru, Colombia and Bolivia; infrastructure in Brazil, Ecuador and Paraguay; energy in Brazil and Uruguay; agro-industry in Panama, Uruguay and Venezuela; and finance in Colombia, Ecuador and Peru.

GRAPH 5. DISTRIBUTION OF APPROVALS OF DEVELOPMENT COOPERATION FUNDS BY SECTOR AND COUNTRY 2017 (in thousands of USD)

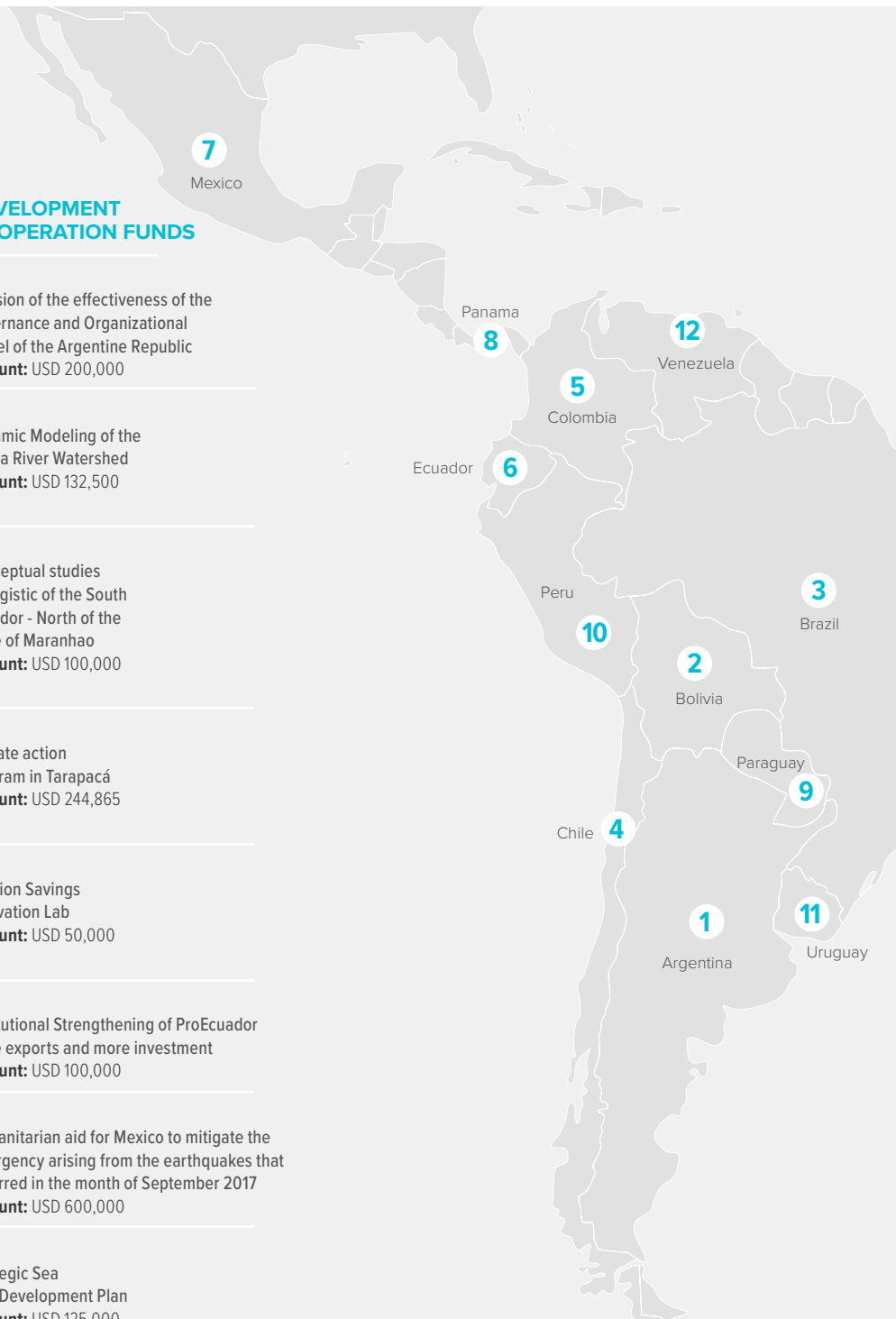


CREDIT OPERATIONS

- 1 **ARGENTINA**
Project to implement the Comprehensive Management Plan of the Lujan River Basin–Stage II
Amount: USD 120 million
- 2 **BOLIVIA**
Construction of the Santa Cruz - Las Cruces Highway Project–Buena Vista
Amount: USD 112 millones
- 3 **BRAZIL**
Program for the Financing of Investments in the Government Plan and the Participatory Budget - Municipality of Belo Horizonte, State of Minas Gerais
Amount: USD 83 million
- 4 **CHILE**
Uncommitted revolving credit line for Banco del Estado de Chile
Amount: USD 100 million
- 5 **COLOMBIA**
Support Program for Integral Rural Development within the Post-Conflict Framework
Monto: USD 400 million
- 6 **ECUADOR**
Results-based Road Maintenance and Conservation Program
Amount: USD 151 million
- 7 **MEXICO**
Support Program for the Policies of Climate Change Mitigation and Adaptation
Amount: USD 300 million
- 8 **PANAMA**
Program of Residual Water Management of the Arraiján and La Chorrera Districts
Amount: USD 125 million
- 9 **PARAGUAY**
Rehabilitation and maintenance project for national highway No. 9 and access roads
Amount: USD 300 million
- 10 **PERU**
Phase 3, Stage II of the Majes Siguanas Project
Amount: USD 98 million
- 11 **URUGUAY**
Road Infrastructure program to improve mobility in Montevideo
Amount: USD 80 million
- 12 **VENEZUELA**
Loan granted the Central Bank of Venezuela to provide macroeconomic support and liquidity mitigation of liabilities
Amount: USD 400 million

DEVELOPMENT COOPERATION FUNDS

- Revision of the effectiveness of the Governance and Organizational Model of the Argentine Republic
Amount: USD 200,000
- Dynamic Modeling of the Rocha River Watershed
Amount: USD 132,500
- Conceptual studies of Logistic of the South Corridor - North of the State of Maranhao
Amount: USD 100,000
- Climate action program in Tarapacá
Amount: USD 244,865
- Pension Savings Innovation Lab
Amount: USD 50,000
- Institutional Strengthening of ProEcuador
More exports and more investment
Amount: USD 100,000
- Humanitarian aid for Mexico to mitigate the emergency arising from the earthquakes that occurred in the month of September 2017
Amount: USD 600,000
- Strategic Sea Port Development Plan
Amount: USD 125,000
- Project to strengthen corporate governance best practices in state-owned companies in Paraguay
Amount: USD 148,000
- IBoost for the internationalization of Peruvian MSMES
Amount: USD 500,000
- Strengthening of the proposal of dual training in high school
Amount: USD 102,213
- Support for undernourished children in Venezuela
Amount: USD 150,000



MAIN APPROVALS 2017

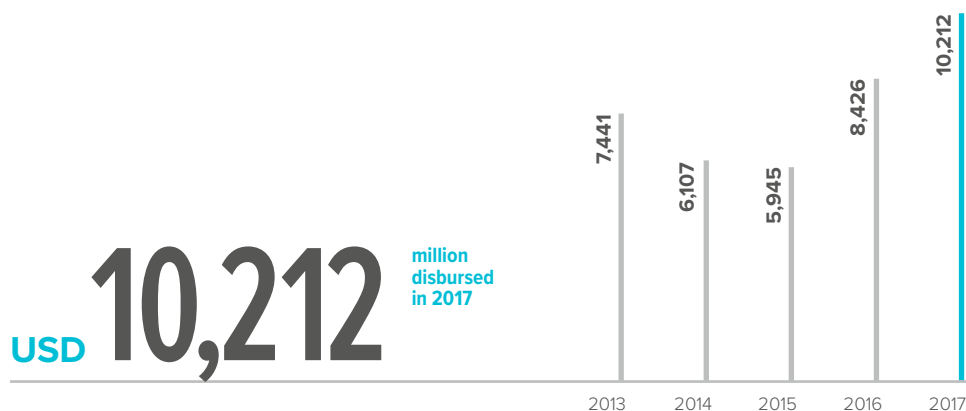
THE AMOUNT DISBURSED BY CAF TO ITS SHAREHOLDER COUNTRIES DURING 2017 REACHED USD 10.2 BILLION, A HISTORICAL RECORD FOR THE INSTITUTION.

DISBURSEMENTS

CAF disbursed USD 10.2 billion during 2017 to its shareholders countries, a historical record for the institution (Graph 6) mainly as a result of the dynamics and high rotation of the short-term credit

facilities. This amount represents a 21% increase--equivalent to almost USD 1.8 billion--over the prior year. Sovereign loan disbursements were USD 3.1 billion, a level similar to 2016 (Table 2).

GRAPH 6. **TOTAL DISBURSEMENTS** (Millions of USD)



Over half (57%) of disbursements were made in Brazil, Colombia and Peru given the use of short-term financial credit facilities in these countries, which corresponds to the trend in disbursements seen over last the five years (Table 5). In regard

to sovereign disbursements, USD 704 million and USD 479 million were disbursed in Argentina and Bolivia, respectively, representing CAF's continued support of vital infrastructure projects and works for these countries' development.

TABLE 2. **2017 DISBURSEMENTS BY PRODUCT** (Millions of USD)

Medium and long-term loans	3,268
Sovereign	3,080
Investment projects and programs	1,891
Policy-based loans (<i>PBLs</i>) and <i>SWAp</i> s	1,189
Non-sovereign	188
Credit facilities (companies and banks)	6,840
Stock holdings and investment funds	77
Cooperation funds	27
Total	10,212

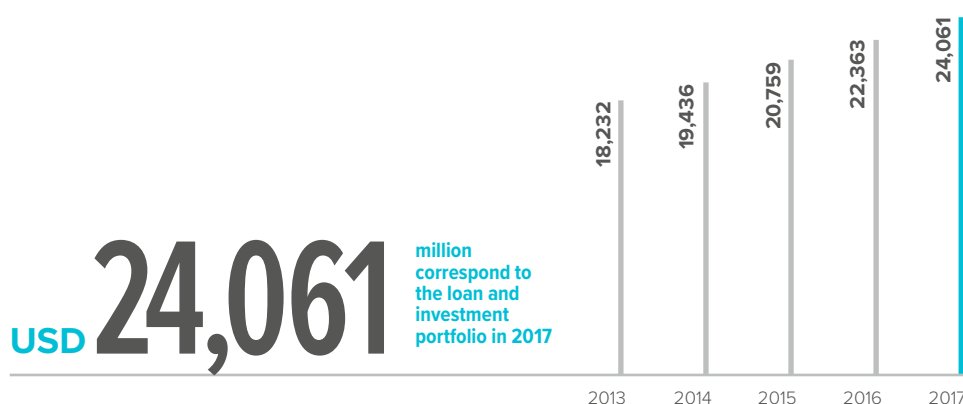
LOAN PORTFOLIO AND EQUITY INVESTMENTS

CAF's loan portfolio and equity investments was USD 24.1 billion at the end of 2017, which represents an annual growth of 7.6% and a net increase of USD 1.7 billion. Of this amount, USD 23.6 billion corresponds to loans and USD 433 million to capital investments. On the other hand, the structure of the portfolio by risk type reveals that 80.6% of the portfolio contains sovereign risk and the remaining 19.4% is with non-sovereign risk.

The growth of the portfolio registered in 2017 is similar to levels recorded in 2016 of 7.7% and higher than levels recorded in 2014 and 2015, which were 6.6% and 6.8%,

respectively (Graph 7), which allows CAF to take care of the prioritized demands of its shareholder countries without neglecting the institution's financial solvency. This growth is explained, mostly, by the sovereign disbursements executed for investment programs and projects, such as sector-specific and policy-based loans that contribute to the development objectives of CAF's shareholder countries and to mitigate the adverse impacts of the regional macroeconomic context.

GRAPH 7. **INVESTMENT AND LOAN PORTFOLIO** (Millions of USD)



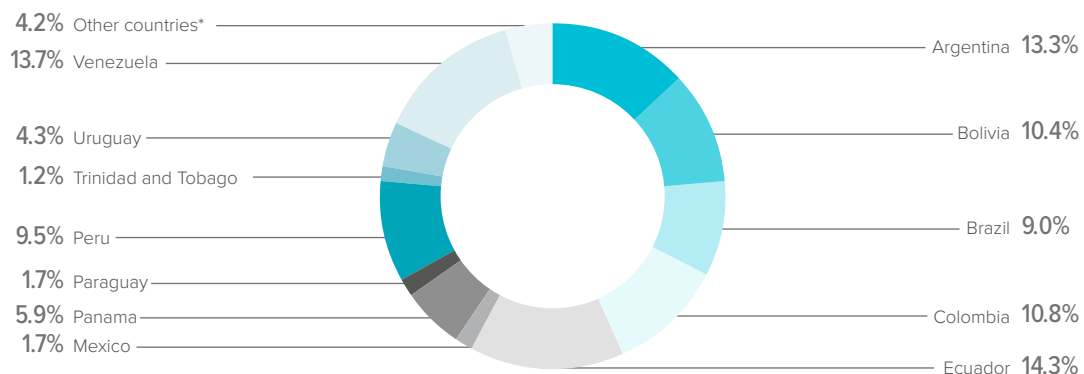
A BREAKDOWN OF CAF'S PORTFOLIO BY ECONOMIC SECTOR REVEALS A CONCENTRATION IN PRODUCTIVE INFRASTRUCTURE—ENERGY, TRANSPORT AND TELECOMMUNICATIONS)—REPRESENTING 56.2% OF THE TOTAL.

The geographical distribution of the portfolio at the end of 2017 (Graph 8) showed a considerable improvement over 2016. Ecuador had the highest relative share with 14.3% of the total portfolio, followed by Venezuela with a 13.7%, while both countries closed 2016 with a relative share of 14.8%. In addition, it is important to highlight the institutional effort made throughout the year to keep the relative share of each shareholder country below 15% at the end of each month.

Graph 9 illustrates CAF's portfolio by economic sector. Productive infrastructure (energy, transport and telecommunications) has the largest share with 56.2% of the total; social

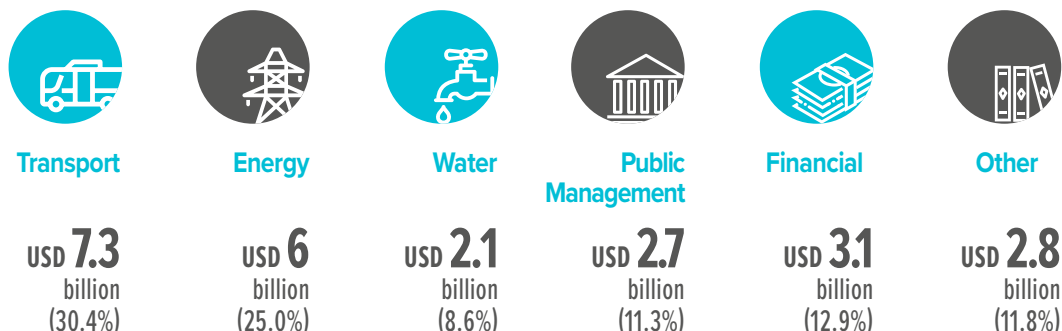
infrastructure (mainly water, education and urban development) follow with 17.8% of the total, with which 74% of CAF's portfolio was tied to infrastructure. The concentration of the portfolio in these sectors ratifies the institution's strategic commitment to more vulnerable population segments through the provision of basic services like roads, transport, energy, drinking water, sewage and urban development. In addition, this relative concentration of CAF's portfolio in infrastructure has allowed CAF to compile expertise in knowledge and technical consulting, positioning the entity as a leader of priority projects with a positive impact on the region's overall productivity.

GRAPH 8. LOAN AND INVESTMENT PORTFOLIO BY COUNTRY IN 2017 (percentage)



*Barbados, Chile, Costa Rica, Dominican Republic, Portugal, Spain and multinational operations.

GRAPH 9. LOAN AND INVESTMENT PORTFOLIO BY ECONOMIC SECTOR 2017



DEVELOPMENT CONTRIBUTIONS

To measure how CAF operations contribute to the region's development, a set of sector-specific corporate indicators were proposed. They summarize the main scopes of interest and application of these interventions. The defined set of corporate indicators are grouped together based on the institution's different lines of work, which reflect the internal consensus reached on CAF's priorities as well as international best practices in terms of the measurement of multilateral organisms' development contributions. Combined, these indicators illustrate the level of support that CAF is providing to ensure its member countries' development.

The corporate indicators of selected development contributions fall into two categories: product indicators that aim to monitor the physical progress of each project, measured, for example, in terms of constructed or rehabilitated kilometers of highway, megawatts of power production

or the installed capacity of wastewater treatment; and outcome indicators associated with the expected beneficiaries of a project. These are, for example, the number of users of a road, or the people who will benefit from a new energy infrastructure or by a new drinking water connection.

Development contribution indicators were applied to approved lending operations during 2017, specifically to investment programs and projects and corporate loans. These make it possible to observe the specific support that these operations are supposed to provide a country during the implementation stage and to monitor their progress. In the future, CAF plans to define and implement indicators of development contributions for its other financial products. Below, the main development contributions expected from the operations are described.

CAF DEFINED A SET OF CORPORATE INDICATORS GROUPED TOGETHER BASED ON THE INSTITUTION'S DIFFERENT LINES OF WORK, WHICH REFLECT BEST PRACTICES ON AN INTERNATIONAL SCALE IN TERMS OF THE MEASUREMENT OF MULTILATERAL ORGANISMS' DEVELOPMENT CONTRIBUTIONS.

EFFICIENCY



INFRASTRUCTURE

Built, improved and/or rehabilitated roadways

3,301
Km.

Users of built, improved and/or rehabilitated roadways

543,150
Vehicles/year

Number of accident hotspots improved

12
Points



PRODUCTIVITY

Transport

Number of travelers using new or improved sustainable transport

120,000
Travelers

Logistics

Freight transported in containers

110,000
TEU*

Telecommunications

Installed fiber optics

375
Km.

Energy

Installed generation capacity added to the national electric grid

144
MW/h

Farmers who have benefitted from rural or agro-industrial development projects

1,500
Farmers

* TEU: Twenty-foot Equivalent Unit. TEU is the unit of the capacity of container ships and container terminals.

EQUITY



Water and sanitation



Infrastructure control works for bodies of water or waterways built or rehabilitated

29

Infrastructure works

Beneficiaries of infrastructure control works for bodies of water or waterways built or rehabilitated

230,000

Individuals

Beneficiaries of sanitation solutions

70,000

Individuals

Installed potable water pipes

185

Km.

Households benefitted by a new or improved potable water connection

28,613

Homes

Households benefitted a new or improved residential sewage connection

66,090

Homes

Irrigation



Beneficiaries of new or rehabilitated irrigation

36,000

Individuals

Hectares with new or rehabilitated irrigation

48,500

Ha

Urban development



People living in neighborhoods where improvements in their habitat have been made

100,000

Individuals

Cross-cutting Attributes

The **cross-cutting attributes** component of the MRC-CAF seeks to complement approval and disbursement metrics by measuring aspects that CAF considers add value to its operations for its clients. The cross-cutting attributes that CAF measures are:

- **Mobilization of third-party funds:** CAF's ability to mobilize financial resources from third parties through its convening power. Sovereign and non-sovereign co-financing, syndicated loans and A/B loans, special purpose vehicles (senior debt) and capital funds, and resources of development cooperation funds fall into this category.
- **Productivity:** The provision of public goods to support operations that either directly, indirectly or contribute to increasing the productivity of the economies of its member countries.
- **Green financing:** The promotion of sustainable development and support for the transition toward low carbon economies through the financing of projects that contribute to the mitigation and adaptation to climate change in shareholder countries and the private sector in the region, as well as green businesses financed with CAF funds.
- **Regional integration:** CAF's support for the physical integration of the region, strengthening of institutions and the

standardization of regulations and practices that ensure the efficient development of integrated transport, energy and telecommunications systems on bi-national, sub-regional and regional levels.

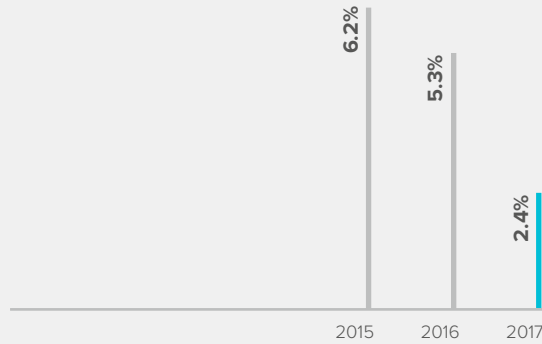
- **Project execution capacity:** CAF's support for the development of the capacity for implementing credit projects through training of public and private sector officials or entities the public or deprived sector and executors of projects financed by CAF.
- **Non-financial additionality:** Additional services that generate added value to the structuring of an operation, beyond served financial services, including integrity, development cooperation and structured financing.
- **Alignment with the United Nations Sustainable Development Goals (SDGs):** In the case of development cooperation work, CAF works to align its work with the SDGs in order to accompany shareholder countries in their efforts to comply with the commitments assumed as UN Member States when the 2030 Agenda for Sustainable Development was adopted.

The table below shows the proportion of the value or number of approved operations in 2017 that contain these attributes in comparison to prior years:

CROSS-CUTTING ATTRIBUTES OF CREDIT OPERATIONS

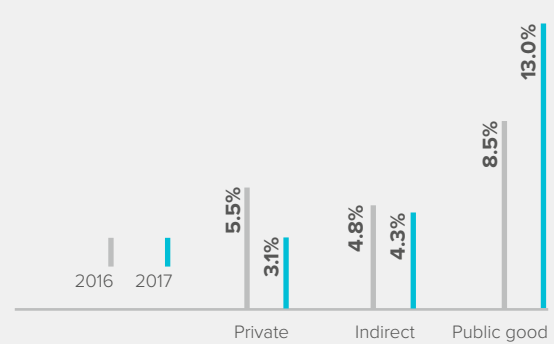
MOBILIZATION OF THIRD-PARTY RESOURCES

(amount of third-party resources mobilized/total approved amount)



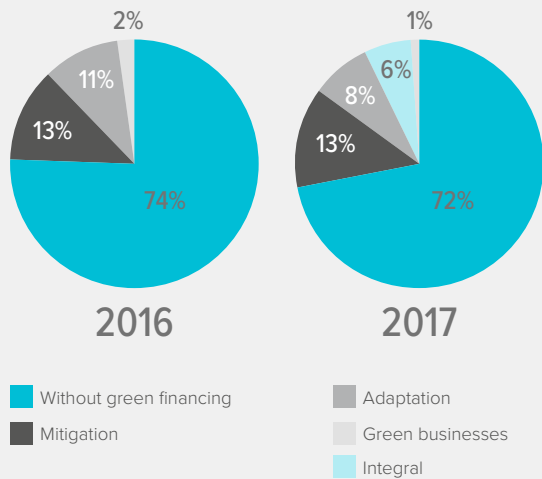
PRODUCTIVITY

(number of operations by type of productivity/number of approved operations)



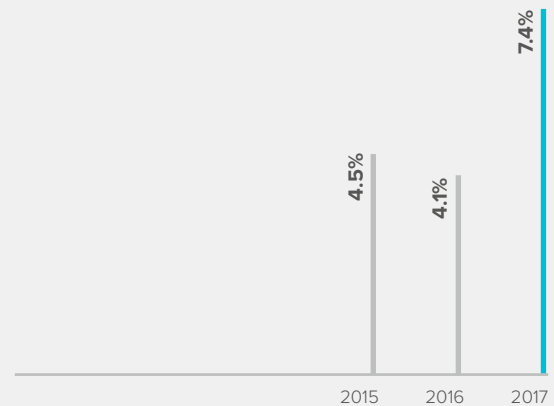
GREEN FINANCING

(amount of green financing approvals/total approved amount)



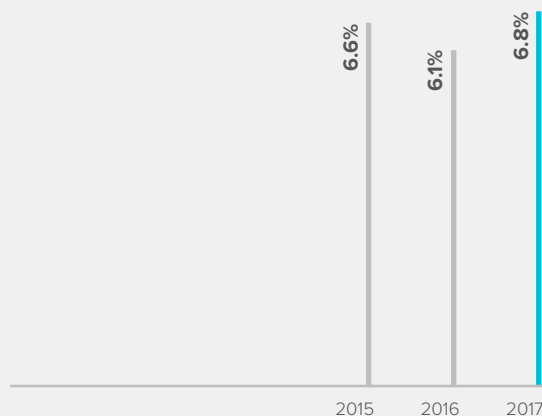
REGIONAL INTEGRATION

(amount of approvals of regional integration/total approved amount)



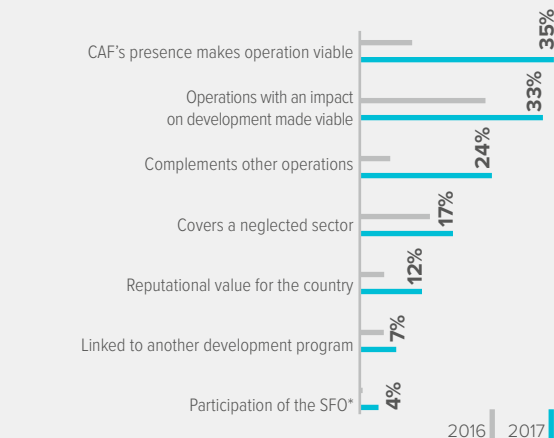
EXECUTION CAPACITY SUPPORT

(number of operations with execution capacity support/number of approved operations)



NON-FINANCIAL ADDITIONALITY

(number of operations with type of additionality/number of approved operations)

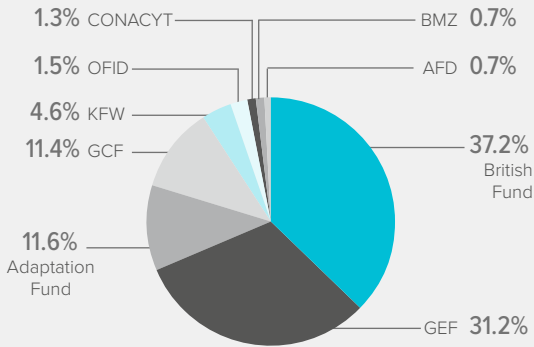


* Office of Structured Financing

CROSS-CUTTING ATTRIBUTES OF DEVELOPMENT COOPERATION FUNDS

MOBILIZATION OF THIRD-PARTY RESOURCES

(percentage of total amount of mobilized funds)



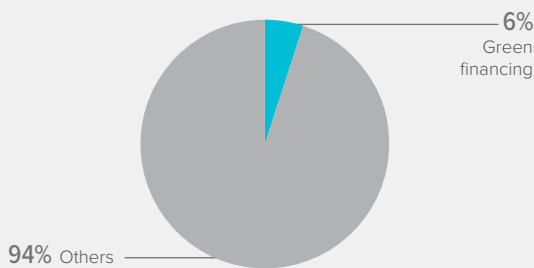
SUSTAINABLE DEVELOPMENT GOAL

(percentage of approved operations aligned with SDGs and the five main SDGs with the largest percentage of approvals)

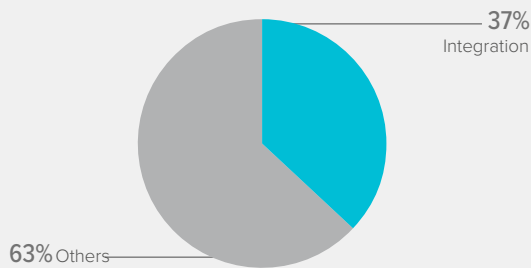


GREEN FINANCING

(percentage of the total approved amount)



REGIONAL INTEGRATION



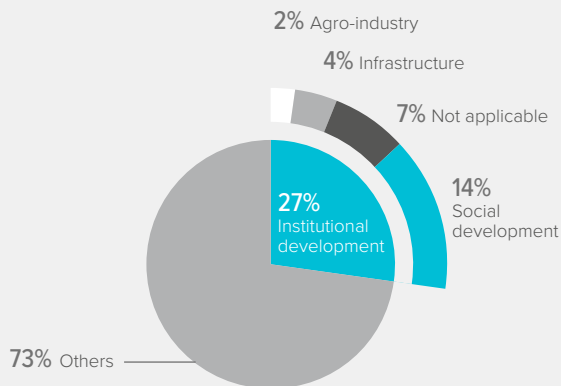
NAME: Regional Infrastructure Pre-investment Program

Amount: USD 10 million.

Objective: To finance support tasks in member countries pertaining to the design, drafting and analysis of pre-investment for integration infrastructure projects in energy, transport and telecommunications prioritized by the countries in the region.

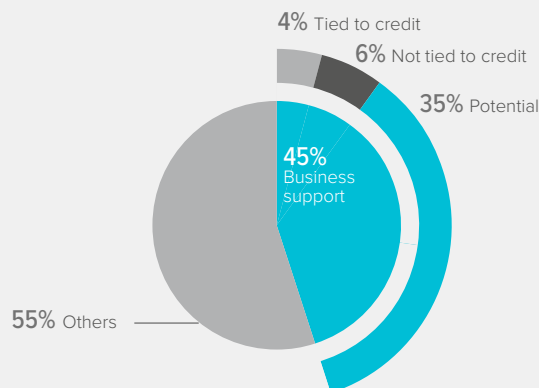
EXECUTION CAPACITY SUPPORT

(percentage of the total approved amount)



BUSINESS SUPPORT

(percentage of the total approved amount)



MOBILIZATION OF THIRD-PARTY RESOURCES

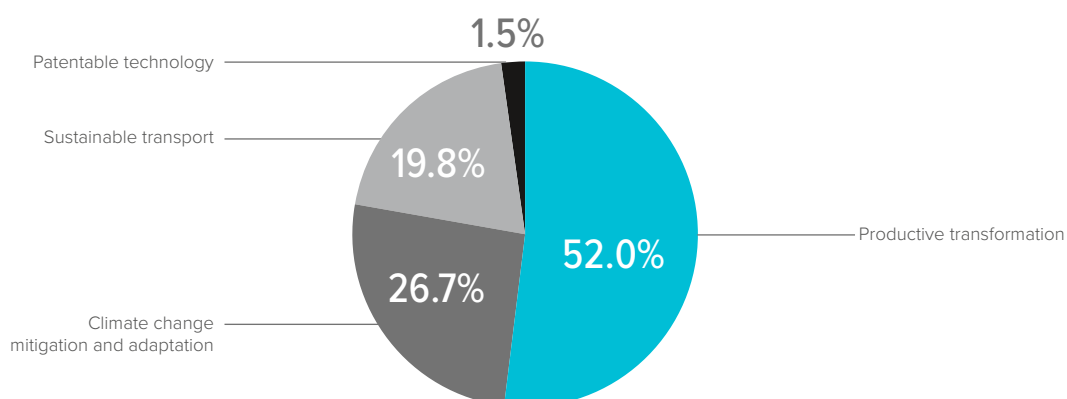
During the 2017, in addition to direct financing, CAF mobilized third-party resources through a wide range of catalytic mechanisms like co-financings, partial credit guarantees and development cooperation funds (See Table 3). Of the total, USD 237 million in funds were approved for sovereign co-financing operations.

They contributed to bolstering the impact of CAF's interventions in the region by complementing and extending the leverage of the institution's own resources. Furthermore, over the course of the year, portfolio sales in the amount of USD 38 million were made, which created space for new operations.

TABLE 3. **MOBILIZATION OF THIRD-PARTY RESOURCES 2017** (Millions of USD)

Sovereign co-financing transactions	237
Partial credit guarantees	33
Technical cooperation funds	24
Total	294
Portfolio sales	38

GRAPH 10. **DISTRIBUTION OF THIRD-PARTY DEVELOPMENT COOPERATION FUNDS CATALYZED BY TOPIC OF INTEREST 2017** (in percentage)



MOBILIZATION OF THIRD-PARTY RESOURCES THE CASE OF ARGENTINA

The Implementation Project of the Comprehensive Management Plan for the Luján River Basin is an example of a successful case of CAF's convening power for the mobilization of third-party resources. The project's estimated cost is USD 314 million, and would be financed partly by CAF (USD 220 million approved in 2016 and 2017) and partly by local contributors (USD 94 million). However, in 2017, CAF mobilized USD 103.5 million in funds, of which USD 58.5 million were approved by the Green Climate Fund (GCF), including concessional loans (USD 56.9 million) and non-reimbursable resources (USD 1.6 million). The other USD 45 million were approved by the French Development Agency (AFD). The Argentine government will withdraw part of the amount approved by CAF from resources obtained from the institution's financial allies, which will make it possible to fund other priority projects for Argentina's development.

The objective of the project is to increase Buenos Aires Province's resistance to climate change in terms of flood prevention, control of current flows and mitigation of the adverse effects of flooding in 15 municipalities of the Lujan river basin. By reducing flooding, the project will improve the region's economic conditions by increasing agricultural production, industrial production and trade in benefit of the region's population. In addition, its implementation will mitigate damages to housing located on land affected by recurrent flooding. To achieve these objectives, the project seeks to address problems in the river basin derived from physical and anthropogenic factors and to implement other non-structural measures.

Expected results include:

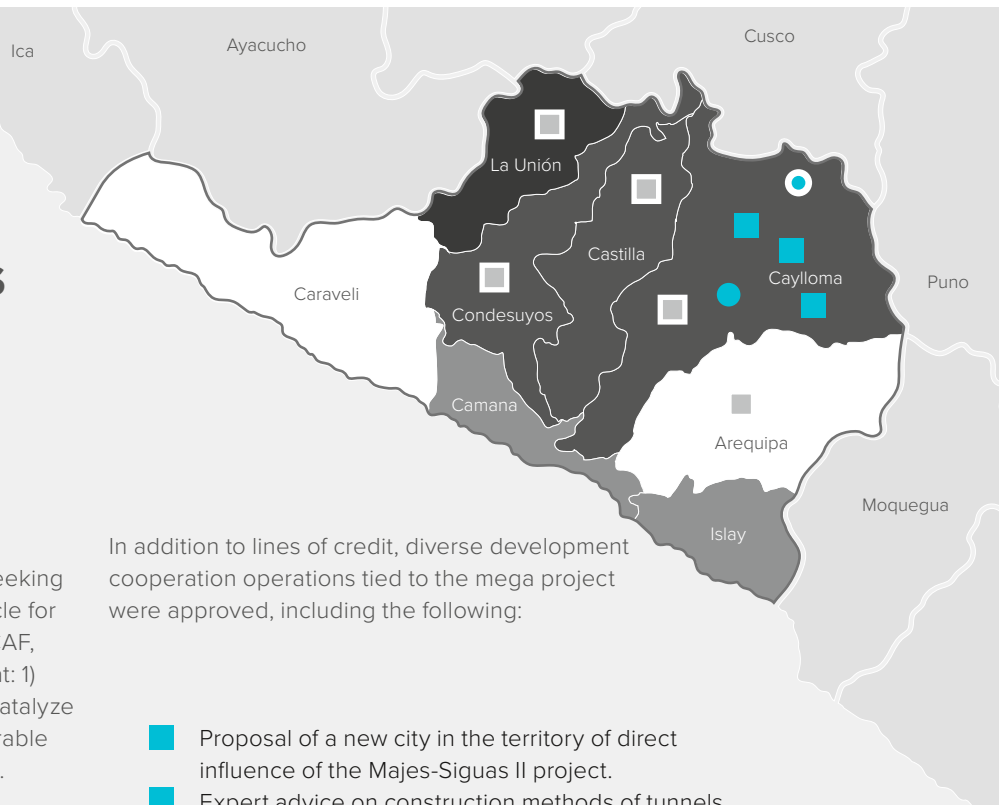
- Greater resistance of constructed infrastructure and surrounding area to the threats of climate change
- Strengthening the adaptation capacity and lower exposure to climate risks
- Strengthening of institutional systems and regulations for planning and development adapted to the climate

Direct beneficiaries include almost 1.6 million inhabitants of the towns of Campana, Escobar, Exaltación de la Cruz, José C Paz, General Rodríguez, Malvinas Argentinas, Moreno, Pilar, San Fernando and Tigre. Indirect beneficiaries include another 1.2 million inhabitants, for a total of 2.8 million people, almost 17% of the total population of the Province of Buenos Aires.



NON-FINANCIAL ADDITIONALITY: THE INTEGRITY OF CAF'S INTERVENTIONS

THE CASE OF PERU



In 2017, CAF focused on the importance of assuring the integrity of its operations by seeking a holistic impact that ensures a virtuous circle for the individual and society as a whole. For CAF, integrity is represented by interventions that: 1) align CAF's different financial products; 2) catalyze third-party resources; and 3) have a measurable and sustainable impact on local economies.

An emblematic case is without a doubt CAF's intervention in the Majes-Siguas II mega project developed jointly with the regional government of Arequipa in Peru. The institution approved a USD 98 million credit this year, in addition to USD 231 million approved previously. (●). Diverse interventions have been executed with these resources. They have made it possible to accompany the project and provide the executing authority with institutional support, as well as to address the zones of influence of works with its own resources along with those of third parties.

In addition to lines of credit, diverse development cooperation operations tied to the mega project were approved, including the following:

- Proposal of a new city in the territory of direct influence of the Majes-Siguas II project.
- Expert advice on construction methods of tunnels, dams and hydraulic works.
- Strengthening of the Majes-Siguas II project's executing unit (AUTODEMA).

The development of the zone of influence was made possible thanks to:

- Economic empowerment of women from the high Andes communities in Caylloma Province in the region of Arequipa through rural community tourism and inclusive crafts.

In turn, operations financed by resources managed and/or administrated by CAF include:

- Green Environment Facility (GEF) with the Andes Adaptation to the Impact of Climate Change on Water project.
- French Development Agency (AFD) with the Footprint of Cities Program.
- Green Environment Facility (GEF) with the Arequipa Sustainable City Program.
- Adaptation Fund (United Nations) with the Ayninacuy Project: Strengthening of the means of subsistence and sources of income for vulnerable high Andean communities in the province of Arequipa.

This comprehensive intervention aims to achieve the following results:

- Creation of 38,500 ha of new land [for farming/productive uses] in Pampas de Siguas and 7,000 ha in Pampas de Majes, which will generate 90,000 direct jobs and 27,000 indirect jobs, a Gross Value of the Annual Production equivalent to USD 959 million and the development of a population settlement with 350,000 inhabitants.
- Socio-productive empowerment of 150 women in high Andean communities located close to the Angostura Dam in the Arequipa region through the development of inclusive businesses in the matter of communitarian rural tourism and artisan textile production.
- The reduction of vulnerability to the climate change of the most vulnerable zones in the Arequipa Metropolitan Area (18 districts).

TABLE 4 **APPROVALS BY COUNTRY** (Millions of USD)

Country	2013	2014	2015	2016	2017	2013-17
Argentina	1,100	674	694	706	996	4,169
Bolivia	684	625	505	564	489	2,868
Brazil	2,234	1,903	1,234	1,371	1,253	7,996
Colombia	1,563	1,552	2,008	2,077	1,791	8,991
Ecuador	835	800	814	766	755	3,969
Mexico	380	549	522	575	1,007	3,033
Panama	325	299	527	595	650	2,395
Paraguay	431	181	307	548	497	1,963
Peru	2,497	2,415	2,336	2,139	2,306	11,693
Trinidad and Tobago	0	0	0	300	0	300
Uruguay	516	651	588	959	661	3,375
Venezuela	417	475	501	541	501	2,434
Other countries*	894	1,498	1,501	1,273	1,354	6,521
TOTAL	11,876	11,622	11,537	12,412	12,259	59,707

TABLE 5. **DISBURSEMENTS BY COUNTRY** (Millions of USD)

Country	2013	2014	2015	2016	2017	2013-17
Argentina	585	560	481	486	1,012	3,124
Bolivia	323	322	315	407	536	1,903
Brazil	1,833	728	677	1,726	2,536	7,500
Colombia	1,146	1,081	1,221	1,515	1,638	6,601
Ecuador	661	637	754	711	550	3,313
Mexico	190	791	604	812	475	2,872
Panama	326	420	155	223	266	1,390
Paraguay	73	96	102	82	152	505
Peru	1,403	525	545	1,039	1,688	5,200
Trinidad and Tobago	0	0	0	0	300	300
Uruguay	108	244	200	325	187	1,064
Venezuela	365	276	364	525	130	1,660
Other countries*	429	428	526	573	743	2,698
TOTAL	7,441	6,107	5,945	8,426	10,212	38,130

TABLE 6. **PORTFOLIO BY COUNTRY** (Millions of USD)

Country	2013	2014	2015	2016	2017
Argentina	2,459	2,720	2,773	2,840	3,208
Bolivia	1,761	1,919	2,037	2,222	2,496
Brazil	1,681	1,972	2,098	2,022	2,161
Colombia	1,848	1,832	2,142	2,409	2,608
Ecuador	2,736	2,825	3,045	3,318	3,438
Mexico	212	159	274	471	414
Panama	783	1,155	1,177	1,306	1,411
Paraguay	190	249	291	337	419
Peru	2,493	2,347	2,310	2,286	2,292
Trinidad and Tobago	0	0	0	0	300
Uruguay	379	509	655	919	1,028
Venezuela	2,962	3,002	3,094	3,321	3,285
Other countries*	729	747	863	911	1,002
TOTAL	18,232	19,436	20,759	22,363	24,061

*Barbados, Chile, Costa Rica, Dominican Republic, Portugal, Spain and multinational operations.





SHAREHOLDER COUNTRIES

- Argentina
- Bolivia
- Brazil
- Colombia
- Ecuador
- Panama
- Paraguay
- Peru
- Trinidad and Tobago
- Uruguay
- Venezuela

OTHER SHAREHOLDER COUNTRIES

- Barbados
- Chile
- Costa Rica
- Dominican Republic
- México
- Other actions in Europe
- Portugal
- Spain
- Multinational

Provided funding for the construction of the promenade of the Paseo Bajo in the City of Buenos Aires



ARGENTINA

Highlights from the approvals granted over the course of the year include sovereign loans linked to the water and sanitation sector for the second stage of an aqueduct in Bahía Blanca; the second phase of the implementation project of the Integral Management Plan for the Luján River Basin; and the Emergency Flood-response Project Financing Program. For the Luján River Basin project, CAF finalized efforts to mobilize resources of the Green Climate Facility (GCF) and French development agency AFD.

CAF also approved a loan for the construction of the Paseo del Bajo in the City of Buenos Aires, provided the financing for the Support Program for the Development of Public-Private Partnership Projects and a financial credit facility for Banco de la Nación Argentina.

Among its non-sovereign operations, CAF approved a loan for YPF to finance part of the company's LNG transport, storage and liquefaction projects. In addition, CAF continued supporting

the sectors of renewable energy, agro-industry and small and medium-sized enterprises through corporate and financial credit facilities.

Finally, 17 operations using development cooperation funds were implemented in the amount of USD 1.3 million. This amount was distributed among the following fields of action: institutional development with 55%, external relations and strategic positioning with 22%, and climate change and environment with 17%.

Some of the emblematic development cooperation actions requested by the country this year were: Program of Multiple Environmental Actions for the Promotion of the Sustainable Development Goals in Argentina (PAAM/ODS) and the revision of the effectiveness of Argentina's Governance and Organizational Model.

FOR THE LUJÁN RIVER BASIN PROJECT, CAF FINALIZED EFFORTS TO MOBILIZE FUNDS FROM THE GREEN CLIMATE FACILITY (GCF) AND THE FRENCH DEVELOPMENT AGENCY (AFD).

APPROVALS

1

PASEO DEL BAJO PROJECT
Client: Argentine Republic
Total amount: USD 250 million

2

PROJECT TO BUILD THE RÍO COLORADO-BAHÍA BLANCA AQUEDUCT- STAGE II
Client: Province of Buenos Aires
Total amount: USD 130 million

3

PROJECT TO IMPLEMENT THE COMPREHENSIVE MANAGEMENT PLAN OF THE LUJAN RIVER BASIN-STAGE II
Client: Province of Buenos Aires
Total amount: USD 120 million

4

SUPPORT PROGRAM FOR THE DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIP PROJECTS
Client: Argentine Republic
Total amount: USD 100 million



5

EMERGENCY FLOOD-RESPONSE PROJECT FINANCING PROGRAM 2015-2016
Client: Argentine Republic
Total amount: USD 30 million

6

UNCOMMITTED REVOLVING CREDIT LINE
Client: Banco de la Nación Argentina
Total amount: USD 100 million

7

CORPORATE LOAN
Client: YPF SA
Total amount: USD 50 million

FINANCIAL CREDIT LINES
Client: Multiple
Total amount: USD 215 million

 CAPITAL OF THE COUNTRY

IN NUMBERS

APPROVALS
 (in USD millions)

996



730
Sovereign risk

266
Non-sovereign risk

DISBURSEMENTS
 (in USD millions)

1,012



704
Sovereign risk

308
Non-sovereign risk

PORTFOLIO
 (in USD millions)

3,208



3,039
Sovereign risk

169
Non-sovereign risk

In Bolivia, the development of road infrastructure, especially dual carriageways in strategic areas, was the priority



BOLIVIA

In 2017, CAF prioritized the development of the road infrastructure in Bolivia, especially dual carriageways in areas of great economic importance at a national level. The institution approved four sovereign loans for the following highway projects: the dual carriageway Sucre-Yamparaez, the Santa Cruz-Las Cruces-Buena Vista highway and the El Sena - Peña Amarilla - El Choro highway in the in the department of Beni in the north of the country, which completes the La Paz-Beni corridor.

Two more sovereign loans were approved for the social sector. The first one confers continuity to the irrigation program Mi Riego II. The second went to finance the Support Program for the Management of Food Security Public Policy, which aims to ensure food safety in the face of climate-associated risks.

In parallel, Bolivia's economic and social development benefitted from funds obtained from external sources of financing. These included two co-financing operations conducted with the OPEC Fund for International Development (OFID). One was for the Dam Program

(approved by CAF in 2016) and another financed the Santa Cruz-Las Cruces-Buena Vista highway.

The institution also continued to support corporate, productive and financial sectors throughout the country with credit facilities that provided liquidity.

Furthermore, 17 operations using development cooperation funds were implemented in the amount of USD 1 million. This amount was distributed among the following fields of action: institutional development with 40% of the approved total and climate change and the environment with 36%.

Some of the emblematic cooperation development actions requested by the country this year were: Strategic Modeling of Rocha River Basin; Footprint of Cities for the cities of El Alto and Cochabamba; and the Strengthening Program for Economic Development Research.

DURING 2017, TWO CO-FINANCING OPERATIONS WERE CARRIED OUT WITH THE OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID): THE DAM PROGRAM (APPROVED BY CAF IN 2016) AND THE SANTA CRUZ-LAS CRUCES-BUENA VISTA HIGHWAY.

APPROVALS

CAPITAL OF THE COUNTRY



1

CONSTRUCTION OF THE SANTA CRUZ-LAS CRUCES-BUENA VISTA HIGHWAY PROJECT

Client: Plurinational State of Bolivia
Total amount: USD 112 million

2

CONSTRUCTION OF THE EL SENA - PEÑA AMARILLA - EL CHORO HIGHWAY PROJECT

Client: Plurinational State of Bolivia
Total amount: USD 91 million

3

CONSTRUCTION OF THE SUCRE-YAMPARÁEZ DUAL CARRIAGEWAY PROJECT

Client: Plurinational State of Bolivia
Total amount: USD 75 million

4

SUPPORT PROGRAM FOR FOOD SECURITY PUBLIC POLICY MANAGEMENT

Client: Plurinational State of Bolivia
Total amount: USD 70 million

5

MI RIEGO II INVESTMENT PROGRAM TO IMPROVE TRADITIONAL AND MODERN IRRIGATION

Client: Plurinational State of Bolivia
Total amount: USD 70 million

FINANCIAL AND CORPORATE LINES OF CREDIT

Client: Plurinational State of Bolivia
Total amount: USD 71 million

IN NUMBERS

APPROVALS
(in USD millions)

489



418
Sovereign risk

71
Non-sovereign risk

DISBURSEMENTS **PORTFOLIO**
(in USD millions)

536



479
Sovereign risk

57
Non-sovereign risk

2,496



2,360
Sovereign risk

136
Non-sovereign risk

Optimization and recovery of the urban infrastructure in Brazilian cities. Project in Porto Alegre



BRAZIL

In 2017, CAF continued positioning itself as a strategic ally of the integrated development of Brazilian cities with the approval of seven sovereign loans extended to different municipalities in the country. These approvals are oriented toward integral urban development, including investments in road works to improve mobility and connectivity; regeneration of spaces public; construction of centers of health for primary and specialized attention; improve drainage and flood control infrastructure; and support for the development of the tourism sector based on urban rezoning of strategic areas.

In the non-sovereign sector, CAF approved a corporate loan for Compañía Riograndense de Saneamiento (CORSAN) to finance sewage infrastructure in the municipalities of Gramado and Canela, important tourist destinations. CAF also renewed rotating credit facilities for the

financial sector to finance foreign trade operations and working capital in the productive sector.

Furthermore, USD 0.5 million in development cooperation funds were used to carry out 13 operations. Of this amount, actions were carried out in institutional development with 60% of the total and foreign relations and strategic positioning with 27%.

Some of the emblematic development cooperation actions requested by the country this year were: Conceptual Logistics Studies for the North-South Corridor of the State of Maranhao, Skill Strengthening Training for Government Officials and the development of the Index of Vulnerability to the Climate change in the city of Fortaleza, within the framework of the AFD's Sustainable Cities and Climate Change program.

IN 2017, CAF CONTINUED POSITIONING ITSELF AS A STRATEGIC ALLY OF INTEGRATED DEVELOPMENT IN BRAZILIAN CITIES WITH THE APPROVAL OF SIETE SOVEREIGN LOANS FOR DIFFERENT MUNICIPALITIES THROUGHOUT THE COUNTRY.

APPROVALS

1

PROGRAM FOR FINANCING OF INVESTMENTS IN THE GOVERNMENT PLAN AND THE PARTICIPATORY BUDGET
Client: Municipality of Belo Horizonte
Total amount: USD 83 million

2

URBAN REZONING PROGRAM
Client: Municipality of Palmas
Total amount: USD 61 million

3

URBAN REZONING PROGRAM
Client: Municipality of Salvador
Total amount: USD 61 million

4

COMPREHENSIVE SEWAGE PROGRAM
Client: Municipality of Araguaína
Total amount: USD 55 million

5

INTEGRATED URBAN DEVELOPMENT PROGRAM- SUSTAINABLE TERESINA
Client: Municipality of Teresina
Total amount: USD 46 million

6

URBAN RENOVATION FOR THE SAN ANTONIO RIVER BASIN - APARECIDA DE GOIÂNIA
Client: Municipality of Aparecida de Goiânia
Total amount: USD 35 million

7

MUNICIPAL DEVELOPMENT PROJECT
Client: Municipality of Gravataí
Total amount: USD 28 million

8

CORPORATE LOAN GRANTED CORSAN TO FINANCE SEWAGE INFRASTRUCTURE IN THE MUNICIPALITIES OF GRAMADO AND CANELA
Client: Companhia Riograndense de Saneamento - Corsan
Total amount: USD 35 million

 CAPITAL OF THE COUNTRY



FINANCIAL CREDIT FACILITIES
Client: Multiple
Total amount: USD 850 million

IN NUMBERS

APPROVALS
 (in USD millions)

1,253



367
 Sovereign risk

886
 Non-sovereign risk

DISBURSEMENTS
 (in USD millions)

2,536



179
 Sovereign risk

2,357
 Non-sovereign risk

PORTFOLIO
 (in USD millions)

2,161



1,366
 Sovereign risk

795
 Non-sovereign risk



COLOMBIA

A sovereign loan was granted to the Support Program for Integral Rural Development within the Post-Conflict Framework. The loan aims to contribute to the Colombian government's efforts to promote integral rural development through budgetary support with freely available funds within the framework of the final agreement for the ending of conflict and the construction of a stable and lasting peace.

With respect to non-sovereign operations, CAF supported the development of the stock market by granting a partial guarantee for the emission of ordinary bonds carried out by Banco W (formerly Banco WWB) in the amount of COP 100 billion.

The institution also supported efforts to generate greater productive opportunities for Colombian small business owners. CAF granted a line of credit in local currency to Bancamía and approved a line of credit for Bank AV Villas.

Twenty-two operations using development cooperation funds in the amount of USD 1.3 million were carried out. The main fields of action include: climate change and environment with 30% of the total and institutional development with 27%.

Some of the emblematic development cooperation actions requested by the country this year were: humanitarian aid for the municipality of Mocoa, the design and implementation of a route of knowledge for resilient infrastructure projects and the signing of a resource administration agreement with the British Prosperity Fund in the amount of GBP 7.2 million to strengthen productivity and competitiveness, especially in post-conflict zones.

CAF SUPPORTED THE DEVELOPMENT OF THE STOCK MARKET BY GRANTING A PARTIAL GUARANTEE FOR THE EMISSION OF ORDINARY BONDS IN THE AMOUNT OF COP 100 BILLION CARRIED OUT BY BANCO W.

APPROVALS



1

SUPPORT PROGRAM FOR INTEGRAL RURAL DEVELOPMENT WITHIN THE POST-CONFLICT FRAMEWORK

Client: Republic of Colombia
Total amount: USD 400 million

2

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco de Comercio Exterior de Colombia S.A. - Bancoldex
Total amount: USD 250 million

FINANCIAL CREDIT LINES

Client: Multiple
Total amount: USD 1.14 billion

IN NUMBERS

APPROVALS
(in USD millions)

1,791



400
Sovereign risk

1,391
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

1,638



240
Sovereign risk

1,398
Non-sovereign risk

PORTFOLIO
(in USD millions)

2,608



1,524
Sovereign risk

1,084
Non-sovereign risk



ECUADOR

In 2017, CAF's approvals in Ecuador were granted in different sectors, such as roads, water and sewerage, electricity or support SMEs. Sovereign loans were granted to finance the Results-based Road Maintenance and Conservation Program for Ecuador's main highways; the Road Improvement Program in suburban neighborhoods for the city of Guayaquil; and support for the national electricity distribution system.

Additionally, resources were destined to finance potable water, sewage and solid waste disposal systems through the PROMADEC IV Program, which will benefit more than

200,000 inhabitants. CAF also approved funds to support the change in the country's productive matrix with an emphasis on micro and small producers through the PROGRESAR program implemented with Corporación Financiera Nacional (CFN). More than 160 companies have benefitted from the program, with high-level performance results for them and the country.

MSME's limited access to financing—as a result of their inability to produce sufficient guarantees—is a barrier to a country's development. This is the reason CAF approved an operation to constitute the Fondo Nacional de Garantías (Spanish for national guarantees fund). In addition, various lines of credit were approved to continue supporting the country's corporate, productive and financial sectors.

Nine operations were executed using development cooperation funds in the amount of USD 0.6 million. Of the amount approved for these operations, the lion's share went to institutional development actions with 76% of the total.

Some of the emblematic development cooperation actions requested by the country this year were: institutional strengthening of ProEcuador: More exports and more investment; Safe Children on Ecuador's Roads (NISEV); and Access to Productive Financing and Strengthening of Value Chains.

PROMADEC IV WILL BENEFIT MORE THAN 200,000 INHABITANTS WITH IMPROVED ACCESS TO POTABLE WATER, SEWAGE AND SOLID WASTE DISPOSAL.

APPROVALS

1

RESULTS-BASED ROAD MAINTENANCE AND CONSERVATION PROGRAM

Client: Republic of Ecuador
Total amount: USD 151 million

2

III SECTOR-WIDE APPROACH FOR ELECTRICITY

Client: Republic of Ecuador
Total amount: USD 150 million

3

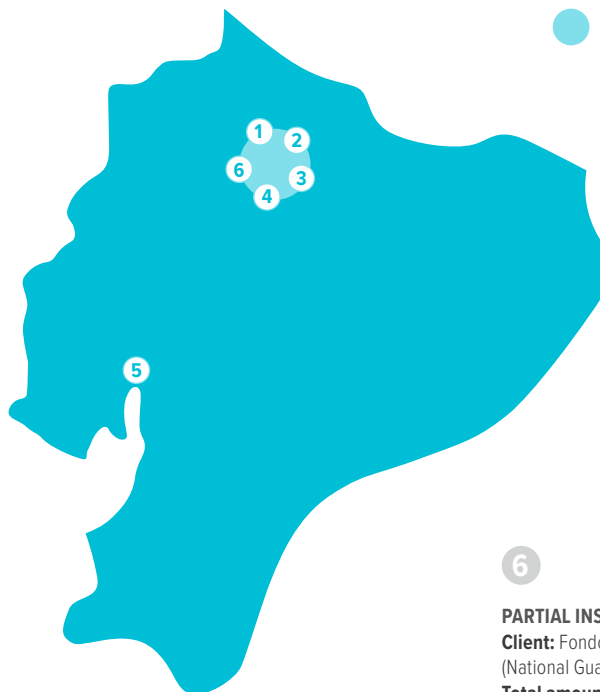
ENVIRONMENTAL SANITATION PROGRAM FOR COMMUNITY DEVELOPMENT - PROMADEC IV

Client: Republic of Ecuador
Total amount: USD 50 million

4

PROGRESAR, PHASE II, PROJECT TO CHANGE THE PRODUCTIVE MATRIX

Client: Republic of Ecuador
Total amount: USD 50 million



CAPITAL OF THE COUNTRY

5

PROGRAM OF ROADWORK IN DENSELY POPULATED ZONES OF GUAYAQUIL, PHASE IV

Client: Municipality of Guayaquil
Total amount: USD 49 million

6

PARTIAL INSTITUTIONAL GUARANTEE

Client: Fondo Nacional de Garantía - FNG (National Guarantee Fund)
Total amount: USD 10 million

FINANCIAL AND CORPORATE LINES OF CREDIT

Client: Multiple
Total amount: USD 294 million

IN NUMBERS

APPROVALS
(in USD millions)

755



450
Sovereign risk

305
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

550



415
Sovereign risk

135
Non-sovereign risk

PORTFOLIO
(in USD millions)

3,438



3,246
Sovereign risk

192
Non-sovereign risk

Boost to implement stage I of the Master Agriculture Plan for the western region



PANAMA

In 2017, CAF continued to position itself as a key actor in the national government's sanitation program, when approving a sovereign loan to extend and to improve the system for collecting wastewater in the Arraiján and La Chorrera districts. This operation represents CAF's seventh approval for this program, for a total financed amount of USD 628 million. Additionally, sovereign financing was granted for the Program to Support the Modernization and Transparency of the State's Financial Management, which provides freely available resources to the Republic of Panama to promote increased productivity of governmental action based on improvements of state entities' efficiency, effectiveness and transparency. The institution also granted a sovereign loan to finance Stage I of the Master Agricultural Plan aimed at generating the necessary installed capacity for the launch of its components and thereby raising the quality of the public services to support the first 1,500 organized farmers.

On the other hand, lines of credit were approved for the financial sector for foreign trade, agro-industry, energy efficiency, green business and retail in SME businesses. Along the same line, a syndicated loan was approved for Credicorp Bank to support the bank's commercial growth and to diversify its funding sources.

Furthermore, six operations using development cooperation funds were implemented in the amount of USD 0.5 million. The main field of action was institutional development with 76%.

Some of the emblematic development cooperation actions requested by the country this year were: the Strategic Marine Harbor Development Plan, fast actions for the drafting of an agriculture reactivation and investment map for the Azuero Peninsula and the approval of a sustainable cattle ranching project in Darién with resources provided by the Global Environment Facility.

IN 2017, CAF APPROVED THE SEVENTH LOAN FOR THE NATIONAL GOVERNMENT'S SANITATION PROGRAM FOR A GRAND TOTAL OF USD 628 MILLION IN FINANCING.

APPROVALS

1

PROGRAM TO SUPPORT THE MODERNIZATION AND TRANSPARENCY OF THE STATE'S FINANCIAL MANAGEMENT

Client: Republic of Panama
Total amount: USD 250 million

2

WASTEWATER MANAGEMENT PROGRAM IN ARRAIJÁN AND LA CHORRERA

Client: Republic of Panama
Total amount: USD 125 million

3

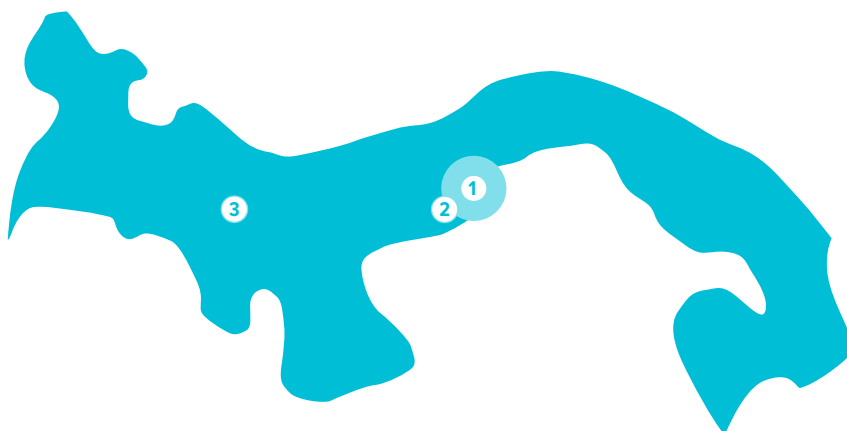
MASTER AGRICULTURE PLAN FOR THE WESTERN REGION (PMARO) - STAGE I

Client: Republic of Panama
Total amount: USD 28 million

4

FINANCIAL CREDIT LINES

Client: Multiple
Total amount: USD 246 million



 CAPITAL OF THE COUNTRY

IN NUMBERS

APPROVALS
(in USD millions)

650



403
Sovereign risk

247
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

266



202
Sovereign risk

64
Non-sovereign risk

PORTFOLIO
(in USD millions)

1,411



1,023
Sovereign risk

388
Non-sovereign risk



PARAGUAY

In 2017, CAF consolidated its support for Paraguay's road infrastructure with the approval of two sovereign loans. One for the reconstruction, rehabilitation and maintenance of approximately 475 km of the Nacional Route 9 and the access roads to several localities along the route. The other loan is for the rehabilitation and maintenance of approximately 338 km of routes paved in several areas throughout the country. In the case of the latter loan, CAF mobilized third-party resources in the amount of USD 42.8 million from Fonplata, which made it possible to increase the impact of interventions.

In the non-sovereign sector, several financial institutions were granted lines of credit to continue financing diverse sectors, including agro-business and SMEs.

Nine operations were executed using development cooperation funds in the amount of USD 0.7 million. This amount was distributed among the following fields of action: institutional development with 57% and social development with 43%.

Some of the emblematic development cooperation actions requested by the country this year were: the Urban Regeneration Proposal for Bañado Norte, Asuncion; a project to strengthen corporate governance good practices in Paraguay's public companies; Updated Technical Studies and Economic Evaluation: Route 9 and 7 for additional sections, and a donation received from CONACYT for the administration of the study.

IN 2017, CAF APPROVED TWO SOVEREIGN LOANS FOR THE RECONSTRUCTION, REHABILITATION AND MAINTENANCE OF APPROXIMATELY 813 KM OF ROAD INFRASTRUCTURE IN PARAGUAY.

APPROVALS

1

REHABILITATION AND MAINTENANCE PROJECT FOR NATIONAL HIGHWAY NO. 9 AND ACCESS ROADS

Client: Republic of Paraguay
Total amount: USD 300 million

2

REHABILITATION AND MAINTENANCE PROGRAM FOR PAVED ROUTES BY SERVICE LEVELS - VIAL 3

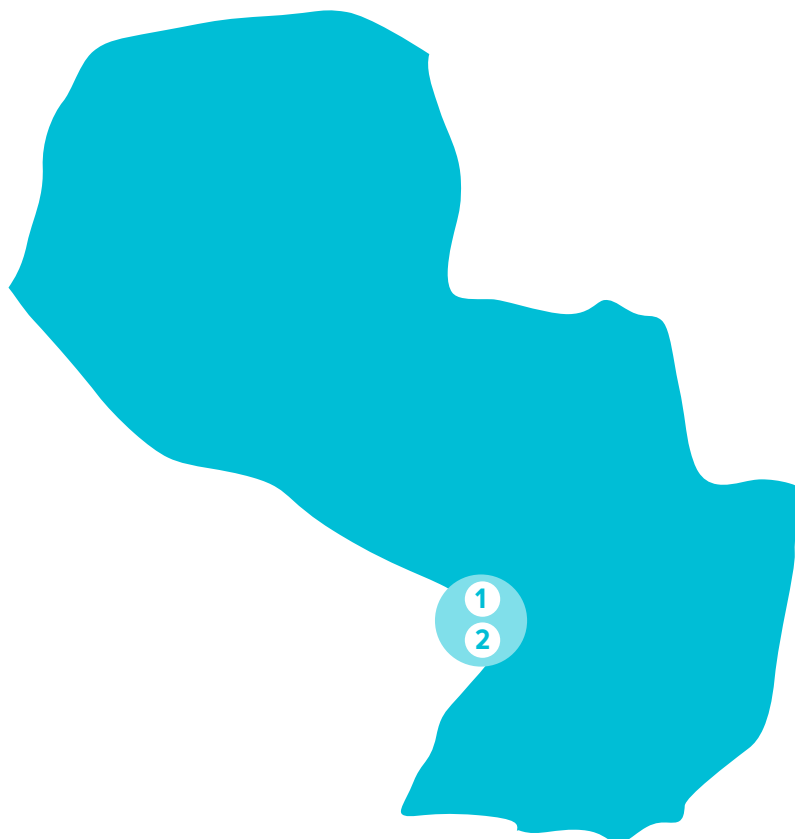
Client: Republic of Paraguay
Total amount: USD 100 million

3

FINANCIAL CREDIT LINES

Client: Multiple
Total amount: USD 96 million

 CAPITAL OF THE COUNTRY



IN NUMBERS

APPROVALS
(in USD millions)

497



435
Sovereign risk

62
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

152



90
Sovereign risk

61
Non-sovereign risk

PORTFOLIO
(in USD millions)

419



329
Sovereign risk

89
Non-sovereign risk



PERU

In 2017, CAF granted the Republic of Peru a loan to finance the second stage of the Majes Sigwas project. The project will make it possible to irrigate 38,500 hectares in Pampas de Sigwas. This operation strengthens, moreover, CAF's position as the main financier in the Peruvian irrigation infrastructure sector.

Equally, CAF continued its support of infrastructure development in the form of public-private partnerships with the approval of two loans for the execution of the extension works and upgrade of the Paracas Port Terminal and the second section of the North-South Sierra Highway.

In addition, financing for the modernization of Pampilla Refinery's supply systems was approved. The project adheres to the highest safety and environmental standards.

Twenty operations were executed using development cooperation funds in the amount of USD 2.6 million. This amount was distributed among the following fields of action: institutional development with 58% and social development with 23%.

Some of the emblematic development cooperation actions requested by the country this year were: humanitarian aid granted the Republic of Peru, support to drive international growth of MSMEs; and the approval, with Adaptation Fund resources, of the project: Strategies for adaptation to climate change for the preservation of livelihoods of vulnerable high Andean communities in the Arequipa Region.

THE MAJES SIGUAS II PROJECT WILL IRRIGATE 38,500 HECTARES IN PAMPAS DE SIGUAS.

APPROVALS

1

STAGE II, PHASE III OF THE MAJES SIGUAS PROJECT
Client: Republic of Peru
Total amount: USD 98 million

2

CONTINGENT LINE OF CREDIT
Client: Republic of Peru
Total amount: USD 400 million

3

NON-REVOLVING AND UNCOMMITTED CONTINGENT CREDIT LINE FOR NATURAL DISASTER EMERGENCY RESPONSE
Client: Republic of Peru
Total amount: USD 300 million

4

CORPORATE LOAN
Client: La Pampilla S.A.A.
Total amount: USD 70 million

5

CORPORATE LOAN
Client: Terminal Portuario Paracas SA
Total amount: USD 50 million

6

CORPORATE LOAN FOR THE NORTH-SOUTH SIERRA HIGHWAY- SECTION II
Client: Concesionaria Vial Sierra Norte S.A. (Convia Sierra Norte)
Total amount: USD 50 million

FINANCIAL AND CORPORATE LINES OF CREDIT
Client: Multiple
Total amount: USD 1.3 billion



● CAPITAL OF THE COUNTRY

IN NUMBERS

APPROVALS
 (in USD millions)

2,306



798
 Sovereign risk

1,508
 Non-sovereign risk

DISBURSEMENTS
 (in USD millions)

1,688



90
 Sovereign risk

1,598
 Non-sovereign risk

PORTFOLIO
 (in USD millions)

2,292



1,401
 Sovereign risk

890
 Non-sovereign risk

In 2017, a loan program was funded to support the country's fiscal consolidation in the medium term



TRINIDAD AND TOBAGO

In 2017, the Parliament of Trinidad and Tobago enacted the Financial Institutions Act, which establishes the legal framework to give the government access to CAF's loans.

Following its enactment, the first sovereign credit operation was signed and disbursed, which corresponded to a program-based loan operation approved in 2016 to support the country's medium-term fiscal consolidation strategy for the period 2015-2020. That operation prompted the process to consolidate the country's fiscal accounts, increasing

public spending efficiency and leveraging the economy's diversification process.

Likewise, during 2017, work was carried out to deepen the dialogue between the government and the business areas for the identification of investment opportunities in priority sectors. It is worth noting that CAF, in partnership with the Chamber of Commerce, spearheaded a series of seminars with representatives from the private sector to identify non-sovereign investment opportunities aligned with priorities for the country and CAF's strategic lines of action.

IN 2017, WORK WAS CARRIED OUT TO DEEPEN THE DIALOGUE BETWEEN THE GOVERNMENT AND BUSINESS AREAS FOR THE IDENTIFICATION OF INVESTMENT OPPORTUNITIES IN PRIORITY SECTORS.



IN NUMBERS

DISBURSEMENTS
(in USD millions)

300



300
Sovereign risk

0
Non-sovereign risk

PORTFOLIO
(in USD millions)

300



300
Sovereign risk

0
Non-sovereign risk

Financing support of a program for the rehabilitation and maintenance of the Department of Montevideo's road network



URUGUAY

In 2017, two of the approved operations were to finance investment projects with a sovereign guarantee. The first one was in transport to finance a program for the rehabilitation and maintenance of road networks in the department of Montevideo. The second one was to finance part of the second phase of Uruguay's Potable Water and Sanitation Systems Improvement and Rehabilitation Program.

A partial credit guarantee without sovereign guarantee was approved for the design, construction and operation of the country's road infrastructure. This is the first operation under the Financial Trust Debt Fund for Infrastructure in Uruguay- CAF I. The institution created the fund in 2015.

Eleven operations using development cooperation funds were carried out in the amount of USD 0.6 million. This amount was distributed among the following fields of action: institutional development with 42%, social development with 25% and climate change and environment with 22%.

Some of the emblematic development cooperation actions requested by the country during the year were: Strengthening of the Dual High School Training Program; the Training Program in Economics and Finance for Teachers; and the strengthening of public-private partnership initiatives.

IN 2017, A PARTIAL CREDIT GUARANTEE REPRESENTED THE FIRST OPERATION APPROVED UNDER THE CAF I-FINANCIAL DEBT TRUST FOR INFRASTRUCTURE IN URUGUAY.

APPROVALS



 CAPITAL OF THE COUNTRY

1

ROAD INFRASTRUCTURE PROGRAM TO IMPROVE MOBILITY IN MONTEVIDEO

Client: Corporación Nacional para el Desarrollo (CND)

Total amount: USD 80 million

2

POTABLE WATER AND SANITATION SYSTEMS IMPROVEMENT AND REHABILITATION PROGRAM-PHASE II

Client: Administración de las Obras Sanitarias del Estado (OSE)

Total amount: USD 30 million

3

CONTINGENT LINE OF CREDIT

Client: Eastern Republic of Uruguay

Total amount: USD 500 million

4

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Hipotecario del Uruguay

Total amount: USD 50 million

IN NUMBERS

APPROVALS
(in USD millions)

661



610
Sovereign risk

51
Non-sovereign risk

DISBURSEMENTS **PORTFOLIO**
(in USD millions)

187



187
Sovereign risk

0
Non-sovereign risk

1,028



942
Sovereign risk

86
Non-sovereign risk



VENEZUELA

In 2017, CAF approved a loan for the Central Bank of Venezuela for macroeconomic support and mitigation of liquidity risks in the handling of liabilities, contributing to guaranteed stability of the country's imports. The loan was framed within the institution's macroeconomic management support strategy for shareholder countries. The strategy serves as a preventive financing instrument to provide countries and central banks in the region with liquidity if they require it.

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

Finally, six operations using development cooperation funds in the amount of USD 0.5 million were carried out. This amount was distributed among the following fields of action: institutional development with 40% and social development with 29%.

Some of the emblematic development cooperation actions requested by the country over the year were: the Support for Malnourished Children in Venezuela and SOMOS: Pasión Petare en Femenino, a program that aims to develop socio-emotional and empowerment tools for girls and women through soccer.

OVER THE COURSE OF THE YEAR, CAF SUPPORTED THE STRENGTHENING OF VENEZUELA'S SPORTS COMMUNITY THROUGH THE DEVELOPMENT OF SOCIO-EMOTIONAL AND EMPOWERMENT TOOLS FOR GIRLS AND WOMEN.

APPROVALS



1

LOAN FOR MACROECONOMIC SUPPORT AND MITIGATION OF LIQUIDITY RISKS IN THE MANAGEMENT OF LIABILITIES

Client: Banco Central de Venezuela

Total amount: USD 400 million

2

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco de Desarrollo Económico y Social de Venezuela (BANDES)

Total amount: USD 100 million

● CAPITAL OF THE COUNTRY

IN NUMBERS

APPROVALS
(in USD millions)

501



400
Sovereign risk

101
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

130



130
Sovereign risk

0
Non-sovereign risk

PORTFOLIO
(in USD millions)

3,285



3,285
Sovereign risk

0
Non-sovereign risk

In Chile, financing was approved for the construction, operation and maintenance of a solar power park.



OTHER COUNTRIES

IN NUMBERS

APPROVALS
(in USD millions)

2,361



1,425
Sovereign risk

836
Non-sovereign risk

DISBURSEMENTS
(in USD millions)

1,218



470
Sovereign risk

748
Non-sovereign risk

PORTFOLIO
(in USD millions)

1,416



587
Sovereign risk

830
Non-sovereign risk

BARBADOS

IN NUMBERS

APPROVALS

(in USD millions)

25



In 2017, two sovereign loans for a total of USD 25 million were approved. The first one for USD 15 million went to the Infrastructure Reform Program for the Tax Administration, to support tax reform processes and the fiscal adjustment program.

The second loan, in the amount of USD 10 million, went to the Potable Water Infrastructure Rehabilitation Project, aimed at supporting sector planning and improving the quality, trustworthiness and efficiency of the potable water systems and to formulate a strategy for the sanitation and potable water sector. This loan is being cofinanced by the European Investment Bank (EIB) for an additional USD 10 million.

1

INFRASTRUCTURE REFORM PROGRAM FOR THE TAX ADMINISTRATION

Client: Government of Barbados

Total amount: USD 15 million

2

POTABLE WATER INFRASTRUCTURE REHABILITATION PROJECT

Client: Government of Barbados

Monto total: USD 10 million

CHILE

IN NUMBERS

APPROVALS

(in USD millions)

382



Approvals in Chile in 2017 reached a record high of USD 382 million. The institution accompanied the internationalization process of the Chilean financial sector with the approval of lines of credit geared mainly toward the promotion of exports. One of the highlights was the approval of a line of credit extended to Banco del Estado de Chile (BECH) in the amount of USD 100 million, mainly for the bank's foreign trade operations and financing for micro, small and medium Chilean companies.

In addition, CAF approved USD 29 million for a corporate loan granted Atacama Solar in 2015. The project consists of the construction, operation and maintenance of a photovoltaic solar park in the north of Chile.

Finally, three operations using development cooperation funds were implemented in the amount of USD 0.2 million. The emblematic development cooperation actions requested by the country included humanitarian aid to help mitigate the state of emergency as a result of forest fires; the signing of the Green Climate Fund Readiness Program in Chile; and with resources of the Global Environmental Facility, support for Chile's Sustainable Transport Strategy (CLETS).

1

CORPORATE LOAN

Client: Solar Atacama

Total amount: USD 29 million

2

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco del Estado de Chile (BECH)

Total amount: USD 100 million

FINANCIAL AND CORPORATE LINES OF CREDIT

Client: Multiple

Total amount: USD 253 million

COSTA RICA

IN NUMBERS

APPROVALS

(in USD millions)

10



The Bajos de Chilamate-Vuelta Kooper project for the development of the country's roadways was completed and put into operation in August 2017.

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 small and medium-sized companies.

Finally, CAF approved USD 0.1 million in operations using development cooperation resources, as a complement to institution's financial actions. The signing of the Green Climate Fund Readiness Program in Costa Rica was also approved.

1

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco Improsa S.A.

Total amount: USD 10 million

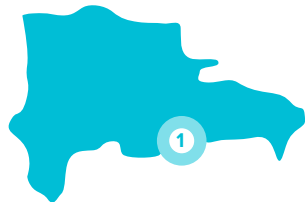
DOMINICAN REPUBLIC

IN NUMBERS

APPROVALS

(in USD millions)

20



With the Dominican Republic's new capital increase agreement for USD 50 million in CAF, the opportunities for the institution to act in the country were expanded. In this regard, in the second half of 2017, a programming mission was carried out that involved the main ministries to identify possible financing opportunities and to seek consensus about the necessary steps to carry them out.

In addition, a line of credit granted Banco BHD Leon was extended to USD 20 million. The line of credit is to support the productive transformation and economic growth through financing of long-term investments.

1

UNCOMMITTED REVOLVING CREDIT LINE

Client: Banco BHD

Total amount: USD 20 million

MEXICO

IN NUMBERS

APPROVALS

(in USD millions)

1,007



During 2017, CAF approved operations in favor of Mexico for over USD 1 billion of which a 79% (USD 800 million) corresponded to sovereign risk operations and a 21% (USD 207 million) to non-sovereign risk and technical cooperation operations. The first loan granted Mexico's federal government was approved in the amount of USD 300 million. The loan's objective is to contribute to the implementation of climate change mitigation and adaptation public policies enabling the country to fulfill its international commitments.

In addition, credit lines granted the National Bank of Foreign Trade (BANCOMEXT) and Nacional Financiera (NAFIN) were renewed for USD 200 million and USD 300 million, respectively. In the non-sovereign sector, a USD 50-million loan was approved for Altán Networks S.A.P.I. de C.V. for the design, installation, implementation, operation, maintenance and upgrade of Mexico's telecommunications network (shared network), as well as the commercialization of wholesale telecommunications services.

Finally, with the intention of supporting the government's efforts to provide inhabitants in areas affected by earthquakes that took place in the center and southern Mexico in September in the most agile and opportune manner, CAF granted USD 600,000 in humanitarian aid.

1

SUPPORT PROGRAM FOR POLICIES OF CLIMATE CHANGE MITIGATION AND ADAPTATION

Client: Mexico

Total amount: USD 300 million

2

CORPORATE LOAN

Client: Altán Redes S.A.P.I. de C.V.

Total amount: USD 50 million

FINANCIAL CREDIT LINES

Client: Multiple

Total amount: USD 655 million

OTHER ACTIONS IN EUROPE

IN THE BUSINESS SECTOR, CAF PARTICIPATED IN TWO EVENTS IN EUROPE: LATIN AMERICA WEEK, AND THE LATIN AMERICA EUROPE INVESTORS FORUM.

In 2017, institutional visits to Brussels and Luxembourg served to define work programs of work with the European Commission (EC) and its assigned organisms, including Directorate-General for International Cooperation and Development (DG DEVCO); the European External Action Service (EEAS); Directorate-General for Environment; and the European Investment Bank (EIB).

Also, CAF's participation in the EU-CELAC Summit [Seminar], EU-CELAC Economic Forum and the event 'Next for Steps Development in Transition' organized by the OECD and the ECLAC, allowed the institution to contribute its vision in the design of a shared strategy to address issues of biregional interest and to exchange opinions with other development financial institutions.

In the business sector, CAF's European office participated in two events: Latin America Week, organized by Lloyd's Bank, and Latin America Europe Investors Forum, which included presentations of the current outlook for the region and opportunities for British investors with interests in Latin America. CAF also participated in the Canning Conference "Doing Business in Latin America: Does Brexit Matter?" to analyze the impact of Brexit on Latin America and the region's relations with the United Kingdom.

In 2017, the signing of the Green Climate Fund Readiness Program in Costa Rica was approved.



In France, CAF's Executive President participated in the OECD's Regional Program for Latin America and the International Economic Forum on Latin America and the Caribbean: Rethinking globalization for youth and inclusive development. Working meetings were held with the Secretary General of the OECD, IDB President, the Cabinet Director of the French Ministry for the Economy and Finance, the General Director of French development agency AFD and the Director of PROPARGO. Future initiatives were also reviewed during the meetings.

PORTUGAL

IN NUMBERS

APPROVALS

(in USD millions)

40



During 2017, CAF continued to strengthen its relationship with Portugal, mainly with the Ministry of Finance, the Central Bank and Sociedade para o Financiamento do Desenvolvimento (SOFID), with which CAF maintains a strategic equity investment.

Also, CAF formed a tie with the Institute for the Promotion of Latin America and the Caribbean (IPDAL), a non-profit, private entity working to strength relations between Europe and Latin America, namely through economic diplomacy.

The government of Portugal signed a capital increase agreement and the corresponding payment was made.

1

UNCOMMITTED REVOLVING CREDIT LINE

Client: Mota Engil SGPS S.A.
Total amount: USD 40 million

SPAIN

IN NUMBERS

APPROVALS

(in USD millions)

301

Activities carried out over the course of the year—reinforced with missions conducted by the Executive Chairman—reflected Spain's commitment to its relationship with the institution. Working meetings were conducted with the Minister of Agriculture and Fishing, Food and Environment. This same ministry signed a new tripartite agreement with the government of Bolivia and CAF. Furthermore, a USD 80-million line of credit was renewed following working meeting with the president of the Official Credit Institute (ICO).

In the business sector, activity centered around strengthening CAF's position as a bridge with small, medium and large companies, recognized internationally for its experience in potential investment areas in Latin America and the Caribbean. With this objective, a agro-industrial and water sector mission was conducted in Murcia, along with other activities, including sessions with presidents and delegated advisors for Spain's main construction companies with a presence in the region, and events with the Spanish Confederation of Business Organizations (CEOE). In addition, within the framework of III Water Dialogues, the IE Business Leadership Forum and Europa Press, CAF's Executive President had the opportunity to reflect on the necessity of moving forward with a pact for productivity in the region.

The government of Spain signed a capital increase agreement and the corresponding payment was made.



1

UNCOMMITTED REVOLVING CREDIT LINE

Client: Instituto de Crédito Oficial - ICO

Total amount: USD 300 million

MULTINATIONAL

IN NUMBERS

APPROVALS

(in USD millions)

577

REGIONAL CONTINGENT LINE OF FINANCING FOR EXTREME CLIMATE EVENTS, EARTHQUAKES, CONTAMINATING ACCIDENTS AND EPIDEMIC IN THE REGION

Client: CAF shareholder countries or subnational entities with sovereign guarantee

Total amount: USD 300 million

UNCOMMITTED REVOLVING CREDIT LINE

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

Total amount: USD 150 million

UNCOMMITTED REVOLVING CREDIT LINE

Client: Fund finance for the development of the countries of the Río de la Plata basin - FONPLATA

Total amount: USD 75 million

UNCOMMITTED REVOLVING CREDIT LINE

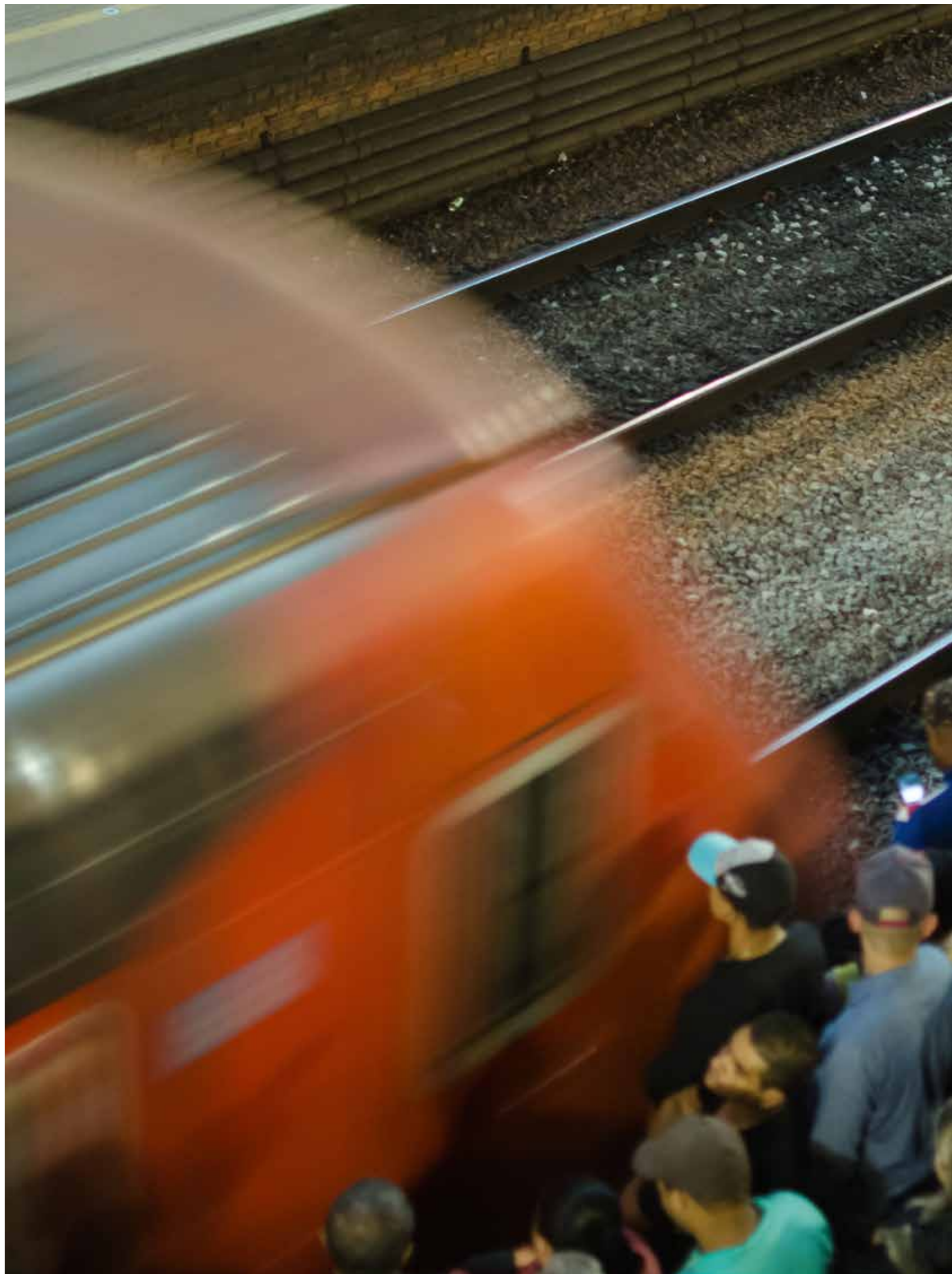
Client: Corporación Interamericana para el Financiamiento de Infraestructura S.A. - CIFI Holding

Total amount: USD 25 million

EQUITY INVESTMENT

Client: Fondo Eco Business S.A., SICAF-SIF/ Eco-business I Sub Fund

Total amount: USD 10 million





STRATEGIC SECTORS

Transportation, Communications
and Logistics Infrastructure
Energy
Social Development
Social Innovation
Productive and Financial Sector
Environment and Climate Change
Institutional Development



Transportation, Communications and Logistics Infrastructure

CAF'S INFRASTRUCTURE AGENDA SEEKS TO IMPROVE THE PROVISION AND QUALITY OF TRANSPORTATION, LOGISTICS AND COMMUNICATIONS INFRASTRUCTURE TO ACHIEVE PHYSICAL, ECONOMIC AND SOCIAL DEVELOPMENT AND TERRITORIAL COORDINATION THROUGHOUT THE REGION.

Quality infrastructure is a fundamental factor in the development of more productive, competitive, inclusive and environmentally friendly societies. With this premise in mind, CAF is deeply committed to the development of strategic, sustainable and resilient infrastructure for the region. Through its Infrastructure Agenda, the institution seeks to improve the provision and quality of transportation logistics and communications infrastructure to achieve physical, economic and social development and coordination of territory. In 2017, CAF continued contributing to regional development, particularly the activities mentioned below.

Road infrastructure development is the backbone to improved access and connectivity for the population. In this sense, CAF supported efforts by the Colombian Ministry of Transportation for comprehensive rural development in the implementation of the

first phase of the Tertiary Roads Program in 51 priority municipalities.

As planning and design support for sustainable roads, CAF is drafting a "Guide to Good Practices for Road Adaptation to Climate," slated for completion and distribution in 2018.

In order to promote the development of sustainable, safe and inclusive urban mobility systems, with an emphasis on comprehensive interventions in cities, CAF developed the "Sustainable Urban Mobility Strategy," which guides countries in the provision of technical support on road safety, public transportation and mobility.

Moreover, knowledge-gathering projects were carried out to incorporate best practices in defining public policies and planning related to mobility, with particular emphasis on: (i) the development of sustainable urban mobility plans in cities in Bolivia, Panama and Peru;

(ii) the assessment of the pilot case of electric buses in the city of Buenos Aires, Argentina; (iii) studies and draft law for the establishment of an urban transport authority (UTA) for Lima and Callao, Peru; (iv) the completion of the fee-structuring study in Quito; (v) support for the Montevideo Mobility Survey; (vi) the ongoing analysis of the growing phenomenon of collaborative mobility, with the study of a pilot case in Bogota; (vii) the completion of the study "She Moves about Safely," which aims to gain insight into the impact of gender equity in mobility processes, analyzing this phenomenon in the cities of Buenos Aires, Santiago and Quito; and (viii) in Mexico, progress on a working agenda to improve air quality in Mexico City and study mobility patterns.

CAF'S SUSTAINABLE URBAN MOBILITY STRATEGY PROVIDES COUNTRIES WITH TECHNICAL SUPPORT ON ROAD SAFETY, PUBLIC TRANSPORTATION AND MOBILITY.



To provide planning support for mass transit projects, technical assistance was focused on: (i) assessing the Integrated Transit System (SIT) in Arequipa, Peru; (ii) studying the mechanisms that generate value for Line One of the Bogotá, Colombia metro; (iii) the feasibility study for a downtown tram line in the Panamá City; and (iv) the financing of a feasibility study in Peru of the BRT system in Trujillo, as well as cross-cutting support for the AATE on Lines 2, 3 and 4 of the Lima Metro.

Two publications were completed in an effort to

promote positive changes in road safety in the region, supporting technological innovation and the transfer of good practices, with an emphasis on reducing highway accident rates and their consequences: “The Motorcyclists’ Guide to Good Safety Practices” and “The Characterization Study of Motorcycle Transport of Children.” CAF also published “The Regional Study of Road Work Safety and Good Practices for Traffic Checks,” as well as protocols for units providing victim assistance and a training manual.

Road safety manuals for pedestrians and cyclists are also in production.

In logistics, CAF developed a strategy to address sustainable and safe urban logistics, called LOGUS, which will allow the institution to assume a regional leadership role in the field of logistics and urban distribution of goods.

The Regional Program for the Development of South American Waterways is the only one of this genre in Latin America and, in 2017, resources were allocated for technical cooperation on projects of institutional strengthening and waterway tourism in the areas of the Uruguay river basin and the Merín Lagoon. A training course on South American waterway management was also offered in the framework of the IIRSA/COSIPLAN.

In support of the digital transformation of Latin America, CAF has shored up its Digital Economy and Ecosystem Observatory as the first source of regional information to offer a comprehensive view of the digital transformation process. Furthermore, progress was made in the analysis of the use of infrastructures in the framework of the Internet of

IN LOGISTICS, CAF HAS DEVELOPED A STRATEGY TO ADDRESS SUSTAINABLE AND SAFE URBAN LOGISTICS (LOGUS), WHICH WILL ALLOW IT TO ASSUME A REGIONAL LEADERSHIP ROLE IN THE FIELD OF LOGISTICS AND URBAN DISTRIBUTION OF GOODS.



Things (IoT), cloud computing and broadband applied to the digitalization of supply chains (provisioning and distribution channels). In the field of education, a study was done to identify the best use of broadband infrastructure in hopes of improving the transformation of education quality (in Brazil, Colombia and Ecuador). Furthermore, the institution designed the interconnectivity infrastructure (IXP) in Panama to address regional integration, which will lead to better quality and prices for data communications in Latin America and the Caribbean. In support of improved capacities for the sector, CAF provided support for the CE-Digital Program in alliance with ECLAC and GSMA, focused on regulating the sector. We likewise supported the ECLAC-CAF IBEI alliance, whose goal is to promote the process of digital innovation and transformation in Latin America.

In order to bolster regional knowledge of public-private financing mechanisms, CAF is working on “PPP Guide for sub-national and municipal governments.” Likewise, in 2017 the institution launched its MOOC (Massive Online Open Course) “Introduction to Managing APP Contracts,” which focuses on providing examples, recommendations and good practices for efficient management of APP contracts.

In 2017, CAF took a leading role as a promoter of spatial data infrastructure development for Latin America and the Caribbean through the GEOSUR Program, now in its tenth year. In strategic alliance with the Pan-American Institute of Geography and History (IPGH), the geographic institutes of the Andean countries, and with technical support from

Spain’s National Center for Geographic Information (CNIG), the Integrated Digital Map of the countries of North America (MIAN) was completed and the one for South America (MIAS) underway, contributing to the construction of an integrated and continuous cartographic base of the Americas, scaled to 250,000.

The latest in infrastructure in Latin America was showcased in the report “Infrastructure in the Development of Latin America (IDEAL),” which also analyzed the role of infrastructure in the development of tourism and its contribution to the economic growth of countries, as well as discussing State subsidies as way to guarantee sustainability and access to infrastructure services. ■

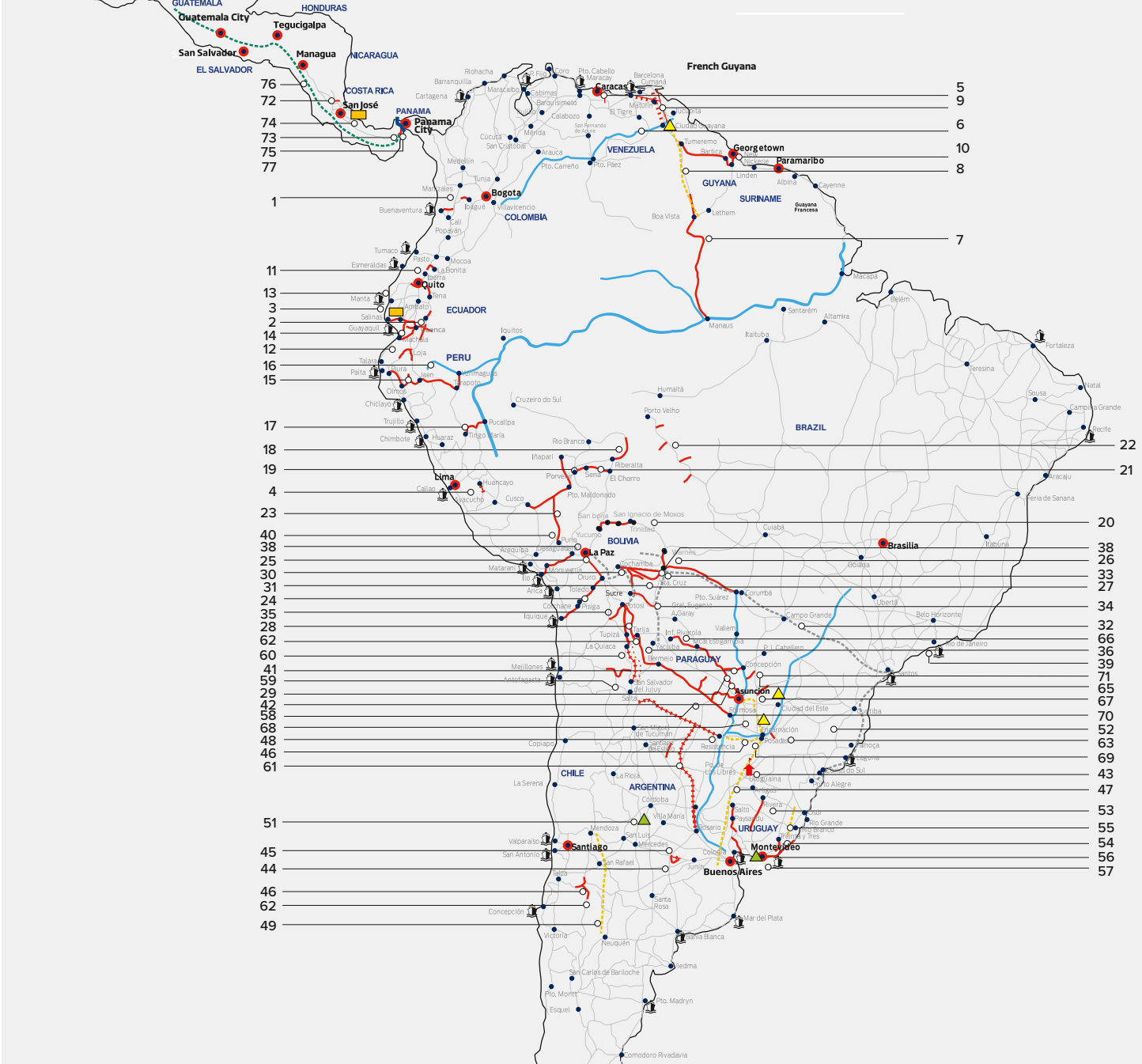
IN THE FRAMEWORK OF REGIONAL INTEGRATION, THE INSTITUTION DESIGNED PANAMA’S INTERCONNECTIVITY INFRASTRUCTURE (IXP), WHICH WILL LEAD TO BETTER QUALITY AND PRICES FOR DATA COMMUNICATIONS IN LATIN AMERICA AND THE CARIBBEAN.

PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF OVER THE PAST 21 YEARS

	CAF's contribution	Total investment (in USD millions)
Andean Axis		
1 Colombia: Bogota-Buenaventura road corridor	447.0	1,116.6
2 Ecuador: Amazon connection with Colombia and Peru (<i>Carretera Troncal del Oriente</i>) (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 for commercial navigation on 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 railway studies	2.6	2.6
10 Venezuela: Ciudad Guayana (Venezuela)-Georgetown (Guyana) roadway 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 Ecuador: Results-based Road Maintenance and Conservation Program (Project No. 7)	18.4	275.0
15 Peru: Northern Amazon road corridor	110.0	328.0
16 Peru: Pre-investment in the border region with Ecuador	5.3	8.7
17 Peru: Central Amazon corridor (Tingo Maria-Aguaytia-Pucallpa section)	3.5	13.6
Peru-Brazil-Bolivia Axis		
18 Bolivia: Guayaramerín - Riberalta highway	42.0	45.5
19 Bolivia: Porvenir- Puerto Rico highway	138.8	198.3
20 Bolivia: Yucumo- Trinidad highway	234.9	335.7
21 Bolivia: El Sena-Peña Amarilla-El Chorro highway	168.0	200.0
22 Brazil: Road Integration Program, State of Rondonia	56.4	134.2
23 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		
24 Bolivia: Bolivia-Chile road integration corridor	404.7	649.2
25 Bolivia: La Paz-Oruro dual-carriageway project	250.0	265.1
26 Bolivia: Santa Cruz-Puerto Suarez road integration corridor (tranches 3, 4 and 5)	280.0	585.5
27 Bolivia: Santa Cruz-Warnes dual-carriageway project	86.1	160.6
28 Bolivia: Bolivia-Argentina road integration corridor	422.2	792.9
29 Bolivia: Bolivia-Paraguay road integration corridor	674.5	1,013.8
30 Bolivia: "Y" Road Integration Program	97.3	141.3
31 Bolivia: Rehabilitation of the La Guardia-Comarapa highway	153.2	224.8
32 Bolivia / Brazil: Bolivia-Brazil gas pipeline	215.0	2,055.0
33 Bolivia: Support program for the transportation sector (PAST IV)	22.4	32.3
34 Bolivia: YPFB Transporte gas pipeline	128.0	350.4
35 Bolivia: Complementary road works	70.0	73.0
36 Bolivia: Sector-specific transportation program	150.0	221.2
37 Bolivia: Fine-tuning program for highways	75.0	107.1
38 Bolivia: Construction of the Santa Cruz - Las Cruces - Buena Vista Highway	112.0	212.0
39 Brazil: Complementary works for Arco Metropolitano do Rio de Janeiro	200.0	334.0
40 Peru: Bolivia-Peru road integration corridor	48.9	176.6
41 Paraguay: Rehabilitation and maintenance of paved roads by service levels (III roadway)	100.0	142.8
42 Paraguay: Rehabilitation and maintenance of National Route 9	400.0	560.0

Mercosur-Chile Axis		
43	Argentina/Brazil: Paso de los Libres-Uruguaiiana border center	10.0 10.0
44	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa road turnoff)	10.0 10.0
45	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa railroad turnoff)	35.0 50.0
46	Argentina: Buenos Aires-Santiago Corridor (accesses to the Pehuenche Pass, National Route 40 and National Route 145)	106.7 188.1
47	Argentina: Rincon Santa Maria-Rodriguez Electricity Interconnection	400.0 635.0
48	Argentina: Rincon Santa Maria-Resistencia transmission line	150.0 345.8
49	Argentina: Comahue-Cuyo electricity Interconnection	200.0 414.0
50	Argentina: Road Integration Program between Argentina and Paraguay	110.0 182.0
51	Argentina: Extension of the Service Life of the Embalse Nuclear Plant	240.0 1,026.7
52	Brazil: First Phase of the Regional Integration Program, State of Santa Catarina	32.6 65.5
53	Uruguay: Mega-concession of the Main Connection Roads with Argentina and Brazil	25.0 136.5
54	Uruguay: Road Infrastructure Programs	240.0 757.1
55	Uruguay: Program to Strengthen the National Electricity System	150.0 621.0
56	Uruguay: Punta del Tigre Thermal Plant Project and Combined Cycle Plant	208.0 814.4
57	Uruguay: Dredging and Gas Pipeline Project in Punta Sayago	86.2 104.2
Capricorn Axis		
58	Argentina: Pavement of National Route 81	90.2 126.2
59	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0 54.0
60	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0 1.0
61	Argentina: Recovery and Improvement of the General Belgrano Railroad	326.0 408.0
62	Argentina: Second Phase of the Road Development Program: National Route 40	168.0 240.0
63	Argentina: Regional Road Development Program II, III and IV	410.0 585.0
64	Bolivia: Tarija-Bermejo Highway Program	74.8 200.0
65	Paraguay: Rehabilitation and Pavement of Integration Corridors National Route 10 and National Route 11 and Complementary Works	19.5 41.9
66	Paraguay: Integration Corridors and Road Reconstruction Program	222.1 285
67	Paraguay: Yacretá-Villa Hayes 500 Kw Second Line	50.0 297.2
Paraguay-Parana Waterway Axis		
68	Studies for the Improvement of Navigation, Institutional Management and Operational Financial Scheme of the Waterway (Argentina, Bolivia, Brazil, Paraguay and Uruguay)	0.9 11
69	Argentina: Railroad Integration Program between Argentina and Paraguay	100.0 166.0
70	Paraguay: Program for the River Transportation of Iron Ore for the Productive and Trade Integration between Brazil and Argentina	33.0 63.3
71	Paraguay: Paved Road Network Project	100.0 142.7
Mesoamerica		
72	Costa Rica: Investment Program for the Atlantic Corridor	60.0 80.2
73	Panama: Highway rehabilitation and improvement program	80.0 125.6
74	Panama: Bi-national bridge over the Sixaola River	5.5 13.4
75	Panama: Panama Canal Authority expansion program.	300.0 5,250.0
76	Multinational: Central American Telecommunications Network	14.0 30.0
77	Multinational: Electrical Interconnection System for Central American Countries (SIEPAC, in Spanish)	16.7 405.0
Other projects		210.0 812.0
Total		11,373.1 30,855.8

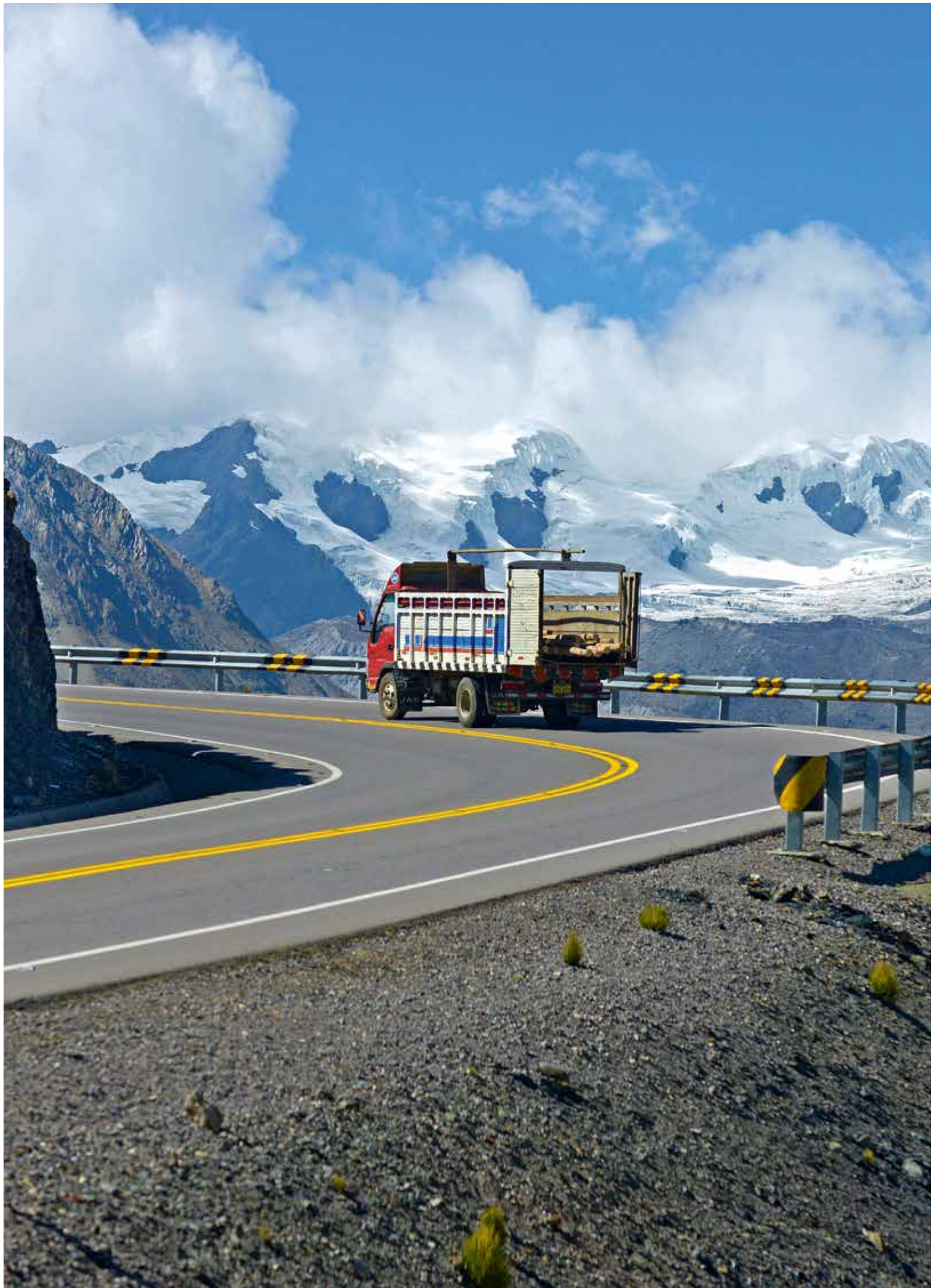
PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF OVER THE PAST 21 YEARS



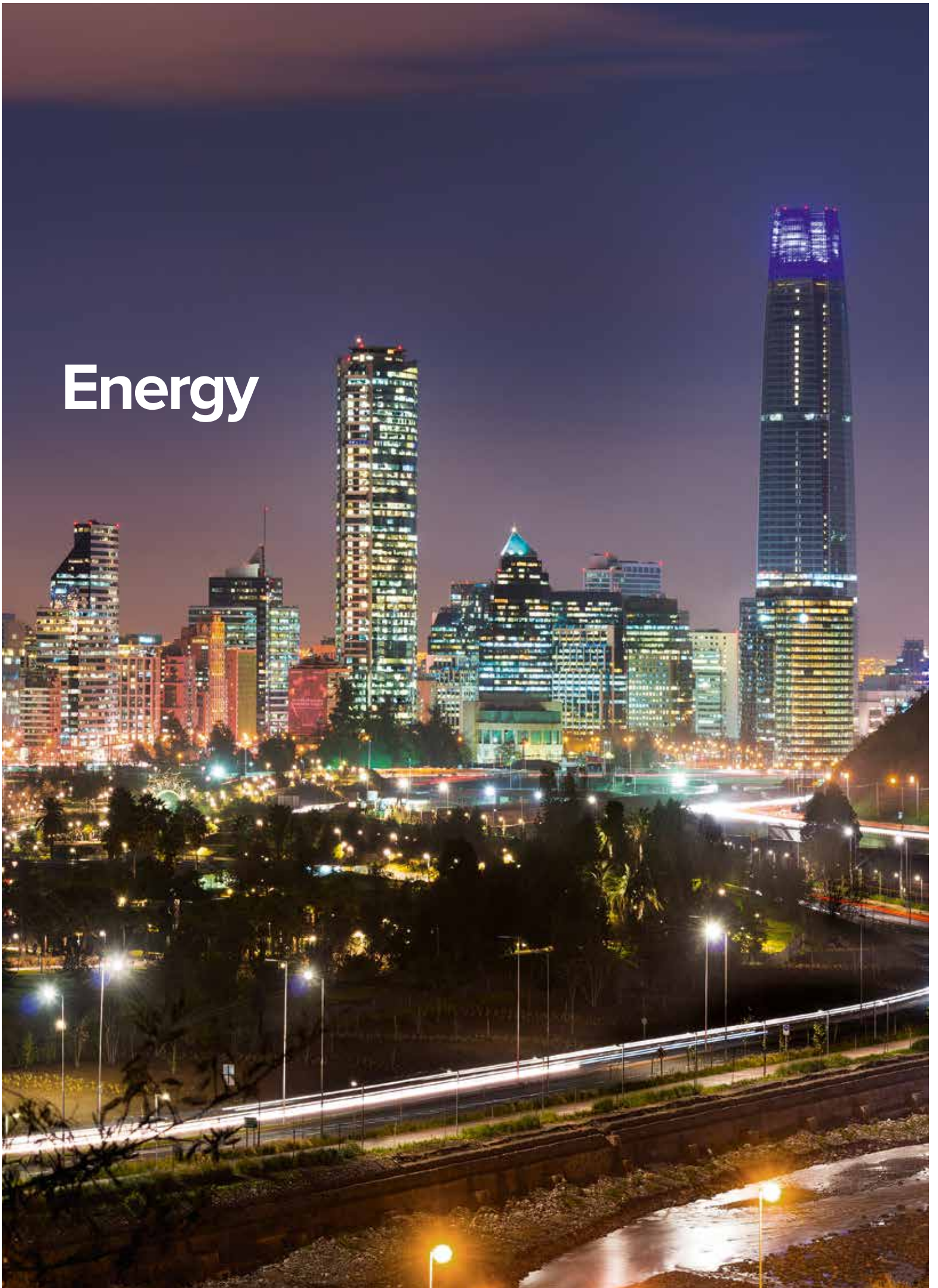
- Road (CAF project)
- - - Gas Pipeline (CAF project)
- - - Railroad (CAF project)
- - - Electricity interconnection (CAF project)
- ↑ Border pass (CAF project)
- Bridge (CAF project)
- - - Telecommunications (CAF project)
- Existing Road
- Waterway
- ▲ Hydroelectric plant
- ▲ Power plant (CAF project)
- Country capital
- Other cities
- ⚓ Port
- Panama Canal



This map has been created by CAF for illustrative purposes only. Therefore, borders, colors, names, or any other information shown does not imply a judgment regarding the legal situation of any territory nor the recognition of borders by the Institution.



Energy



IN 2017, CAF CONTINUED TO SUPPORT THE DEVELOPMENT OF EACH COMPONENT DEFINED IN THE STRATEGIC GUIDELINES FOR THE ENERGY SECTOR. IN RECENT YEARS, THE REGION HAS MADE SIGNIFICANT STRIDES TO STEADILY INCREASE ELECTRICITY COVERAGE, REACHING A CURRENT AVERAGE OF 97%. HOWEVER, THE INCREASE IN COVERAGE HAS NOT ALWAYS BEEN SUFFICIENTLY ROBUST TO ENSURE SAFE, QUALITY SERVICE.

This is why CAF has worked on its strategy to bolster the nation's electrical grid within the strategic guidelines for energy safety, supporting initiatives related to strengthening and expanding transmission and distribution networks. Framed within these guidelines, a technical cooperation agreement was approved to pinpoint the challenges when it comes to incorporating intermittent power generation into the regional electrical grid.

One of CAF's key strategies is to contribute to regional integration. The institution has been supporting interconnectivity efforts between the national systems of different countries. In 2017, studies commenced for the interconnection between Argentina and Chile, Bolivia and Paraguay, and Bolivia and Brazil. It is worth noting that integration efforts not only refer to the interconnectivity between countries but also within countries. For instance, CAF's

support for the electrification of rural and isolated areas is a key part of the strategy, which has materialized in improvements to 5000 km of low- and medium-tension lines corresponding to rural power supply infrastructure, within the framework of a sovereign loan approved for Paraguay.

Part of CAF's strategy also lies in support for energy efficiency, which has one component on the supply side and another on the demand side. Within this strategic area, a technical cooperation operation was approved with the Panamanian Secretary of Energy to structure a NAMA to spur investment on the demand side in energy efficiency among Panama's industrial and business sectors. Furthermore, public officials in the region were invited to participate in the "Energy Efficiency Planning Week for Latin America," organized in partnership with Electrobras, the International Energy Agency and KfW.

Finally, it is important to mention CAF's support for technical cooperation for institution-building provided to CORPOELEC in Venezuela related to project management, monitoring and evaluation, as well as ETASA in Panama for improvements to its processes and organizational structure, and also the recent conclusion of the study "Public-Private Partnership in Energy Infrastructures—Challenges and Opportunities for Latin America." ■

CAF HAS BEEN SUPPORTING INTERCONNECTIVITY EFFORTS BETWEEN THE NATIONAL SYSTEMS OF DIFFERENT COUNTRIES. IN 2017, STUDIES COMMENCED FOR THE INTERCONNECTION BETWEEN ARGENTINA AND CHILE, BOLIVIA AND PARAGUAY, AND BOLIVIA AND BRAZIL.

Social Development



CAF SUPPORTS MEMBER COUNTRIES' EFFORTS TO REDUCE POVERTY, ENCOURAGE SOCIAL INCLUSION AND FOSTER ACCESS TO QUALITY GOODS AND PUBLIC SERVICES IN FAVOR OF EQUITY AND THE CREATION OF OPPORTUNITIES FOR EVERYONE. IT HAS STRUCTURED ITS SOCIAL DEVELOPMENT AGENDA FOR 2017 WITHIN THIS FRAMEWORK BASED ON FINANCING, TECHNICAL ASSISTANCE AND KNOWLEDGE-GENERATING INITIATIVES IN KEEPING WITH THE REGION'S PRIORITIES AND NEEDS.

Integrated water resource management

CAF's actions in this sector are based on an integrated vision of water resources. This includes the protection of watersheds, the provision of drinking water and sewage services, wastewater treatment and urban drainage systems, and the expansion of agricultural frontiers through increased water supply for irrigation. CAF supports holistic initiatives that seek the sustainability of services and spur productivity by backing sectorial institutions and governability.

Notable projects for 2017 include the development of the Luján River Basin in the province of Buenos Aires, Argentina; the expansion of the drinking water, sewage and technical irrigation systems in rural areas in Bolivia; improved drainage, sanitation and urban conditions in Araguaína, and

the expansion of sewage systems in Gramado and Canela, Brazil. In Ecuador, CAF provided support for the fourth stage of the drinking water and environmental sanitation program for community development, PROMADEC IV. In Panama, the institution co-financed different projects to improve environmental conditions and sanitation in districts located to the west of the Panama City metropolitan area. In Peru, it continued to support investments to expand the agricultural frontier through the Majes-Siguas irrigation project. Finally, in Uruguay CAF continued to back the national program to rehabilitate and expand the drinking water and sanitation systems.

In terms of knowledge building, the institution carried out sector analyses in Argentina and Peru, while it deepened dialogue with the sector in Bolivia, identifying strategic

pillars of intervention. To reinforce regional capacities, CAF has continued to encourage strategic alliances, especially with the World Bank, the Spanish government, the Stockholm International Water Institute and the World Water Council. Its growing international position has led the institution to assume a leading role in national, regional and international forums in the sector. Its role as governor of the World Water Council is worth highlighting. In addition, CAF has continued to issue water bonds in Asia in the category of Socially Responsible Investments, an area of growing interest for the institution.

Quality education for a more inclusive society

Education is one of the most powerful tools for promoting equal opportunities. In this

CAF HAS CONTINUED TO ISSUE WATER BONDS IN ASIA IN THE CATEGORY OF SOCIALLY RESPONSIBLE INVESTMENTS, AN AREA OF GROWING INTEREST FOR THE INSTITUTION.



regard, CAF continued moving forward in 2017 with the implementation of the 2016-2020 Education Agenda. It thus put in motion a loan transaction in Panama to support the creation of a higher-education technical institute to train people in strategic areas. Likewise, it has projects under development related to the establishment of a National Grading Framework (Panama), the strengthening of the link between education and the job skills (Paraguay) and a study of the efficiency and quality of expenditures aimed at early childhood (Uruguay). And as a complement to the support provided via financial resources, CAF organized two workshops in Ecuador and Panama aimed at improving institutional capacity and administrative and technical oversight of public counterpart entities.

In terms of knowledge-building, CAF supported the Regional

Forum on Child Development in Bogotá; the Technical Roundtable on Cross-cutting and Socio-emotional Skills in Lima; and organized an event on Education and Connectivity in the Education System in the context of the V Latin American ICT Conference in Cartagena.

Comprehensive urban development

CAF is committed to comprehensive urban development and the improvement of precarious human settlements in the region. One notable item in 2017 was the CAF Conference *Ciudades con Futuro* (Cities with Future), held in Lima. The event lent to a stronger role by the institution as a platform for addressing the challenges raised by increasing urbanization in Latin America. In parallel, CAF maintained its leading role in regional and international events, finding

leverage in strong relationships built on trust with regional mayors, with sights set on the next World Urban Forum in 2018. In credit matters, CAF further expanded initiatives developed in Brazil and lines of credit secured with KfW, UKEF, ICO and AFD for the refinancing of high-impact projects in energy efficiency and climate change in the framework of sustainable cities. At the same time, it put technical cooperation resources toward supporting a call for proposals for intervening in the northern shore of the Paraguay river, and structured a project whereby informal settlements can be detected throughout Latin America via automated satellite images with the objective of organizing the Latin American Observatory of Informal Settlements in 2018. In terms of publications, CAF prepared a document analyzing lessons learned on comprehensive risk-management in cities, in cooperation with The

CAF SUPPORTED THE REGIONAL FORUM ON CHILD DEVELOPMENT IN BOGOTÁ; THE TECHNICAL ROUNDTABLE ON CROSS-CUTTING AND SOCIO-EMOTIONAL SKILLS IN LIMA; AND ORGANIZED AN EVENT ON EDUCATION AND CONNECTIVITY IN THE EDUCATION SYSTEM IN THE CONTEXT OF THE V LATIN AMERICAN ICT CONFERENCE IN CARTAGENA.



New School of New York, and has begun work on a publication about successful experiences in the design and implementation of public spaces in Latin American cities.

Gender Perspective

CAF is committed to reducing the existing gaps between women and men to facilitate equal access to development opportunities. One of the key challenges is mainstreaming gender perspective in projects and programs through gender safeguarding. On this front, in 2017, the institution brought in specialized consultants on gender analysis in credit operations. In technical cooperation, it approved an initiative to improve government capacities regarding the promotion of measures or policies aimed at providing a comprehensive solution in the areas of prevention, care and

reparations of violence against women and girls in Latin America and the Caribbean.

The institution also provided the government of Ecuador with support for its efforts to raise awareness and prevent gender violence. CAF's participation in events such as the Board Meeting of the Regional Conference on Women in Latin America and the Caribbean, the Multilateral Development Banks Working Group on Gender, and the fourth Annual OECD Conference in Singapore continues to reinforce the institution's position on this front.

Social Sustainability

CAF's agenda on social sustainability issues furthers programs that promote the development of socio-emotional skills and the strengthening of socio-productive capacities in vulnerable populations in

the region. The *Música para Crecer* (Music to grow) and SOMOS (sports network for Latin American development) programs work with more than 146,000 beneficiaries throughout 10 countries of the region, where more than 5,200 teachers and trainers have been trained in teaching methodologies and leadership through music and sports. After 16 years, both initiatives will be incorporated as success stories in the socio-emotional skills intervention strategy included in CAF's Education Agenda. In addition, the program *Pasos para la Inclusión* (Steps to Inclusion) has been implemented in 25 projects in the areas of influence of CAF's credit operations, with more than 160,000 beneficiaries in nine countries. Working with the methodologies of inclusive businesses and rural community tourism, the institution seeks to strengthen income-leveling capacities in vulnerable populations within its area of influence. ■

THE *MÚSICA PARA CRECER* AND *SOMOS* PROGRAMS WORK WITH MORE THAN 146,000 BENEFICIARIES THROUGHOUT 10 COUNTRIES OF THE REGION, WHERE MORE THAN 5,200 TEACHERS AND TRAINERS HAVE BEEN TRAINED IN TEACHING METHODOLOGIES AND LEADERSHIP THROUGH MUSIC AND SPORTS.

Social Innovation



CAF CONTINUES TO CAPTURE AND GENERATE PRACTICAL KNOWLEDGE THROUGH TRIALS OF REPLICABLE MODELS WITH THE POTENTIAL TO BECOME USEFUL SOLUTIONS TO THE REGION'S SOCIAL CHALLENGES, PARTICULARLY IN VULNERABLE COMMUNITIES, IN LINE WITH THE UNITED NATIONS 2030 AGENDA.

CAF has focused its efforts on two vectors:

By focusing on social innovation ecosystems, the institution promoted alliances for development, new trends and paradigms of change. The following are of note: (i) CAF's alliance with the B Movement, that is moving forward with more than 300 certified businesses and promotes tools of socio-environmental assessment, draft laws in five countries for triple-impact companies, as well as the B Academy, a knowledge network and means of diffusion for the model; (ii) its work with Ashoka on leadership and design of scaling strategies with its network of social innovators, while continuing to identify useful ideas when it comes to social problems; (iii) the Innovation with Meaning platform with the Avina Foundation, which incorporates the logic of triple-impact—social, technological and business—in its development programs; (iv) the Latin American University Social Responsibility Union

(URSULA), as a leader and bridge between academia and civil society, with a membership of 82 universities in 10 countries of the region.

Through its focus on territory, CAF developed and strengthened the individual and collective capacities of vulnerable groups to generate opportunities for social and labor inclusion. Emphasis was placed on innovative models that provide basic services to the pyramid base—financial education, improved housing, telecommunications, health and nutrition—and on the generation of decent and productive work in vulnerable populations: at-risk youth, inmates, indigenous peoples, female heads-of-households and disabled persons.

Through the Financial Education Program, 380 new Bankomunales were created with more than 7,000 partners in five countries, granting loans for more than USD 5 million. In an unprecedented

experience, the *Bankomunal* in the Castro-Castro prison granted USD 140,000 in loans to more than 100 inmates. Club BK is gaining acceptance in several countries, and has been established in Colombia, where it offers health, life insurance, loans and recreation services.

With regard to housing improvements, CAF made progress in Argentina, Chile and Uruguay through the implementation of an innovative model of energy efficiency in vulnerable homes, with a high impact on health, family budgets and energy consumption savings, in partnership with the public sector. The model was tested in 100 homes in Bariloche, with potential expansion to 1,000. A new housing trust scheme was also tested for low-income families in Greater Buenos Aires to have access to credit and technical assistance for home improvement. In terms of telecommunications and health, alliances were formed with Telefonica, the Catholic University and the

THROUGH THE FINANCIAL EDUCATION PROGRAM, 380 NEW BANKOMUNALES WERE CREATED WITH MORE THAN 7,000 PARTNERS IN FIVE COUNTRIES, GRANTING LOANS FOR MORE THAN USD 5 MILLION.



government of Loreto to provide 3G phone access and telemedicine to communities in the Peruvian Amazon.

CAF promoted comprehensive development processes in indigenous communities in La Guajira (Colombia), while reducing child malnutrition, a project awarded by King Felipe of Spain. In the Gran Chaco region (Argentina, Bolivia, Paraguay), it supported small growers in the production and marketing of cattle, handicrafts and honey, as well as access to water and connectivity. In Ecuador, the institution supported rural communities by promoting value chains in cacao

production and local tourism, with the goal of increasing productivity and income in these communities. In the context of the twice-awarded *Manos que Salvan Vidas* project (Hands that Save Lives), hospitals in Cali hired the first women with visual disabilities specialized in the early detection of breast cancer. This model was also replicated in Mexico, and other countries have expressed interest in implementing it.

The social enterprise *Pan de Libertad* (Freedom Bread) in the Obrajales prison in Bolivia trained 240 inmates in baking and weaving, generating income of more than USD 8,000, which

was reinvested in healthcare, art and sports. In a joint effort with authorities in Paraguay, the institution completed the design and pilot program *Bordando Esperanza* (Embroidering Hope) inside the Buen Pastor penitentiary, training 100 inmates.

CAF also supported projects pertaining to the development of life and work skills among at-risk youth in Argentina, Colombia, Peru and Venezuela. It also promoted the creation of neighborhood centers in Argentina, led by Caritas, while creating a structure to address situations of exclusion systematically and comprehensively.

The institution likewise promoted new ways of measuring poverty presented in forums with authorities and academic leaders in Santiago, Bogota and Madrid. The *Semáforo de Eliminación de la Pobreza* (Poverty Stoplight) is a measure and methodology created by the Fundación Paraguaya that allows families to measure their level of poverty and identify their own solutions to what they are lacking. The institution, in cooperation with Oxford University, likewise published *Las dimensiones faltantes en la medición de la pobreza* (The Missing Dimensions from Poverty Measurement), which opens a debate about incorporating social and psycho-emotional aspect into traditional measurements, with the goal of generating more effective social programs and public policies.

CAF also participated in international events and published a number of articles on the subject of social innovation,



while at the same time actively participating in the Latin American Social Innovation Network in the public sector, which brings together the key public stakeholders in the area. It began an exercise to document lessons learned and good practices related to social innovation to build case studies and convey them to stakeholders from all sectors interested in replicating and scaling them. In this context, it published *“Lo que siempre quiso saber de los Bankomunales y nunca se atrevió a preguntar”* (Everything you ever wanted to know about Bankomunales and were afraid to ask). ■

THE “MI BAÑO, MI COCINA, MI ORGULLO” CONTEST HAS GENERATED AN INNOVATIVE, COLLECTIVE SOLUTION THAT ENCOURAGES THE CONSTRUCTION OF BATHROOMS AND KITCHENS IN VULNERABLE HOMES.

CAF PROMOTED COMPREHENSIVE DEVELOPMENT PROCESSES IN INDIGENOUS COMMUNITIES IN LA GUAJIRA (COLOMBIA), WHILE REDUCING CHILD MALNUTRITION, A PROJECT AWARDED BY KING FELIPE OF SPAIN.

A welder wearing a dark protective suit and a large, dark welding helmet is working on a large, curved metal coil. The welder is holding a welding torch, and a bright, intense light is visible at the point of contact, with sparks flying out. The scene is viewed through a circular opening, creating a tunnel-like effect. In the background, a clock is visible on the wall, and various industrial equipment and tools are scattered around. The overall lighting is dim, with the primary light source being the welding process.

Productive and Financial Sectors

CAF'S SUPPORT FOR DIFFERENT SEGMENTS OF PRIVATE ECONOMIC ACTIVITY AIMS TO GENERATE SIGNIFICANT PRODUCTIVITY IMPROVEMENTS. THIS SUPPORT IS GRANTED THROUGH FINANCING AND TECHNICAL COOPERATION OPERATIONS AT THREE LEVELS OF ACTION: COMPANY, INDUSTRY, AND PUBLIC POLICY AND REGULATION.

During 2017, CAF carried out financing operations with commercial banks, development banks, micro-finance institutions, venture capital funds and companies in several productive sectors. The institution bestowed special attention on the financial sector, given its role as a driver of all economic activity. Financing operations completed over the course of the year had a positive impact on development in member countries in different ways: providing financial systems with liquidity; facilitating international trade; bolstering working capital for micro, small and medium-sized companies; financing skills training and productivity improvements in companies in sectors like agribusiness; and promoting innovation and entrepreneurship. Operations approved in 2017 included renewed and increased lines of credit and the incorporation of new private and public banking customers from member countries; special lines of financing for public and

private entities to develop their agricultural sectors; support for institutions that provide credit to SMEs; and innovative financing mechanisms for microfinance institutions that promote financial inclusion.

Development of applied knowledge and technical cooperation operations were geared toward initiatives that, either directly or indirectly, support and promote increased productivity in the region in areas like business and technological innovation, with emphasis on agribusiness; support studies for the productive matrix change process; coordination of business development centers; training for the development of technological patents; strengthening of competitiveness committees; alliances with specialized institutions to strengthen CAF's capacity to address the agricultural sector, and the promotion and development of good practices of corporate governance. Also,

with productivity as a final objective, actions were taken in the area of regulation and financial education to improve access to financial services by agents. These actions included the development of a crowdfunding platform to finance SMEs; the development of surveys to measure financial capacity; and the promotion of the development of agricultural insurance. ■

OPERATIONS APPROVED IN 2017 INCLUDE: RENEWED AND INCREASED LINES OF CREDIT AND THE INCORPORATION OF NEW PRIVATE AND PUBLIC BANKING CUSTOMERS FROM MEMBER COUNTRIES; SPECIAL LINES OF FINANCING FOR PUBLIC AND PRIVATE ENTITIES TO DEVELOP THEIR AGRICULTURAL SECTORS; AND SUPPORT FOR INSTITUTIONS THAT PROVIDE CREDIT TO SMES.

A wide-angle photograph of a mountain range. The mountains are layered, with the foreground showing a steep, reddish-brown slope. The middle ground features several ridges and valleys, with some green vegetation visible in the lower valleys. The background shows more distant, hazy mountain peaks under a pale, orange-tinted sky, suggesting a sunrise or sunset. The overall mood is serene and majestic.

Environment and Climate Change

CAF HAS INCORPORATED ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE INTO EVERY ASPECT OF ITS MANAGEMENT IN THE REGION THROUGH PROGRAMS, PROJECTS AND ACTIONS THAT PROMOTE SUSTAINABLE PRODUCTIVE TRANSFORMATION, GREEN INFRASTRUCTURE IN SHAREHOLDER COUNTRIES AND MIGRATION TOWARD LOW-CARBON ECONOMIES RESILIENT TO CLIMATE CHANGE. ALONG THE SAME LINES, THE INSTITUTION WORKS TO IDENTIFY AND STRUCTURE PROJECTS AND PROGRAMS FOR INTERNATIONAL GREEN FUNDS.

Unit of Institutional Environmental

In 2017, the financing process for CAF's operations was strengthened thanks to the drafting and publication of CAF's environmental and social safeguards, and sector-specific guidelines for environmental and social management, which govern operations financed by CAF in terms of environmental and social matters and how clients should structure their financing requests.

With the Huella de Ciudades project (Cities Footprint) results in the municipal governments of 11 cities in the region¹ were systematized.

Institutional Plan for Environmental Management (PIGA)

Initiation of the implementation of ISO 14001 will transform the program into an Institutional Environmental Management System (SIGA), an effort that will continue in 2018, by the

end of which it is hoped that certification will be achieved.

Efforts focused on improving institutional sustainability by reducing the institution's carbon footprint and raising awareness of the personnel.

Environmental and Social Management Program for Financial Institutions

Three studies were published addressing environmental and social practices in financial institutions in Latin America and sustainable development in the banking systems in countries like Argentina and Ecuador. Also, 334 individuals participated in Latin American financial institution training sessions in 2017. The workshops consisted virtual sessions on Environmental and Social Risk Analysis (ESRA); workshops on Financing for Green Housing and Sustainable Financing, and a workshop on Microfinancing for Adaptation based on Ecosystems.

Climate Change Unit

CAF focused its efforts on the identification and structuring of projects and programs for international green funds.

As for the Green Climate Fund (GCF),

- CAF's project proposal for the Integral Management Plan for the Luján River Basin in Argentina was approved.
- CAF signed the Preparatory Support Grant Framework Agreement, a necessary condition to become an implementation partner for Readiness resources.
- The first request of disbursement of Readiness funds was completed in the amount of USD 1.6 million. The funds were used to strengthen institutional capacities in three countries: Chile, Costa Rica and Paraguay.

IN 2017, THE FINANCING PROCESS OF CAF OPERATIONS WAS STRENGTHENED THANKS TO THE DRAFTING AND PUBLICATION OF CAF'S ENVIRONMENTAL AND SOCIAL SAFEGUARDS, AND SECTOR-SPECIFIC GUIDELINES FOR ENVIRONMENTAL AND SOCIAL MANAGEMENT.

¹ La Paz, Santa Cruz and Tarija in Bolivia; Lima in Peru; Quito, Guayaquil, Loja and Santa Cruz de Galápagos in Ecuador; Cali in Colombia; and Fortaleza and Recife in Brazil.

- Four concepts for the *Project Preparation Facility* were presented; two in Colombia in non-motorized transport and resilient agriculture, and two in Chile's financial sector and of photovoltaic solar energy.

United Nations Adaptation Fund (AF)

CAF's first project was approved: AYNINACUY – Strengthening of the means of subsistence and sources of income for vulnerable high Andean communities in five provinces of the Arequipa Sierras in Peru.

In regard to the technical management of associated resources for Latin American Investment Facility (LAIF) initiatives,

LAIF Cities and Climate Change resources were used for the implementation of climatic diagnostic studies and pre-investment studies for urban projects with climate co-benefits in 2018.

- The index of vulnerability to climate change (IVCC) in the city of Fortaleza, Brazil, will be the first study implemented within the LAIF framework, including a pre-feasibility study for the development of a sustainable urban complex in the Jangurussu district. Other IVCC



initiatives using LAIF funds are planned for Ecuador (Loja and Santa Cruz); Bolivia (La Paz and Tarija); Brazil (Recife); and Peru (Trujillo and Piura).

Internationally, CAF continued to consolidate its position and leadership in relation to climate change. The institution participated in the 23rd annual Conference of the Parties to the 1992 United Nations Framework Convention on Climate Change held in November in Bonn, Germany, where it organized and participated in several events:

- Climate action in financial institutions: integration of the Paris Agreement in the financial sector.
- Joining efforts in the face of Change: Accessing International Financing to Comply with intended nationally determined contributions (INDC) in Latin America and the Caribbean, where CAF

worked with delegations from nine Latin American countries, international climate funds and non-governmental organizations such as ECLAC and the United Nations to find solutions to the challenges presented by access to international climate finance.

Green Business Unit

Efforts focused on coordinating CAF's role as an implementing agency of projects financed with funds from the Global Environmental Facility (GEF). Within the framework of this process, four projects were approved in 2017. Projects were in areas of biodiversity, land conservation, international waters, climate change adaptation and mitigation, agroforestry and access to green financing.

As part of the Biodiversity Program, the Green Business Unit consolidated CAF's leadership in the Latin

IN 2017, EFFORTS WERE CENTERED AROUND THE COORDINATION OF CAF'S ROLE AS AN IMPLEMENTING AGENCY OF PROJECTS FINANCED WITH FUNDS FROM THE GLOBAL ENVIRONMENTAL FACILITY (GEF).

American Cacao Initiative (ILAC) with the launch of the Latin American Cacao Observatory; the organization of II Regional ILAC Forum in Panama City, September 2017; collaboration with member countries of the Mesoamerican Biological Corridor and the partnership of the Regional GEF Project, where seven Latin American and Caribbean countries chose CAF as the agency responsible for the design and implementation of a regional project to present to GEF in 2018.

The institution's strategic positioning in biotrade and ocean health with the presentation of CAF's work at the Oceans Forum at the UN's Geneva offices; an event organized by UNCTAD, CAF, CITES and International Oceans Institute (IOI) at UN Oceans Conference held at UN headquarters in New York; and UNCTAD-CAF's joint work on publications with international impact: (i) "Proposal of principles and criteria for trade of marine biodiversity (the Blue BioTrade initiative)" and (ii) "Marine ecotourism in Latin America and the Caribbean."

A web app was built to strengthen the capacities of financial institutions within the framework of the Green Business and Energy Efficiency Program for Financial Institutions, which includes the development of 12 videos and the diffusion of 36 publications generated on the subject.

As part of the Forest Program, the document "Preparation of Conditions for the Development of REDD+ Projects on Private Land in Conservation Areas and Forests in Latin America" was drafted.

An assessment of eco-efficiency for the improvement of environmental performance in the forest industry in Argentina, Brazil, Colombia, Ecuador, Mexico, Peru and Uruguay was carried out; a first intermediate report was approved by the countries.

In addition, the Latin American Forum of Urban Forests and Green Spaces for More Sustainable and Resilient Cities was held, which led to the generation of a 2017-2018 action plan for the Forum of Urban Forests and Green Spaces for More Sustainable and Resilient Cities. Five publications were generated:

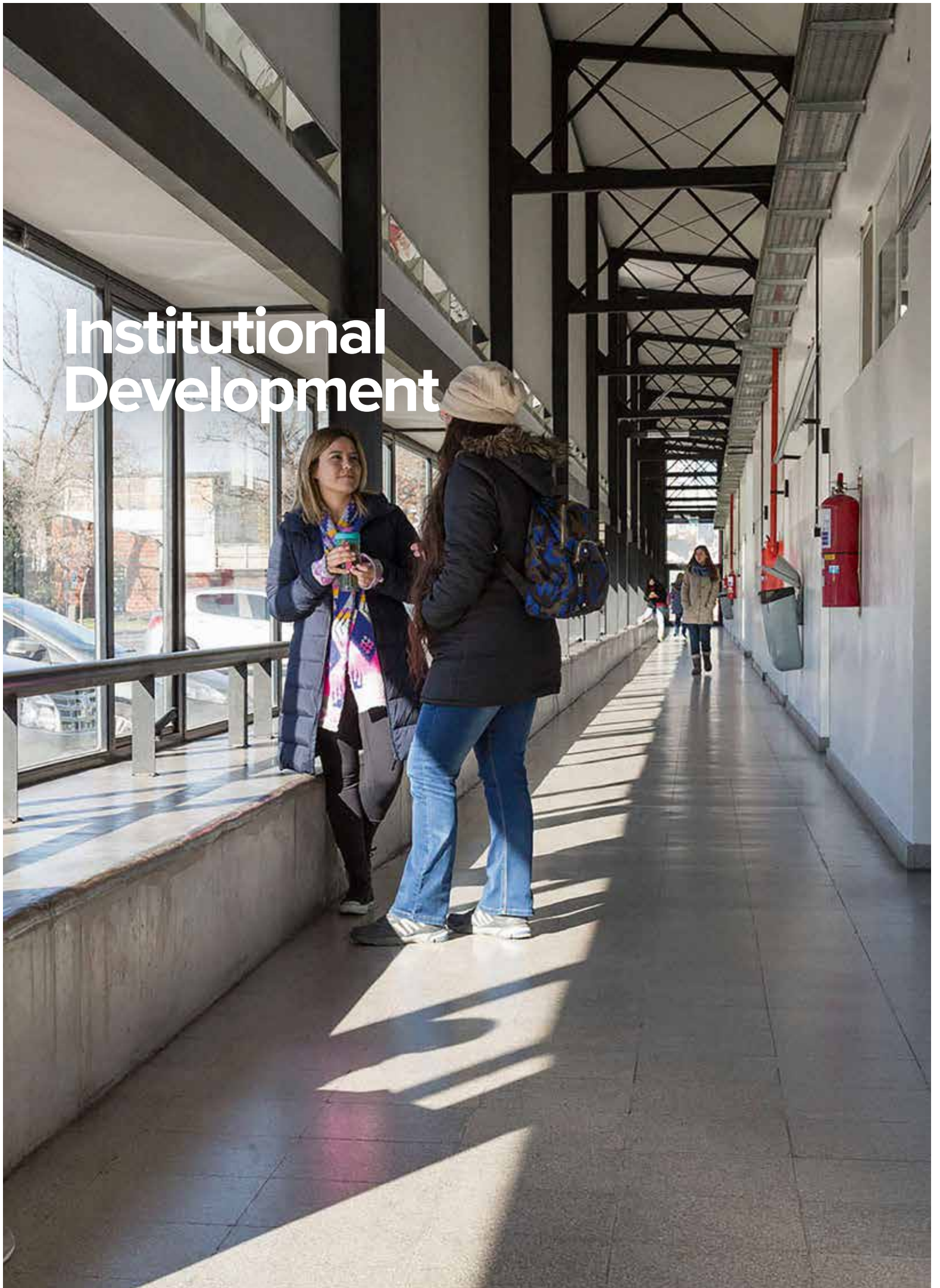
- *Blue Biotrade Principles and Criteria: a contribution for global debate; Potential Economic Contribution of Coastal and Marine Tourism to GDP in Latin American and Caribbean States;*
- *Coastal and Marine Ecotourism in Latin American and the Caribbean;*
- *Bulletin No.1 - Observatory of the Latin American Cacao Initiative.*



Planning and Monitoring Area (APS) CAF's Sustainability Report for the 2015-2016 period was developed following the Global Reporting Initiative (GRI) standard. The systematization project of the Sustainability Report was begun, which will allow areas to define their contribution to sustainability management within the framework of collaborative work, integrating standard considerations or initiatives like ISO 26000, Sustainable Development Goals, Global Pact for the Environment, Paris Agreement and GRI. ■

AS PART OF THE FOREST PROGRAM, AN ASSESSMENT OF ECO-EFFICIENCY FOR THE IMPROVEMENT OF ENVIRONMENTAL PERFORMANCE IN THE FOREST INDUSTRY WAS CONDUCTED IN ARGENTINA, BRAZIL, COLOMBIA, ECUADOR, MEXICO, PERU AND URUGUAY.

Institutional Development



FOR CAF, INSTITUTIONAL DEVELOPMENT IS A CONTRIBUTION TO IMPROVE GOVERNANCE AND INSTITUTIONAL QUALITY IN THE REGION.

The institution works in two areas: the first is training of human capital directly or indirectly linked with democratic governance and the second is accompanying partners in their efforts to strengthen their institutions. Another area of action is the monitoring and analysis of trends in public management to define the scope in which CAF can design and implement program proposals to support countries' efforts to define modernization of the state.

Public Policy Training

A new edition of the Governance, Political Management and Public Management Program was held in 2017 to promote the strengthening of skills and competencies of public officials, technical teams and civil society leaders whose function is linked to government and local management. It was carried out in 10 countries, with the support

of 13 universities, with the participation of 2,400 students.

In the Leadership for Transformation Program, which promotes the exercise of responsible leadership by civil society actors in the design and implementation of public policies, 2,900 social leaders were trained. With the support of seven academic institutions, participants in six countries received diplomas. This program was developed by CAF in 2002; since then it has trained over 39,000 participants.

Continuing with the strategy of promoting spaces for the training of public officials, three activities were carried out within the framework of the Comprehensive Program for Strengthening Competencies for High Government and Public Management in Latin America, aimed at strengthening the technical soundness and competencies of managers responsible for designing and implementing public policies.

The activities were the third edition of the Executive Training Program in Leadership and Change Management in urban infrastructure, along with the French development agency AFD in the National School of Public Administration in France; the second edition of the Ibero-American Public Leadership Program, which covered new models of territorial governance co-organized by Fundación Carolina with the support of BBVA; and the Virtual Public Management Program for Latin America was taught in partnership with the Austral University in Argentina. In all, over 900 people participated in these executive courses. In addition, the alliance with the Latin American Center for Development Administration (CLAD) for the training of public officials continued.

IN 2017, A NEW EDITION OF THE GOVERNANCE, POLITICAL MANAGEMENT AND PUBLIC MANAGEMENT PROGRAM WAS HELD IN 10 COUNTRIES WITH THE SUPPORT OF 13 UNIVERSITIES AND PARTICIPATION OF 2,400 STUDENTS.



Quality and institutional strengthening

In institutional strengthening, an international seminar entitled 'State, Governance and Development in Latin America' was held in Buenos Aires. More than 600 academics, officials from multilateral bodies and different levels of government and students participated. Two new publications with the same name as the event were also presented: "Institutional Development and Conflict" and "Policy Evaluation," respectively.

With respect to democratic institutions, within the

framework of the alliance with the Carter Center, the event '*En la Ruta de La Paz: Diálogos Políticos para la Apertura Democrática*' (On the Road to Peace: Political Dialogue for Democracy) was organized with the Interior Ministry of Colombia to analyze opportunities for strengthening Colombia's democratic governability through the construction of political agreements and consensus.

Innovation in public management

Within the framework of the agenda of innovation in public management,

work continued on the implementation of the positioning strategy in Open Government, including skills training activities, generation of research networks and concrete actions of Institutional strengthening. An example was the project *Nueva Gobernanza* (New Governance) for a Sustainable Cordoba implemented by the Federal Institute of Government of the Catholic University of Cordoba, which installs the channels, procedures and capacities in the city to foster shared responsibility with citizens among different actors in instances of planning and monitoring of public policies and plans.



Similarly, CAF supported the third edition of the Organization of American States (OAS) Fellowship on Open Government in the Americas, a skills training program for young leaders of the region that aims to strengthen transparency practices, citizen participation and cross-sector collaboration in public administration. The 2017 edition trained 22 leaders from 15 countries in the region.

In addition, CAF supported the Regional Meeting of Open Government organized in Buenos Aires by Argentina's Ministry of Modernization and the Open Government Partnership, which brought

together close to 1,700 specialists from around the region to debate on the main trends in transparency, open data, devices of citizen participation and co-creation of public policies, among other topics. ■

IN THE AREA OF INSTITUTIONAL STRENGTHENING, AN INTERNATIONAL SEMINAR ENTITLED 'STATE, GOVERNANCE AND DEVELOPMENT IN LATIN AMERICA' WAS HELD IN BUENOS AIRES. MORE THAN 600 ACADEMICS, OFFICIALS FROM MULTILATERAL BODIES AND DIFFERENT LEVELS OF GOVERNMENT AND STUDENTS PARTICIPATED.

WITHIN THE FRAMEWORK OF THE AGENDA OF INNOVATION IN PUBLIC MANAGEMENT, WORK CONTINUED ON THE IMPLEMENTATION OF THE POSITIONING STRATEGY IN OPEN GOVERNMENT.

REGIONAL PROMOTION AND INTERNATIONAL RELATIONS

IN 2017, CAF SPEARHEADED AN INTEGRAL AGENDA TO STRENGTHEN ITS EXTERNAL ACTIONS ARTICULATED AROUND THREE STRATEGIC LINES: (1) STRENGTHENING OF THE INSTITUTION'S GEOGRAPHIC PRESENCE; (2) ESTABLISHMENT OF KNOWLEDGE PARTNERSHIPS; AND (3) SUPPORT TO CAPTURE RESOURCES AND GENERATE TRADE AND INVESTMENT OPPORTUNITIES.

CAF HAS ESTABLISHED ITSELF AS AN IMPORTANT PARTNER FOR THE DEVELOPMENT OF ITS SHAREHOLDER COUNTRIES WITH GLOBAL PROJECTION AND PRESENCE IN ALL PRIORITY AREAS TO MEET ITS INSTITUTIONAL OBJECTIVES. THIS POSITIONING GIVES IT A ROLE IN THE STRENGTHENING OF LATIN AMERICA'S INTERNATIONAL PROJECTION TO THE EXTENT THAT A SMART INSERTION IN THE REGION IN A GLOBAL DYNAMIC SCENARIO IS ONE OF THE FUNDAMENTAL CHALLENGES FOR SUSTAINABLE DEVELOPMENT.

CAF's international presence

CAF's external actions are aimed at accompanying Latin America's international outlook. These efforts require multi-dimensional interaction with public entities, international organizations, companies, academic institutions and civil society organizations in order to promote the region's interests and influence

the global development agenda. Consequently, this aspect of CAF's external action includes the institution's participation in international organisms; the sponsorship of

diverse initiatives and forums; and actions to extend its presence toward countries or regions of strategic interest.

CAF participated as a permanent observer of the United Nations General Assembly, which coordinates actions with other International organizations to contribute to the fulfillment of the Sustainable Development Goals within the framework of the 2030 Agenda. Also, CAF maintains a close collaborative relationship with the Organization of American States (OAS), especially

within the framework of the Joint Summit Working Group (JSWG) aimed at supporting the preparation and fulfillment of the mandates from the Summit of the Americas.

In 2017, preparations for the VIII Summit of the Americas—slated for April 2018 in Lima, Peru—were begun.

In regard to shareholder countries, CAF prioritized strengthening relations with China within the framework of an increasingly comprehensive direct relationship between the Asian country and Latin America. CAF's goal is to build bridges to strengthen South-South cooperation and to contribute to the construction of deeper and more balanced relations between Latin America and China. In order to harness institutional efforts, CAF Executive President Luis Carranza conducted his first working visit to Beijing (July 17-19). He met with government authorities, and participated

THE OBJECTIVE OF THE INSTITUTION IS TO BUILD BRIDGES TO STRENGTHEN SOUTH-SOUTH COOPERATION AND TO CONTRIBUTE TO THE CONSTRUCTION OF DEEPER AND BALANCED RELATIONS BETWEEN LATIN AMERICA AND CHINA.



Executive President Luis Carranza's working visit to China. Beijing, July 17-19, 2017

in the seminar entitled "Investment Cooperation," which CAF co-organized in collaboration with China's Finance and Trade Ministries. High-ranking economic, financial and academic representatives from Latin America also participated in the meetings.

In Asia, CAF also sought to strengthen ties with Singapore, an economy with around USD 7 billion in investments in the region. In this regard, International Enterprise of Singapore (IE Singapore), a governmental foreign trade promotion agency, is a key ally with which CAF co-organized the Latin Asia Business Forum, an excellent international platform to promote the institution's role in the region. Furthermore, both institutions conducted a new edition of Latin Asia Business Exchange, which trained public officials from Latin American governments in urban management issues, using Singapore's successful experience as a case study.

In Europe, where two of CAF's shareholder countries are located (Portugal and Spain), emphasis was placed on taking advantage of complementarities and the development of academic networks to attract investment, technology and knowledge for Latin America. The executive president conducted two official visits to Spain and participated in the third edition of the "Water Dialogues," joint initiative with several Spanish ministries, including Agriculture and Fishing, Food and Environment, Economy, Industry and Competitiveness and Foreign Affairs, which has been established as a strategic platform for long-term collaboration for sustainable management of water resources.

CAF also strengthened its cooperation ties with

France, especially French Development Agency AFD and the Ministry of Finance. CAF's executive president

participated in IX the Economic Forum on Latin America and the Caribbean organized by the OECD, the I.A.D.B. and the Ministry of Finance, held in Paris on July 9, 2017. In November Executive Vice-President Luis Enrique Berrizbeitia held high-level meetings with authorities to promote French investments in the region through instruments provided by the institution.

Finally, considerable efforts were made to increase ties with Oceania through the sponsorship of the 2017 Latin American Infrastructure Forum: Opening opportunities for businesses in Australia. The event organized by Australia-Latin America Business Council was carried out on May 22-23 in Melbourne, with the participation of specialists in the sector who responded to concerns about the current situation of Latin America's economy and the development of infrastructure projects. ■

CAF HAS TAKEN ON THE RESPONSIBILITY OF BEING A GENERATOR OF KNOWLEDGE AND A REGIONAL CENTER OF REFLECTION ON DEVELOPMENT. AN IMPORTANT ASPECT OF THIS TASK IS THE ESTABLISHMENT OF ALLIANCES AND NETWORKS WITH LEADING UNIVERSITIES AND THINK TANKS ON A GLOBAL SCALE TO BUILD BRIDGES FOR THE GENERATION AND DISSEMINATION OF KNOWLEDGE ON DEVELOPMENT.

Knowledge partnerships

It includes the creation and support of forums and seminars of reflection and the drafting and diffusion of research on issues of shared interest. Through this channel, the institution has demonstrated its role in improving the Latin American development process.

In 2017, CAF strengthened its European academic network, which brings together some of the most prestigious universities and think tanks in Europe with academic projects oriented toward Latin American Participants .

Participants in this initiative include the London School of Economics and the University of Oxford in the United Kingdom; Sciences Po in France; GIGA in Germany; the universities of Salamanca and Alcala in Spain; and the University of Lisbon in Portugal.

CAF also supported research projects and international meetings organized by the Latin America-China Network to underpin a Latin America-China academic initiative that promotes research and the dialogue on China-Latin

America relations, in order to formulate public policy proposals on behalf of governments in the region.

It should be noted that academic networks forged in the hemispheric and European space were used to develop a series of international conferences that raised the institution's profile in Latin America, the United States and Europe, which allowed debate on critical issues to the region's future. ■

IN 2017, CAF STRENGTHENED ITS EUROPEAN ACADEMIC NETWORK, WHICH BRINGS TOGETHER SOME OF THE MOST PRESTIGIOUS UNIVERSITIES AND THINK TANKS IN EUROPE WITH ACADEMIC PROJECTS ORIENTED TOWARD LATIN AMERICA.



CAF "Cities with Future" Conference. Lima, Peru, November 2, 2017

CAF "Cities with Future" Conference

Local and national government authorities, members of academia, representatives of international organisms and the private sector met in Lima on November 2-3 to approach the topic of integral development of Latin American cities. The conference tried to identify the most effective actions to fulfill the guidelines of the New Urban Agenda set at Habitat III and to be able to replicate them in other large cities. During the event, key aspects of urban development were evaluated, including the improvement of living conditions in the precarious settlements, the integral management of the disaster risk, driving productive development, financing mechanisms for urban policies and successful experiences in the construction of intelligent cities. Argentine Vice-President Gabriela Michetti; the second vice-president of Peru, Mercedes Aráoz; the

executive director of UN-Habitat, Joan Clos; the Secretary General Iberoamericana, Rebeca Grynspan; the mayors of Lima and Quito; the intendants of Mendoza and Rosario (Argentina); as well as the prefects of Porto Alegre and Palmas (Brazil) are some of the leaders who participated in this event. ■

21st Annual CAF Conference

The 21st edition of the CAF Conference, held in Washington, DC, was reaffirmed as the main event for debating the region's development challenges. On September 6-7, more than 1,000 high government officials, representatives from international organisms, political leaders, industrialists, investors, journalists, analysts and representatives of civil society of organizations in Latin America and the United States analyzed the evolution of the inter-



21st Annual CAF Conference. Washington, DC, USA, September 6.

American relations, the foreign policy of the United States toward the region, economic and productive challenges, effects of corruption, the electoral cycle and challenges faced by cities. More than 30 speakers participated. Presentations that stood out include former-ministers of Foreign Relations Susana Malcorra (Argentina); Pierre Pettigrew (Canada); José Antonio García Belaunde (Peru) and Juan Gabriel Valdés (Chile); Francisco Palmieri, Principal Deputy Assistant Secretary in the Bureau of Western Hemisphere Affairs; Rick Waddell, Deputy National Security Adviser on the National Security Council of the United States; Francis Fukuyama, political scientist and political economist; Laura Alonso, Argentine Secretary of Public Ethics, Transparency and Fight against Corruption; Carlos de la Torre, Ecuador's Minister of Economy and Finance; Mario Bergara, President of the Central Bank in Uruguay; and Lionel Zinsou, former Prime Minister of Benin, among others. ■



IV CAF-LSE Conference “Globalization in Crisis: Implications for the Global South.”

The fourth edition of this event was held at the LSE headquarters in London on January 13. It was centered around the analysis of deep political and economic mutations faced by the world in the present context. It was attended by more than 250 authorities, diplomats, industrialists, financial analysts, representatives of civil society, journalists, professors and students. Keynote speaker

Michel Camdessus (France), President of the Centre for International Prospective Studies, Special Representative of the President of France for Africa and Honorary Governor of Banque de France, delivered the keynote speech entitled “The world in 2050.” Speakers and moderators included renowned

experts from Europe, Africa, Asia and Latin America, including Enrique Churches, former Ibero-American Secretary General and former president of the IDB; Nikolai Kosov, Chairman of the International Investment Bank (IIB); and Yamile Berra, Vice-President of the Central Bank of Cuba. ■

included former-Foreign Ministers Susana Malcorra (Argentina), Josep Piqué (Spain) and Gonzalo Gutiérrez (Peru); Enrico Letta, dean of the School of International Affairs of Sciences Po and former prime minister of Italy; and Franklin Martins, former-Press Secretary of Brazil. ■

21st Annual CAF Conference, Washington, DC, USA, September 6, 2017

IV CAF-Sciences Po Conference

With the title “Rethinking European-Latin American relations in an age of a multilateralism crisis,” with the participation of prominent speakers from Europe and Latin America, the IV CAF-Sciences Po Conference, held November 15 in Paris, addressed several strategies to defend multilateralism and free trade at a time when the winds of protectionism are blowing and concerns are rising in regard to the future of multilateralism. Participants

IN ITS 21ST EDITION, THE CAF CONFERENCE HELD IN WASHINGTON, D.C. WAS REAFFIRMED AS THE MAIN EVENT FOR DEBATING THE REGION’S DEVELOPMENT CHALLENGES.



VII Multilatina Forum 2017- "Challenges of new world (dis)order". Lima, Peru, October 11-12, 2017



IV CAF-LSE Conference "Globalization in Crisis: Implications for the Global South." London, United Kingdom, January 13, 2017



III Spain-Latin America Water Dialogue. Madrid, Spain, October 23, 2017



IV CAF-Sciences Po Conference. Paris, France, November 15, 2017

CAF'S POLITICAL, DIPLOMATIC AND INSTITUTIONAL SUPPORT THROUGH OFFICIAL VISITS, BUSINESS EVENTS AND INVESTOR FORUMS, AMONG OTHER ACTIVITIES, IS INDISPENSABLE TO COMPLEMENT THE INSTITUTION'S SUCCESSFUL FINANCIAL STRATEGY. IT OPENS DOORS AND LEADS TO NEW PARTNERSHIPS WITH THE PURPOSE OF ASSURING AN INTEGRAL APPROACH TOWARD SHAREHOLDER COUNTRIES AND ALLIED REGIONS.

Capturing resources and creating opportunities for trade and investment

THE 2017 EDITION OF LABF WAS HELD IN SINGAPUR TO EXAMINE THE NEW GROWTH STRATEGIES IN LATIN AMERICA AND ASIA IN LIGHT OF THE CHALLENGES FACING THE CHALLENGES FACING THE GLOBAL ECONOMY.

Its importance resides in the possibility of increasing the institution's financing capacities, through classic instruments like bond issues and credit lines, but also innovative instruments like co-financings, A/B loans or thematic investment funds.

Along this theme, CAF sponsored and participated in investment forums organized by LatinFinance in London, Tokyo, Hong Kong and Shanghai, as well as in meetings held by the Council of the Americas

with business executives from leading Latin American companies in several capitals throughout the region. CAF was also an active participant in the following events:

VII World Strategic Forum

In 2017, CAF was invited by the International Economic Forum of the Americas (IEFA) to participate as a strategic partner in this event held in Miami on April 19-20. The

forum offered a space to analyze the main challenges faced by the hemisphere and to identify potential business opportunities. More than 1,300 participants from public and private sectors throughout the region participated in the event. Participants included high-ranking representatives from international organizations who exchanged points of view about major trends in financial and productive sectors. ■

AT THE GLOBAL BORROWERS & INVESTORS FORUM IN LONDON, MORE THAN 1,000 DELEGATES FROM GOVERNMENT AND BANKING INSTITUTIONS ANALYZED THE PROSPECTS FOR INTERNATIONAL CAPITAL MARKETS WITH AN EMPHASIS ON NEW INSTRUMENTS TO FINANCE SUSTAINABLE DEVELOPMENT.

Global Borrowers & Investors Forum 2017

Once again, CAF partnered with Euromoney Conferences, leader in the organization of investor conferences on a global scale, in order to present its financial strategy to the main actors of the bond market. More than 1,000 delegates from government and banking institutions participated in the event, which was held in London on June 20-21, to examine prospects for international capital markets, with an emphasis on the new instruments to finance sustainable development. ■

Latin Asia Business Forum 2017 (LABF)

The 2017 edition of LABF was held on September 29 in Singapore, where participants examined new growth strategies in Latin America and Asia in light of the challenges facing

the global economy. The forum focused on economic opportunities in Latin America and the potential for deeper ties between the two regions. This edition was attended by approximately 300 delegates, including ministers, diplomats, senior government officials and prominent business figures from Asia and Latin America. ■

VII Multilatina Forum 2017 - “Challenges of new world (dis)order.”

The seventh edition of this event was held on October 11-12 in Lima, Peru. The forum brought together government officials, representatives of international agencies and top-level Latin American executives to reflect on new visions and strategies required by companies and governments in order to face the challenges posed by the current global scenario. CAF executive president Luis

Carranza was the keynote speaker at the opening session on the subject “The new world (dis)order and the challenges it raises in Latin America.” ■

CAF ACTIVELY PARTICIPATES IN MOST OF LATIN AMERICA'S COORDINATION MECHANISMS AND MAINTAINS EXCELLENT COOPERATION RELATIONS WITH THE REGIONAL AND SUBREGIONAL BLOCKS.

Regional integration

CAF actively participates in most of Latin America's coordination mechanisms and maintains excellent cooperation relations with the regional and subregional blocks.

In addition, the institution engaged in extensive efforts to promote regional integration within a sectorial scope (through its credit and technical assistance operations in the areas of infrastructure, energy, telecommunications, social development, production and finances, among others).

In 2017, CAF was present at the several summits of heads of state and government organized by the Community of Latin

American and Caribbean States (CELAC) (Santo Domingo, in January); the Pacific Alliance (Cali, in June) and the Southern Common Market (MERCOSUR) (Buenos Aires, in July; and Brasilia, in December).

There, the institution confirmed its interest in contributing in a pragmatic and multidimensional manner to initiatives that deepen the progress and convergence of regional integration processes.

In this regard, CAF offered technical and financial support for important projects driven by the Pacific Alliance to create an

infrastructure fund and the interconnection of its support centers for entrepreneurship; for the Andean Community for the integration of telecommunications services; for the Mesoamerica Project to strengthen the cacao production chain, among others. It also endorsed the work of UNASUR's South American Infrastructure and Planning Council and signed a memorandum of understanding to define a roadmap to invigorate cooperation with MERCOSUR.

Additionally, CAF supported diverse concrete initiatives of border integration like the observatory of migratory flows between Brazil and Uruguay, or the project to identify productive complementarities on the border between Madre de Dios (Peru) and Pando (Bolivia). ■

CAF CONFIRMED ITS INTEREST IN CONTRIBUTING IN A PRAGMATIC AND MULTIDIMENSIONAL MANNER TO INITIATIVES THAT DEEPEN THE PROGRESS AND CONVERGENCE OF REGIONAL INTEGRATION PROCESSES.

KNOWLEDGE MANAGEMENT

CAF'S MANAGEMENT OF KNOWLEDGE SERVICES IS A KEY ACTIVITY THAT COMPLEMENTS THE INSTITUTION'S FINANCIAL SERVICES. THE OBJECTIVE IS TO OFFER COUNTRIES INPUTS THEY CAN USE TO PROMOTE REFORMS THAT DRIVE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH. AS PART OF THIS ACTIVITY, CAF SEEKS TO ESTABLISH AN OPEN DIALOGUE ABOUT DIFFERENT POLICY ALTERNATIVES THAT ENRICH THE PUBLIC DEBATE (ACCORDING TO THE ACCUMULATED EVIDENCE) AND GENERATE THE NECESSARY CONSENSUS SO GOVERNMENTS AND SOCIETY CAN PUT THEM INTO PRACTICE.

On the one hand, these activities aim to improve the impact of the institution's operations by ensuring these operations are built on strategies based on the proper diagnosis of the limits on development faced by the region's countries. Within this strategy it is important to highlight that knowledge management must also promote a process of institutional learning based on *ex-post* monitoring and assessment of the projects and operations financed by CAF. On the other hand, knowledge services also aim to accompany the design, implementation and evaluation of public policies.

Knowledge management can be defined as a set of initiatives or a system that promotes the generation, identification, acquisition, classification, safekeeping, dissemination and use of knowledge with the objective of improving the impact of CAF's activities on countries' development. Based on this definition, the activities included within this system include academic, applied and public policy research on development

drivers; analysis and monitoring of the macroeconomic setting; country-specific institutions and policies; the study of trends in international economics; assessment of the impact of policies and projects; sector-specific studies and analyses; production of primary information and databases; publication of reports; articles and books about politics; generation of repositories with detailed information about documents related to CAF's operations, including loans and technical cooperation; management of a repository with CAF's external publications; organization of conferences and seminars; the creation of spaces for the institution's officials to share tacit knowledge and experiences; and, in general, all activities aimed at creating a learning environment within the organization.

Based on this strategic conception, knowledge management emerges as an activity where many CAF areas participate. On the one hand, there are areas with an explicit mandate and responsibility in the generation of knowledge

and the offices that specialize in different sectors. On the other, areas responsible for project origination, assessment and administration also offer opportunities to generate knowledge through the documentation of the lessons learned from those operations.

Given the high degree of decentralization of [CAF's] knowledge activities, it is especially challenging to coordinate and articulate the different offices and the initiatives developed. These efforts are aligned with a three-tier strategy: to channel efforts toward certain subjects; standardize messages; and assure quality standards. The overall objective is to ensure this knowledge activities bolster CAF's business, which is to support the development of the region's countries.

KNOWLEDGE MANAGEMENT CAN BE DEFINED AS A SET OF INITIATIVES OR A SYSTEM THAT PROMOTES THE GENERATION, IDENTIFICATION, ACQUISITION, CLASSIFICATION, SAFEKEEPING, DISSEMINATION AND USE OF KNOWLEDGE WITH THE OBJECTIVE OF IMPROVING THE IMPACT OF CAF'S ACTIVITIES ON COUNTRIES' DEVELOPMENT.

Highlighted publications 2017

AVAILABLE AT SCIOTECA.CAF.COM



URBAN GROWTH AND ACCESS TO OPPORTUNITIES: A CHALLENGE FOR LATIN AMERICA

Economy and Development Report (RED) 2017. This report constitutes an effort to understand the most critical development challenges that Latin American cities are facing today. The report highlights the concept of accessibility, meaning the capacity of households and businesses to access the opportunities that cities offer. Accessibility depends on four intertwined areas of public policy: planning and regulation of land use; urban mobility; operation of the housing market; and the existence of mechanisms of metropolitan coordination. The concept of accessibility shifts the focus of the debate away from whether cities must be more or less compact. Accessibility can be attained under different urban forms, with different sizes and levels of population density. Public policies must focus on increasing access to opportunities.



MOVING TOWARDS THE DIGITAL TRANSFORMATION OF LATIN AMERICA AND THE CARIBBEAN: CAF OBSERVATORY OF THE DIGITAL ECOSYSTEM

The aim of this study is to evaluate the development of the digital ecosystem in Latin America and the Caribbean and to present a program of proposals of action, within the framework of CAF's Digital Transformation Program based on the creation of the first Observatory of the Digital Economy and Ecosystem in the region. This document summarizes an assessment carried out not only in CAF's 17 shareholder countries in Latin America and the Caribbean, but also includes, for comparative aims, both shareholder countries from the Iberian Peninsula, six Central American countries, and 50 more countries around the world selected based on the size of their economies. The assessment recaps all the variables compiled in CAF's Development Index of the Digital Ecosystem by country, which was analyzed over time (from 2004 to 2015) drawing comparisons between Latin America and other nations.

ANALYSIS OF AIRPORT AND PORT INVESTMENTS IN LATIN AMERICA AND THE CARIBBEAN 2040

Transport and logistics infrastructure are key elements on CAF's agenda. In this regard, in recent years diverse technical reports have been published and disseminated that delve into logistics issues. Another initiative under development is the Regional Logistics Development Program for Latin America (LOGRA). The program aims to drive systemic, simultaneous and sustainable actions in every aspect of "National Logistics Systems." The "Analysis of Airport and Port Investments in Latin America and the Caribbean (ALC) 2040" is conceived as a continuation of the report "Latin America 2040" produced by CAF in 2010 to identify port and airport investment needs in the region with an outlook toward 2040.

HOW TO OVERCOME THE BARRIERS TO THE DEPLOYMENT OF MOBILE COMMUNICATIONS SERVICES

Mobile services represent today one of the main means of communication on a global scale. In Latin America, the use of mobile services has increased exponentially in recent years. In the three countries included in this study—Colombia, Mexico and Peru—the mobile penetration rate has increased between 20 and 40 percentage points in just a seven-year period (2008 - 2015). The publication contains case studies for Colombia, Mexico and Peru, including an action plan and a brief two-year road map.



IDENTIFYING BEST PRACTICES IN CITIES FOR THE EXPANSION OF BROADBAND IN LATIN AMERICA

The objective of this publication is to identify the main barriers and best practices that exist in Latin America in relation to the deployment of telecommunications infrastructure. Also, the report provides a series of recommendations based on international best practices aimed at reducing the limits that telecommunications operators place on this type of investment.



REGIONAL TECHNOLOGICAL INNOVATION INDICATORS

This publication is the result of the CAF's Technology Patents for Development Regional Initiative. These indicators are based on empirical data pertaining to the status of technological innovation in the region, through indicators identified and selected by the institution. A baseline for weighing the impact of the initiative in the region has been used.



EVERYTHING YOU ALWAYS WANTED TO KNOW ABOUT BANKOMUNALES BUT WERE AFRAID TO ASK

The Bankomunales model is characterized as being low cost, efficient and practical. It has been implemented to date in six countries of the region by Fundefir, its creator, with CAF's support. Bankomunales are community-based organizations that are self-sustaining from day one of operations, in which their members—normally low-income individuals—are both shareholders and recipients of credit. It is based on simple logic: the poor have times of surplus and others when they have financing needs.



CAF SUSTAINABILITY REPORT 2015-2016

CAF's commitment is based on an integral vision of development, through which it guides contributions to overcome structural barriers that hold back development in Latin America, by implementing strategies helping to improve competitiveness in the region's countries and strengthen institutions, at the same time that they promote social inclusion and environmental sustainability. The Sustainability Report is a management tool that captures how the institution is tackling the new global and regional challenges of promoting economic, social and environmental sustainability.



WATER AND SANITATION IN BOLIVIA

This report examines a set of specific topics pertaining to the water and sanitation sector in Bolivia aimed at helping to identify the most important barriers that block the sector's development and to offer, at the same time, options for building an agenda of strategic priorities for the upcoming years. This agenda can serve as a useful input for sector authorities at diverse levels of government engaged in public policy debates and sector regulation, as well as for water and sanitation service providers in Bolivia.



STUDY OF TECHNOLOGICAL PLATFORMS. AGROINDUSTRY

Technological Platforms have been one of the most important tools for driving innovation, and technology and knowledge transfer in key industries that aim to improve European competitiveness. This study aims to extract the main lessons learned from, and the essential characteristics and best practices of agroindustry platforms in Europe. This study analyzes the conceptual framework of the platforms as well as how they fit in the European system of innovation. In addition, each platform is studied in detail to determine the most important factors for their success.



A nighttime photograph of a city street. In the foreground, there is a dark asphalt road with a yellow-painted curb on the left. A concrete barrier runs across the middle ground. In the background, a multi-story building is visible with some lit windows. The scene is filled with light trails from moving vehicles, including a prominent red light trail from a car on the right and white light trails from other vehicles. Two bright streetlights on the left create starburst effects. The overall atmosphere is dynamic and urban.

MANAGEMENT'S REVIEW OF CAF'S FINANCIAL EVOLUTION

Management's discussion and analysis of financial condition

In 2017, 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 12.3 billion) and disbursements (USD 10.2 billion), mainly directed toward medium and long-term project financing.

During 2017, 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. During this year, Standard & Poor's revised its outlook for CAF from negative to stable thanks to the improvement in the institution's capitalization and liquidity ratios.

TABLE 1. **CREDIT RATINGS** As of December 31, 2017

	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+	Stable

The credit ratings given by the agencies, positioned the institution among the 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.

In 2015, CAF's Board of Directors approved a general paid-in capital increase for up to USD 4.5 billion, 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 4.1 billion in 2016 and 2017. At the same time, in 2017 shareholders continued to make substantial paid-in capital contributions, for a total of USD 570 million.

The operating income¹ in 2017 was USD 164 million, which represents a decrease with respect to the previous year. Net interest income increased in 2017 mainly due to an increase in the average 6-month LIBOR rate from 1.05% in 2016 to 1.47% in 2017. The main profitability indicator- Return on Equity (ROE) - was 1.5%, in line with the established benchmarks.

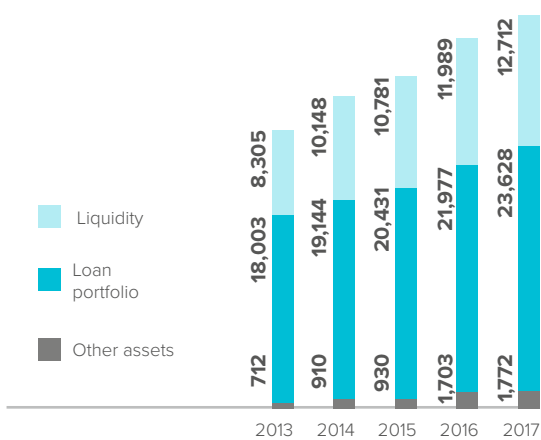
In 2017, the institution issued 11 bonds for approximately USD 3.8 billion in the international capital markets, including two USD Global benchmarks, one Euro benchmark and its third themed-bond. In addition, CAF continued diversifying its investor base by issuing in eight different currencies.

Regarding short-term borrowings, time deposits reached a year-end balance of USD 3.0 billion. Commercial papers in the United States and European markets were another important source of funds, with a closing balance of USD 1.8 billion.

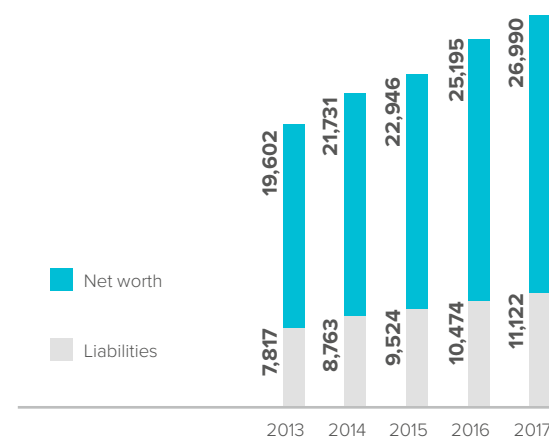
In 2017, CAF's liabilities maturity profile improved as well as its liquidity ratios given the higher concentration of long-term funding.

FIGURE 1. **BALANCE SHEET** As of December 31 of each year (in millions of USD)

ASSETS



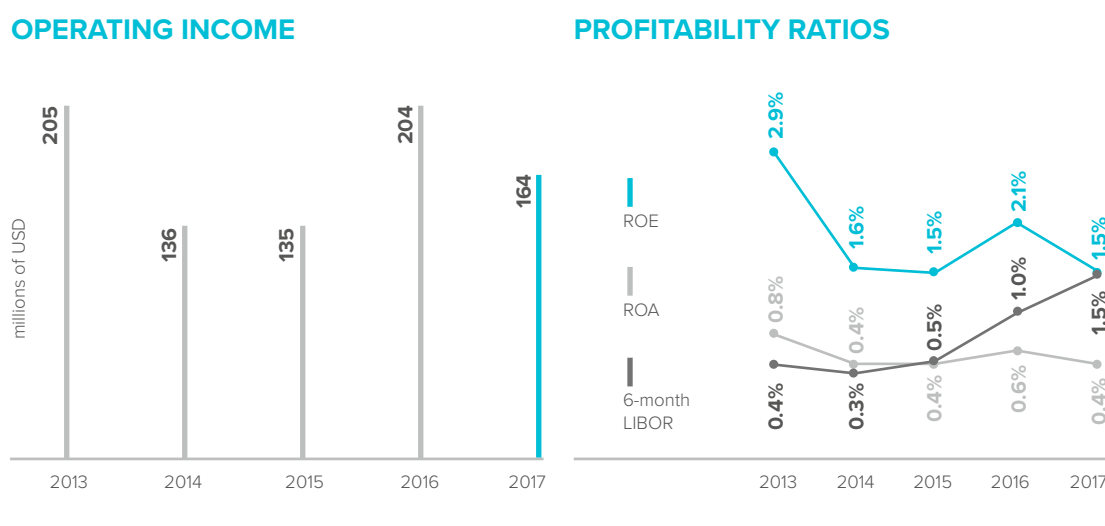
LIABILITIES & NET WORTH



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.

IN 2017, THE INSTITUTION ISSUED 11 BONDS FOR APPROXIMATELY USD 3.8 BILLION IN THE INTERNATIONAL CAPITAL MARKETS, INCLUDING TWO USD GLOBAL BENCHMARKS, ONE EURO BENCHMARK AND ITS THIRD THEMED-BOND.

FIGURE 2. **OPERATING INCOME AND PROFITABILITY**
As of December 31 of each year (in millions of USD)



SUMMARY OF FINANCIAL STATEMENTS

During 2017, CAF's total assets reached USD 38.1 billion, representing an increase of 6.8% 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 23.6 billion, 7.5% higher than the previous year, and liquidity reached USD 12.7 billion, 6.0% higher than the prior year, and equivalent to 33.4% of the total assets and 49.2% of total financial liabilities.

At year-end 2017, CAF's total net worth was USD 11.1 billion with paid-in capital of USD 5.0 billion, additional paid-in capital of USD 3.2 billion and USD 2.8 billion in the form of reserves and retained earnings. At the end of 2017, net worth represented 29.2% of total assets and 40.0% of the risk-weighted assets according to the methodology established in the Basel Accord.

The net interest income in 2017 recorded an increase of 23.2% 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 a decrease mainly due to an increase in provisions for loan losses related with loans in the private sector, as

well as variations of the credit ratings of some member countries. Also in the previous year, CAF obtained an extraordinary revenue due to a currency exchange differential for borrowings denominated in local currency. The operating income was USD 164 million in 2017 and the ROE was 1.5%, while the average 6- month LIBOR rate was 1.47% (Figure 2). The Return on Assets (ROA) for the year was 0.45%.

LOAN PORTFOLIO

At year-end 2017, the loan portfolio reached USD 23.6 billion, which represents an increase of 7.5% compared to the USD 22.0 billion of the previous year.

The loan portfolio distribution continued to be largely concentrated in public sector projects, representing 85.5% of the total portfolio as of December 31, 2017. Regarding distribution of the loan portfolio by countries, Ecuador had the largest exposure with 14.6% of the total loan portfolio, followed by Venezuela with 13.9%, Argentina with 13.6%, Colombia 10.6%, Bolivia with 10.5%, Peru with 9.6%, Brazil with 9.0%, Panama with 6.4%, Uruguay with 4.4%, Paraguay with 1.8% and Mexico with 1.3%. 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 35.1% of the loan portfolio at year-end 2017.

The leading development projects by sectors financed by CAF in 2017 were transportation infrastructure which represented 30.4% of the loan portfolio, energy projects with 25.0%, commercial banks with 12.9% and social services and health care services with 11.3%.

At year-end 2017, the Non-accrual ratio was 0.59% of the total loan portfolio and provisions for loan losses reached USD 67.2 million or 0.3% of the loan portfolio. In 2017, one loan was written off for the amount of USD 69.5 million (Table 2).

AT YEAR-END 2017, THE LOAN PORTFOLIO REACHED USD 23.6 BILLION, WHICH REPRESENTS AN INCREASE OF 7.5% COMPARED TO THE USD 22.0 BILLION OF THE PREVIOUS YEAR.

TABLE 2. **ASSET QUALITY** (in millions of USD)

	2013	2014	2015	2016	2017
Overdues	0.0	0.0	0.0	7.5	94.7
Loans in non-accrual status	0.0	16.5	0.0	120.8	138.7
Allowance for loan losses	38.3	55.8	58.9	63.7	67.2
Overdue as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.40%
Non-accrual loans as a percentage of loan portfolio	0.00%	0.09%	0.00%	0.55%	0.59%
Allowance as a percentage of loan portfolio	0.21%	0.29%	0.29%	0.29%	0.28%

LIQUID ASSETS

As of December 31, 2017, liquid assets totaled USD 12.7 billion, equivalent to 33.4% of total assets. The investment portfolio was characterized by its short duration, which averaged 0.31 years. As an evidence of its excellent credit rating, 98.7% of this

portfolio was rated A-/A3 or above with an average rating of AA/Aa2, only 1.3% 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 2017, total financial liabilities were USD 25.9 billion, while total liabilities reached USD 27.0 billion.

The institution issued 11 bonds for an approximate amount of USD 3.8 billion in 2017. Additionally, CAF continued diversifying its geographic distribution, issuing in eight different currencies around the world.

During 2017 and for the first time in CAF's history, the institution issued three global benchmark transactions, one for EUR 800 million and two USD Global benchmarks for USD 1.25 billion and USD 1.0 billion. These issuances were very successful in terms of competitive funding costs and diversification of CAF's investor base.

CAF also issued another 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 Brazilian Reales. It is important to highlight that this bond falls into the category of socially responsible investments (SRI).

The Institution issued one bond in the Swiss market for CHF 160 million and a maturity of 8 years. Additionally, CAF issued a bond of AUD 175 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.

Furthermore, several private placements were made in different currencies such as U.S. Dollar, Hong-Kong Dollar and Canadian Dollar, 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 2017, contributing to lower funding costs for the year.

Time deposits also represented an important source of short-term funding, reaching USD 3.0 billion by year-end 2017. Therefore, these instruments have maintained their importance as a competitive and stable source of funding.

The recomposition of the liability structure, where there is now a higher concentration in long-term financing, has increased through the years and consolidated in 2017. This fact has improved the maturity profile of CAF's liabilities as well as its liquidity ratios.

With respect to medium and long-term loans from development financial institutions, international agencies and multilateral banks, new credit lines have been negotiated for USD 277 million with KfW. Furthermore, the Japan Bank for International Cooperation (JBIC) and the Instituto de Crédito Oficial (ICO) have extended the term of the credit facilities that they currently offer. Additionally, the local currency loan program for microfinance

institutions continues in many countries in Latin America, including Colombia and Mexico. It is also important to note that financial resources for the amount of USD 59 million were obtained thanks to loan portfolio sales. Also, new co-financing deals were made for USD 91 million with OFID, EUR 165 million with AfD, USD 100 million with BEI and USD 60 million with GFC. These co-financing deals were focused on financing specific energy and infrastructure projects in Argentina, Bolivia, Brazil, Ecuador and Paraguay.

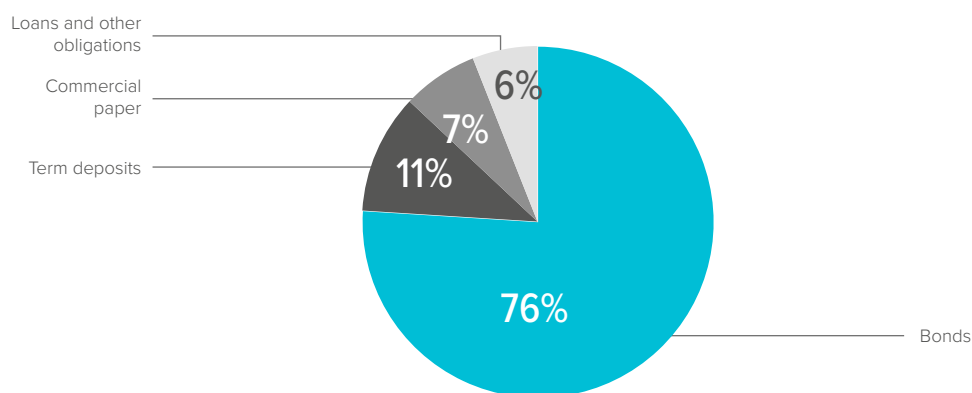
As of December 31, 2017, 83.0% of CAF's total indebtedness came from international capital markets. The main source of funding was bond issuances, representing 76.3% of financial liabilities (Figure 3) and commercial papers with 6.8%. Additionally, deposits received accounted for 11.4% and other medium- and long- term loans and credit lines with 5.5%.

Details of CAF's 2017 bond issues are shown in Table 3.

TABLE 3. **2017 BOND ISSUES IN THE INTERNATIONAL MARKETS**

Date	Market	Amount in original currency of issuance (in millions)		Equivalent in USD million
Bond Issuance				
January	Japanese	BRL	220	69
January	Euro	EUR	750	801
February	Euro	EUR	50	54
March	Euro	INR	2,138	32
March	Japanese	AUD	175	133
April	Australian	CHF	160	161
July	Swiss	USD	1,250	1,250
November	USA	USD	1,000	1,000
December	USA	AUD	75	57
	Private placements			238
	Total 2017			3,795
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, 2017



CAPITAL

During 2017, CAF received USD 570 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 billion, respectively. In 2015, CAF's Board of Directors approved a general paid-in capital increase for up to USD 4.5 billion, 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 4.1 billion in 2016 and 2017 and capital contributions began in 2017.

At year-end 2017, net worth reached USD 11.1 billion, 6.2% higher than the amount registered in 2016, 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**

	2013	2014	2015	2016	2017
Gearing (times) ¹	2.4	2.5	2.4	2.4	2.4
Leverage (times) ²	2.4	2.4	2.3	2.3	2.3
Capital/Risk-Weighted Assets (BIS) ³	39.3%	35.8%	36.6%	40.3%	40.0%

1 According to CAF's Articles of Agreement, this exposure measure should be less than or equal to 4.0 times.

2 According to CAF's Articles of Agreement, this indebtedness measure should be less than or equal to 3.5 times.

3 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%.

AT YEAR- END 2017, NET WORTH REACHED USD 11.1 BILLION, 6.2% HIGHER THAN THE AMOUNT REGISTERED IN 2016, STRENGTHENED BY CAPITAL CONTRIBUTIONS MADE BY SHAREHOLDER COUNTRIES AND RETAINED EARNINGS.

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, 2017, 99.9% of assets and 99.5% of liabilities were denominated in U.S. Dollars after swaps, while 99.5% of the loans and 98.8% of the financial liabilities were based on LIBOR after swaps. Transactions that are not denominated in U.S. Dollars or based on LIBOR are converted through swaps to those terms. The swaps book reached USD 20.2 billion at year-end 2017. 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, 2017 the average life of its assets was 3.6 years and that of its liabilities 4.6 years.



FINANCIAL STATEMENTS

MANAGEMENT'S REPORT ON THE EFFECTIVENESS OF
INTERNAL CONTROL OVER FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING

INDEPENDENT AUDITORS' REPORT ON FINANCIAL
STATEMENTS

BALANCE SHEETS

STATEMENTS OF COMPREHENSIVE INCOME

STATEMENTS OF STOCKHOLDERS' EQUITY

STATEMENTS OF CASH FLOWS

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, 2017, 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, 2017.

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, 2017, 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, 2017.


Luis Carranza
Executive President


Hugo Sarmiento K.
Corporate Vice
President of Finance


Aureliano Fernández
Acting Director,
Accounting and Budget

January 31, 2018

Torre CAF, Av. Luis Roche, Altamira, Caracas, Venezuela. Telf. +58 (212) 209 2111 www.caf.com

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, 2017, 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, 2017, 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 of CAF as of and for the years ended December 31, 2017 and 2016, and our report dated January 31, 2018, expressed an unmodified opinion on those financial statements.

The logo for Deloitte, featuring the word "Deloitte" in a stylized, cursive script.

January 31, 2018

Caracas, Venezuela

Lara Marambio & Asociados. A member firm of Deloitte Touche Tohmatsu Limited.

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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, 2017 and 2016, 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, 2017 and 2016, and the results of their operations and their 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, 2017, 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, 2018 expressed an unmodified opinion on the CAF's internal control over financial reporting.

The Deloitte logo is written in a black, cursive script font.

January 31, 2018

Caracas, Venezuela

Lara Marambio & Asociados. A member firm of Deloitte Touche Tohmatsu Limited.

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

BALANCE SHEETS

As of December 31, 2017 and 2016

(In thousands of U.S. dollars)

	NOTES	2017	2016
ASSETS			
Cash and due from banks		61,294	72,403
Deposits with banks		2,001,766	1,652,367
Cash and deposits with banks	3	<u>2,063,060</u>	<u>1,724,770</u>
Marketable securities:			
Trading	5, 12 and 20	9,194,991	9,267,953
Other investments	4	1,453,869	996,554
Loans (US\$ 49,007 and US\$ 37,196 at fair value as of December 31, 2017 and 2016)	6 and 20	23,628,073	21,977,081
Less loan commissions, net of origination costs		97,530	95,682
Less allowance for loan losses	6	67,225	63,749
Loans, net		<u>23,463,318</u>	<u>21,817,650</u>
Accrued interest and commissions receivable		427,702	345,115
Equity investments	7	433,025	386,051
Derivative financial instruments	19 and 20	532,668	118,353
Property and equipment, net	8	90,415	75,200
Other assets	9	<u>452,518</u>	<u>937,342</u>
TOTAL		<u><u>38,111,566</u></u>	<u><u>35,668,988</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	10	2,950,143	3,098,883
Commercial paper	11	1,770,676	2,112,717
Borrowings (US\$ 550,563 and US\$ 535,514 at fair value as of December 31, 2017 and 2016), net	12 and 20	1,417,265	1,421,466
Bonds (US\$ 19,559,372 and US\$ 16,738,156 at fair value as of December 31, 2017 and 2016), net	13 and 20	19,718,627	17,145,306
Accrued interest payable		314,660	281,058
Derivative financial instruments	19 and 20	553,594	1,021,292
Accrued expenses and other liabilities	14	<u>264,865</u>	<u>114,622</u>
Total liabilities		<u>26,989,830</u>	<u>25,195,344</u>
STOCKHOLDERS' EQUITY:			
Subscribed capital	16 and 17	7,987,370	7,219,455
Less callable capital portion		1,589,660	1,589,660
Less capital subscriptions receivable		1,413,415	846,250
Paid-in capital		<u>4,984,295</u>	<u>4,783,545</u>
Additional paid-in capital		3,259,471	2,890,091
Reserves		2,801,571	2,678,853
Accumulated other comprehensive income		-	(1,563)
Retained earnings		<u>76,399</u>	<u>122,718</u>
Total stockholders' equity		<u>11,121,736</u>	<u>10,473,644</u>
TOTAL		<u><u>38,111,566</u></u>	<u><u>35,668,988</u></u>

See accompanying notes to the financial statements <http://scioteca.caf.com>

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31, 2017 and 2016
(In thousands of U.S. dollars)

	NOTES	2017	2016
Interest income:			
Loans	2 (f)	798,295	666,548
Investments and deposits with banks	2 (e), 3 and 4	162,908	108,144
Loan commissions	2 (f)	40,822	38,768
Total interest income		1,002,025	813,460
Interest expense:			
Bonds		517,955	397,755
Deposits		34,011	17,057
Commercial paper		25,265	18,366
Borrowings		32,115	27,278
Commissions		12,241	10,591
Total interest expense		621,587	471,047
Net interest income		380,438	342,413
Provision for loan losses	6	69,902	38,270
Net interest income, after provision for loan losses		310,536	304,143
Non-interest income:			
Other commissions		3,264	3,784
Dividends and equity in earnings of investees	7	9,523	15,155
Other income	12	3,171	32,662
Total non-interest income		15,958	51,601
Non-interest expenses:			
Administrative expenses	23	150,135	140,973
Impairment charge for equity investments	7	11,000	9,200
Other expenses		1,197	1,404
Total non-interest expenses		162,332	151,577
Net income before unrealized changes in fair value related to financial instruments and Contributions to Stockholders' Special Funds		164,162	204,167
Unrealized changes in fair value related to financial instruments	21	4,301	(13,449)
Net income before Contributions to Stockholders' Special Funds		168,463	190,718
Contributions to Stockholders' Special Funds	24	92,064	68,000
Net income		76,399	122,718
Other comprehensive income:			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 17	-	(1,563)
Amortization of defined benefit pension items	15 and 17	1,563	571
Total comprehensive income		77,962	121,726

See accompanying notes to the financial statements <http://scioteca.caf.com>

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF STOCKHOLDERS' EQUITY

For the years ended December 31, 2017 and 2016

(In thousands of U.S. dollars)

	Note	Paid-in capital	Additional Paid-in de capital	Reserves			Accumulated other comprehensive income	Retained earnings	Total stockholders equity
				General reserve	Article N° 42 of the Constitutive Agreement	Total reserves			
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 the Constitutive Agreement	16	-	-	-	7,800	7,800	-	(7,800)	-
Other comprehensive income	17	-	-	-	-	-	(992)	-	(992)
BALANCES AT DECEMBER 31, 2016		4,783,545	2,890,091	2,205,853	473,000	2,678,853	(1,563)	122,718	10,473,644
Capital increase	16	200,750	369,380	-	-	-	-	-	570,130
Net income	16	-	-	-	-	-	-	76,399	76,399
Appropriated for general reserve	16	-	-	110,218	-	110,218	-	(110,218)	-
Appropriated for reserve pursuant to Article N° 42 of the Constitutive Agreement	16	-	-	-	12,500	12,500	-	(12,500)	-
Other comprehensive income	17	-	-	-	-	-	1,563	-	1,563
BALANCES AT DECEMBER 31, 2017		<u>4,984,295</u>	<u>3,259,471</u>	<u>2,316,071</u>	<u>485,500</u>	<u>2,801,571</u>	<u>-</u>	<u>76,399</u>	<u>11,121,736</u>

See accompanying notes to the financial statements <http://scioteca.caf.com>

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In thousands of U.S. dollars)

	<u>NOTES</u>	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES:			
Net income		76,399	122,718
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Unrealized (gain) loss on trading securities	5	(1,332)	4,260
Amortization of loan commissions, net of origination costs		(15,822)	(15,261)
Provision for loan losses	6	69,902	38,270
Impairment charge for equity investments	7	11,000	9,200
Equity in earnings of investees		(4,175)	(4,790)
Exchange difference	12	-	(28,223)
Amortization of deferred charges		5,082	5,360
Depreciation of property and equipment	8	5,767	5,682
Provision for employees' severance benefits		12,645	11,581
Provision for employees' savings plan		1,197	1,367
Unrealized changes in fair value related to financial instruments		(4,301)	13,449
Net changes in operating assets and liabilities:			
Severance benefits paid or advanced		(10,874)	(6,755)
Employees' savings plan paid or advanced		(2,963)	(771)
Trading securities, net		73,409	(2,492,444)
Interest and commissions receivable		(83,018)	(41,180)
Other assets		(7,614)	(4,658)
Accrued interest payable		33,601	31,523
Accrued expenses and other liabilities		12,591	7,177
		<u>95,095</u>	<u>(2,466,213)</u>
Total adjustments and net changes in operating assets and liabilities			
Net cash provided by (used in) operating activities		<u>171,494</u>	<u>(2,343,495)</u>
INVESTING ACTIVITIES:			
Purchases of other investments	4	(3,667,575)	(3,477,421)
Maturities of other investments	4	3,210,260	3,667,153
Loan origination and principal collections, net	6	(1,703,184)	(1,560,635)
Equity investments, net	7	(53,799)	(62,071)
Purchases of property and equipment, net	8	(20,982)	(7,959)
		<u>(2,235,280)</u>	<u>(1,440,933)</u>
Net cash used in investing activities			
		<u>(2,063,786)</u>	<u>(3,784,428)</u>
Carried forward,			

See accompanying notes to the financial statements <http://scioteca.caf.com>

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2017 and 2016

(In thousands of U.S. dollars)

	<u>NOTES</u>	<u>2017</u>	<u>2016</u>
Brought forward,		(2,063,786)	(3,784,428)
FINANCING ACTIVITIES:			
Net (decrease) increase in deposits		(148,740)	398,635
Proceeds from commercial paper		3,864,251	4,925,553
Repayment of commercial paper		(4,206,292)	(5,402,711)
Net decrease (increase) in derivative related collateral		626,566	(449,354)
Proceeds from issuance of bonds	13	3,809,731	3,961,421
Repayment of bonds	13	(2,098,519)	(1,557,104)
Proceeds from borrowings	12	141,804	272,352
Repayment of borrowings	12	(156,855)	(273,949)
Proceeds from issuance of shares	16	570,130	827,824
Net cash provided by financing activities		<u>2,402,076</u>	<u>2,702,667</u>
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		338,290	(1,081,761)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF THE YEAR		<u>1,724,770</u>	<u>2,806,531</u>
CASH AND DEPOSITS WITH BANKS AT END OF THE YEAR		<u><u>2,063,060</u></u>	<u><u>1,724,770</u></u>
SUPPLEMENTAL DISCLOSURE:			
Interest paid during the period		<u>561,366</u>	<u>417,009</u>
NON-CASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		<u>(414,315)</u>	<u>97,156</u>
Changes in derivative financial instruments liabilities		<u>(467,698)</u>	<u>213,195</u>

See accompanying notes to the financial statements <http://scioteca.caf.com>

GOVERNING BODIES AND CHIEF CORPORATE OFFICERS

CORPORACIÓN ANDINA DE FOMENTO (CAF)

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 the matter under consideration. The Assembly is formed by Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors as well as the audited financial statements, and determines the allocation of CAF's profits. In addition, it elects Board members according to the provisions set forth in the agreement establishing Corporación Andina de Fomento, appoints the external auditors and examines other issues submitted to its consideration.

BOARD OF DIRECTORS²

The Board of Directors is formed by representatives of Series A, B and C shareholders. It establishes CAF's policies; appoints the Executive President; approves loans, guarantees, investments and other operations within CAF's mandate, as well as the annual budget. Approval of certain operations is delegated to the Executive Committee or the Executive President, according to the parameters set forth by the Board.

EXECUTIVE COMMITTEE³

The Executive Committee was established by the Board of Directors in 1971. Its members are Directors appointed by Series A, B and C shareholders, and it is chaired by the Executive President. It approves financial operations within the limits established by the Board.

AUDIT COMMITTEE⁴

The Audit Committee was established by the Board of Directors in July 1996. It is presided over by the Chairman of the Board, in addition to Directors elected by the Board for a two-year period, and CAF's Executive President. The Audit Committee recommends the selection and hiring of external auditors; reviews their annual work program, CAF's financial statements, including the external auditors' opinion, and the Annual Administrative Expense and Investment Budget before it is submitted to the Board and the Shareholders' Assembly. It also reviews the Internal Audit reports on the main issues regarding the validity of the internal control system structure, as well as the annual portfolio risk and investment management and control program, including the annual report on its implementation.

EXECUTIVE PRESIDENT

The Executive President is CAF's legal representative. He is in charge of the Institution's overall supervision and management, as well as all matters that are not specifically entrusted to any other governing body. In addition, he approves CAF's country and sector strategic plans, institutional structures and processes under his authority, and CAF's financial operations within the limits delegated to him by the Board of Directors. The Executive President is appointed for a five-year term and may be re-elected.

1. The XLVIII Ordinary Shareholders' Meeting was held on March 14, 2017.
2. In 2017, three Board meetings were held: March 14 (CLIX Board Meeting), July 4 (CLX Board Meeting) and December 5 (CLXI Board Meeting).
3. The Executive Committee was removed by the CLXI Board Meeting under Resolution 2211/2017 dated December 5, 2017.
4. In 2017, the Audit Committee met twice: March 13 (XXIX Audit Committee Meeting) and December 4 (XXX Audit Committee Meeting).

CAF'S BOARD OF DIRECTORS

President of the Board of Directors (Period 2017 – 2018)*

Mario Alberto Guillén (until March 31 2018)

*Minister of Economy and Public Finance,
Plurinational State of Bolivia*

SERIES "A" SHARES, PERIOD 2017 – 2020

ARGENTINA

Principal: **Luis Andrés Caputo**
Minister of Finance

Alternate: **Félix Martín Soto**

*Under Secretary for
International Financial
Relations,
Ministry of Finance*

ECUADOR

Principal: **Santiago León Abad**
*President of the Board of
Directors of Corporación
Financiera Nacional*

Alternate: **Munir Massuh
Manzur**, *General Manager
Corporación Financiera
Nacional*

TRINIDAD Y TOBAGO

Principal: **Colm Imbert**
Minister of Finance

Alternate: **Alvin Hilaire**
*Governor of the Central Bank
of Trinidad and Tobago*

BOLIVIA

Principal: **Mariana Prado**
*Minister of Development
Planning*

Alternate: **Antonio Mullisaca**

*Vice Minister of Public
Investment and External
Financing*

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*

BRAZIL

Principal: **Dyogo Henrique de
Oliveira**, *Minister of Planning,
Budget and Management*

Alternate: **Jorge Saba**

Arbache Filho, *Secretary of
International Affairs, Ministry
of Planning, Budget and
Management*

PARAGUAY

Principal: **Lea Giménez**
Minister of Finance

Alternate: **Humberto Colmán**
Vice Minister of Economy

VENEZUELA

Principal: **Ramón Lobo Moreno**
*People's Power Minister /
Ministry of Economy and
Finance*

Alternate: **Raquel Hernández
Ovalles**, *Chief Public Credit
National Officer, People's
Power Minister / Ministry of
Economy and Finance*

COLOMBIA

Principal: **Mauricio Cárdenas**
Minister of Finance

Alternate: **María Lorena**

Gutiérrez, *Minister of
Commerce, Industry and
Tourism*

PERU

Titular: **Claudia Cooper Fort**
*Minister of Economy and
Finance*

Alternate: **Rossana Carla
Polastris Clark**, *Vice Minister
of Finance*

SERIES "B" SHARES, PERIOD 2017 – 2020

BOLIVIA

Principal: **Mario Alberto Guillén**
*Minister of Economy
and Public Finance*

Alternate: **Sergio Cusicanqui**

*Vice Minister of Treasury
and Public Credit*

VENEZUELA

Principal: **Xabier León**
Executive Vicepresident

*Banco de Desarrollo
Económico y Social de
Venezuela (BANDES)*

Alternate: **Vanessa Avendaño**
*Legal Counsel, Banco de
Desarrollo Económico y
Social de Venezuela (BANDES)*

COLOMBIA

Principal: **Juan José
Echavarría Soto**, *General
Manager of the Central Bank
of Colombia*

Alternate: **Luis Fernando**

Mejía, *Director General
of the National Planning
Department*

PRIVATE BANKING

Principal: **Gustavo Julio**

Vollmer Acedo,
*President, Mercantil,
C.A., Banco Universal de
Venezuela*

Alternate: **Julio León Prado**
*President of the Board of
Directors, Banco Bisa SA*

ECUADOR

Principal: **Carlos de la Torre**
Minister of Finance

Alternate: **Verónica Elizabeth**

Artola, *General Manager of
the Central Bank of Ecuador*

PERU

Principal: **Pedro Luis Grados**

Smith, *President of the Board*

*of Directors, Corporación
Financiera de Desarrollo
(COFIDE)*

Alternate: **César Liendo**
Vice Minister of Economy

SERIES "C" SHARES, PERIOD 2015 – 2018

SPAIN

Principal: **Luis de Guindos**

Jurado, *Minister of
Economy, Industry and
Competitiveness*

MEXICO

Principal: **José Antonio González**

Anaya, *Secretary of Finance and
Public Credit*

CHILE

Alternate: **Eduardo Bitran**

Colodro, *Executive Vice
President of CORFO*

DOMINICAN REPUBLIC

Alternate: **Donald Guerrero**

Ortiz, *Minister of Finance*

* Until March 31, 2017, Luis Andrés Caputo, Minister of Finance of the Argentine Republic, presided over the Board of Directors.

EXECUTIVE MANAGEMENT (AS OF DECEMBER 31, 2017)

Executive President Luis Carranza Ugarte
Executive Vicepresident Luis Enrique Berrizbeitia
Special Advisor to the Executive Presidency Laura Calderón

Legal Counsel (Acting) Jorge Velarde

Secretary General Víctor Rico
Corporate Director, Strategic Communication Mara Rubiños
Director, Secretariat and External Relations (Acting) Gianpiero Leoncini

Corporate Comptroller Marcelo Zalles
Director, Compliance and Portfolio Qualification Marcia Arliani
Director, Internal Audit Mayra Andrade

Corporate Director, European Office Guillermo Fernández de Soto
Corporate Director, Strategic Affairs of the Executive Presidency David Tuesta

Corporate Director, Environment and Climate Change Ligia Castro

Corporate Director, Social Innovation Ana Mercedes Botero

Corporate Director, Institutional Development (Acting) Pablo Sanguinetti

Corporate Vicepresident, Administration Elvira Lupo
Corporate Director, Administration Germán Alzate
Director, Logistic and Administrative Services Andrés Leiro
Director, Development and Physical Infrastructure Maintenance Ángel Contramaestre
Director, Accounting (Acting) Aureliano Fernández
Director, Human Capital Planning Leopoldo Gómez
Director, Talent Management José Flores
Director, Operations Control Renato Castellanos
Director, Information Technology Diego Grillo

Corporate Vicepresident, Risks Renny López
Director, Credit and Investment Risk Beatriz Álvarez
Director, Special Assets Octavio Rosselli
Director, Risk Management Martha Diez

Director, Private Risk Elizabeth Martínez

Corporate Vicepresident, Country Programs Lilliana Canale
Director, Operational Programming Miguel Angel Ostos
Director, Development Cooperation Trust Funds Corina Arroyo
Representative Director, Argentina Andrés Rugeles
Representative Director, Bolivia Gladis Genua
Representative Director, Brasil Víctor Rico
Representative Director, Colombia Carolina España
Representative Director, Ecuador Bernardo Requena
Representative Director, México Emilio Uquillas
Representative Director, Panamá Susana Pinilla
Representative Director, Paraguay Jorge Gartner
Representative Director, Perú Eleonora Silva
Representative Director, Trinidad y Tobago Joel Branski
Representative Director, Uruguay Germán Ríos

Corporate Vicepresident, Finance Hugo Sarmiento
Corporate Director, Financial Policies and International Emissions Gabriel Felpeto
Director, Institutional Financial Resources Félix Bergel
Director, Treasury José Luis Villanueva
Director, Market Strategies Aureliano Fernández

Corporate Vicepresident, Infrastructure (Acting) Julián Suárez
Director, Sectoral Analysis and Sectoral Programming Sandra Conde
Director, Northern Region Project Lucía Meza
Director, Southern Region Project Julián Suárez

Corporate Vicepresident, Productive and Financial Sectors (Acting) Manuel Malaret
Director, Productive and Financial Sectors Northern Region Mauricio Salazar
Director, Productive and Financial Sectors Southern Region Alejandro Gumucio
Director, Productive and Financial Development Juan Carlos Elorza

Corporate Director, Specialized Financial Services Carmen Elena Carbonell
Director, Structured Financing Ignacio Andino
Director, Financial Advisory Services Ignacio Fombona
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

Corporate Vicepresident, Energy (Acting) Renny López
Director, Energy Projects Northern Region María Claudia Flores
Director, Energy Projects Southern Region Ángel Cárdenas
Director, Energy Analysis and Strategies Mauricio Garrón

Corporate Director, Economic Analysis and Knowledge for Development Pablo Sanguinetti
Director, Socioeconomic Research Christian Daude
Director, Macroeconomic Studies Adriana Arreaza
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