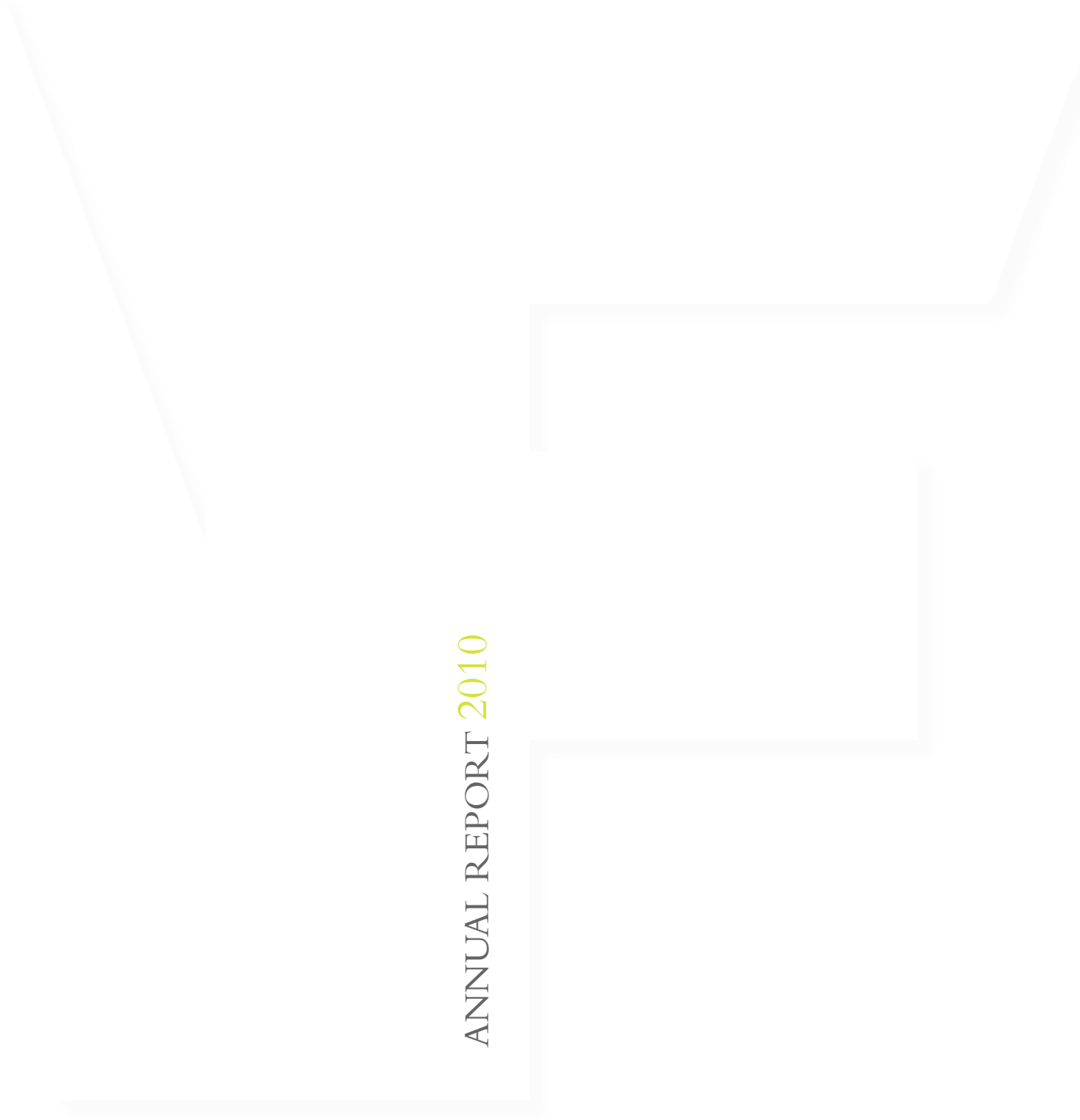




40 YEARS PROMOTING SUSTAINABLE DEVELOPMENT
AND REGIONAL INTEGRATION

ANNUAL REPORT 2010



1970

1971

1972

1973

1974

1975

1976

1977

1978

1979

1980

1981

1982

1983

1984

1985

1986

1987

1988

1989

1990

1970-2010



CAF is a multilateral financial institution whose mission is to support sustainable development and regional integration in Latin America. Its shareholders are: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad & Tobago, Venezuela, and 14 private banks within the region.

The Institution serves both the public and private sectors of the economy, providing a wide variety of products and services to a broad portfolio of clients that include the governments of shareholder countries as well as public and private companies and financial institutions. Social and environmental variables are deemed key in the Institution's management policies, including ecoefficiency and sustainability criteria in all of its operations. As a financial intermediary, CAF allocates resources from industrialized countries to Latin America, serving as liaison between the region and international capital markets, and promoting business and investment opportunities.

40 YEARS OF PRESENCE, DYNAMISM, PROGRESS
AND CONSOLIDATION IN LATIN AMERICA



1970-1989

Bolivia (1970)
Colombia (1970)
Ecuador (1970)
Peru (1970)
Venezuela (1970)



1990-1999

- Bolivia (1970)
- Colombia (1970)
- Ecuador (1970)
- Peru (1970)
- Venezuela (1970)
- Mexico (1990)
- Chile (1992)
- Trinidad & Tobago (1994)
- Brazil (1995)
- Panama (1997)
- Paraguay (1997)
- Jamaica (1999)

2000-2010

- Bolivia (1970)
- Colombia (1970)
- Ecuador (1970)
- Peru (1970)
- Venezuela (1970)
- Mexico (1990)
- Chile (1992)
- Trinidad & Tobago (1994)
- Brazil (1995)
- Panama (1997)
- Paraguay (1997)
- Jamaica (1999)
- Argentina (2001)
- Uruguay (2001)
- Costa Rica (2002)
- Spain (2002)
- Dominican Republic (2004)
- Portugal (2009)

This map has been created by CAF with illustrative purposes only. Therefore, borders, colors, denominations, or any other information shown, does not imply any judgement by the Institution over the legal situation of any territory, or border recognition.

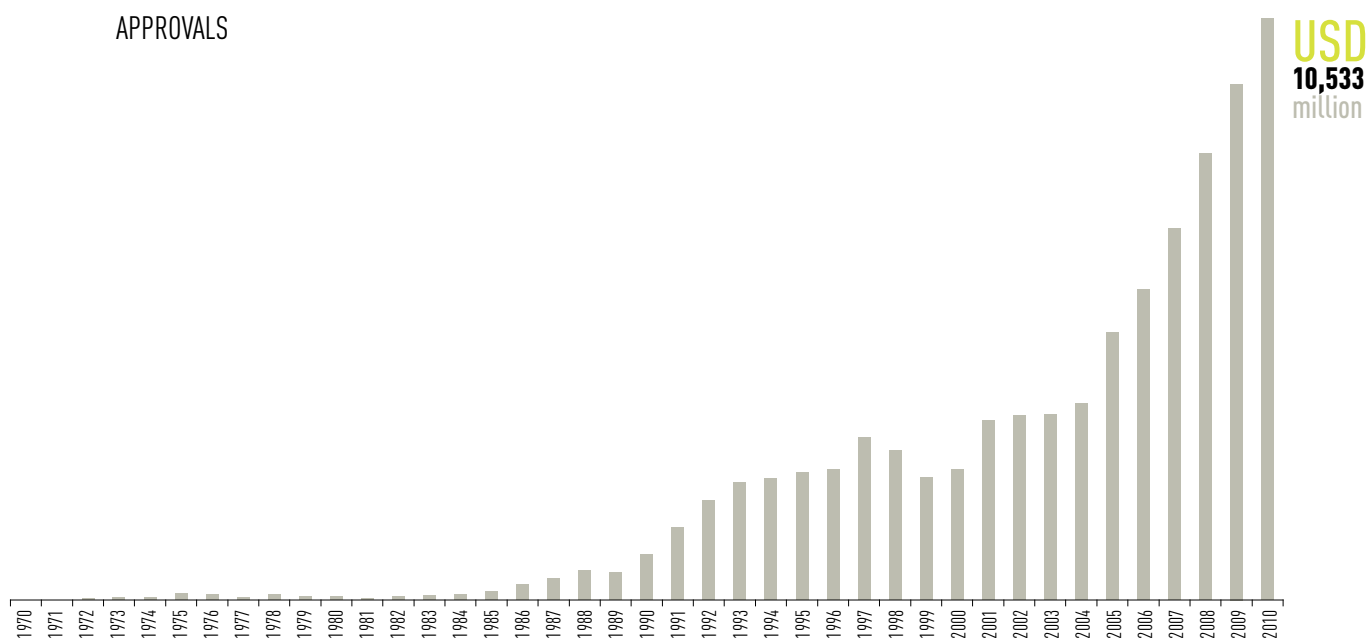
40 YEARS OF CONSISTENT
OPERATIONAL GROWTH



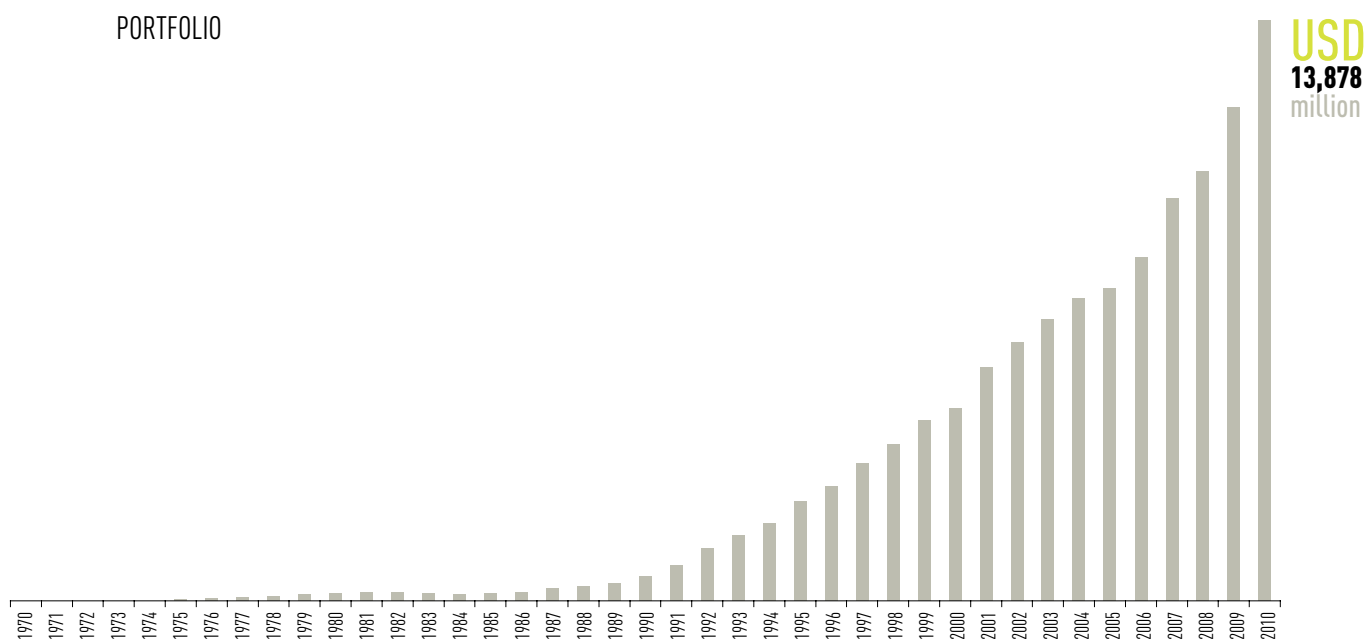
1970-2010

RECORD OPERATIONS

APPROVALS

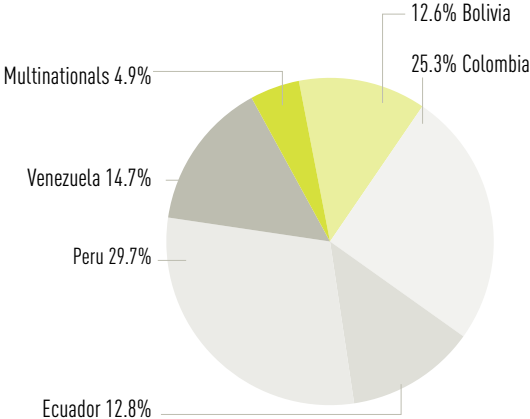


PORTFOLIO

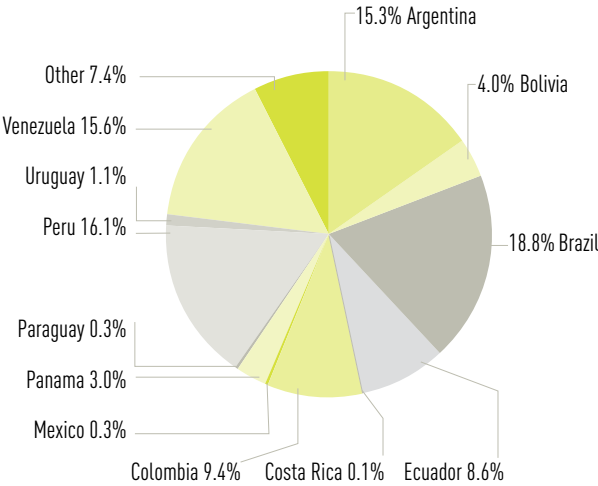


BROAD PRESENCE
IN LATIN AMERICAN COUNTRIES

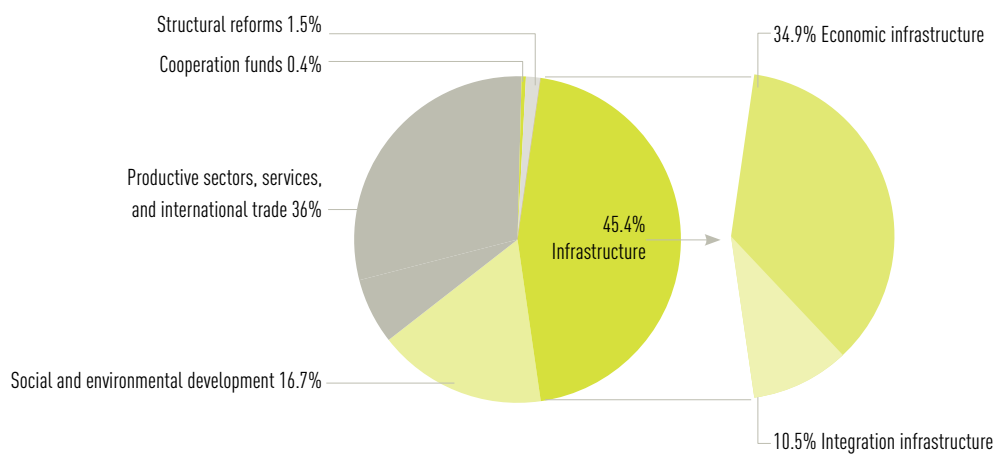
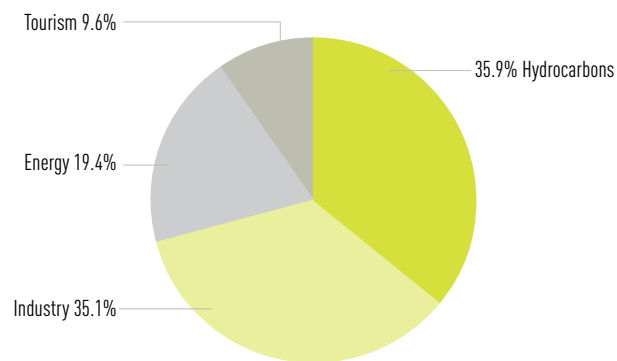
1990 APPROVALS BY COUNTRY



2010



APPROVALS BY STRATEGIC AREA

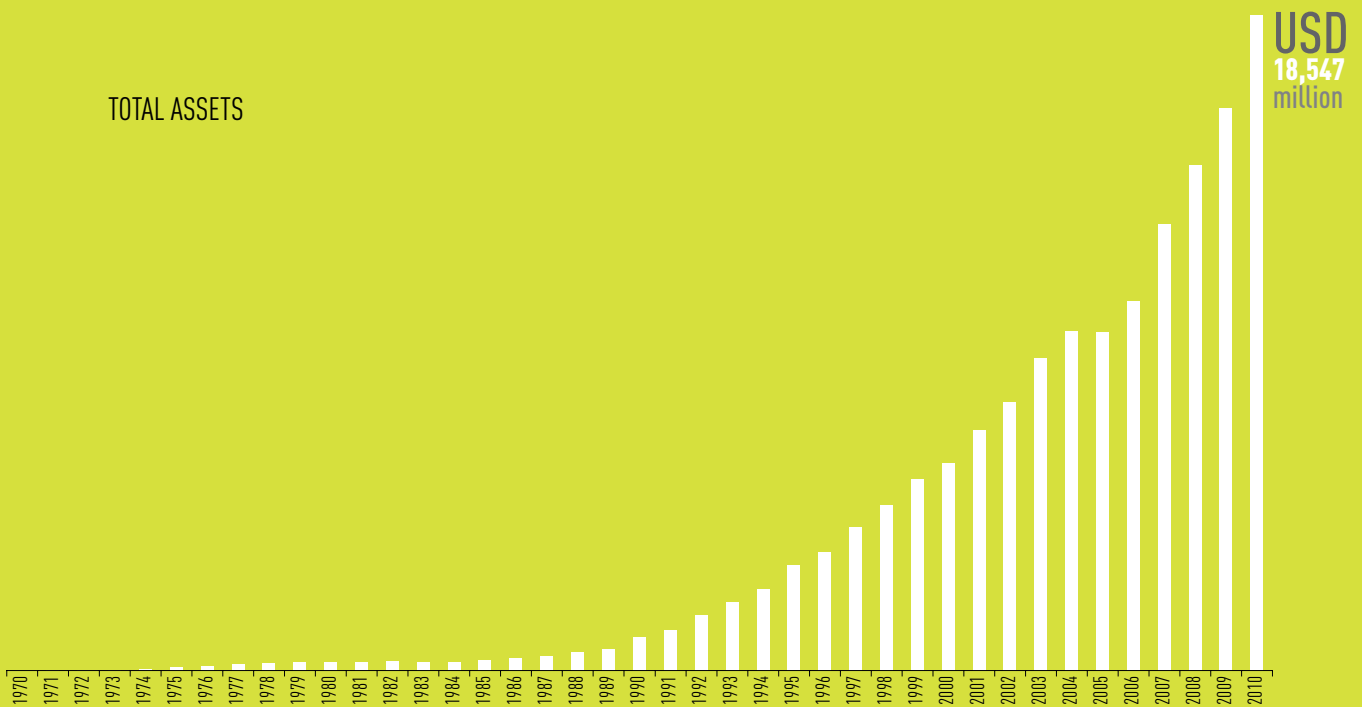


DIVERSIFICATION INTO AREAS
OF STRATEGIC INTEREST
FOR SHAREHOLDER COUNTRIES

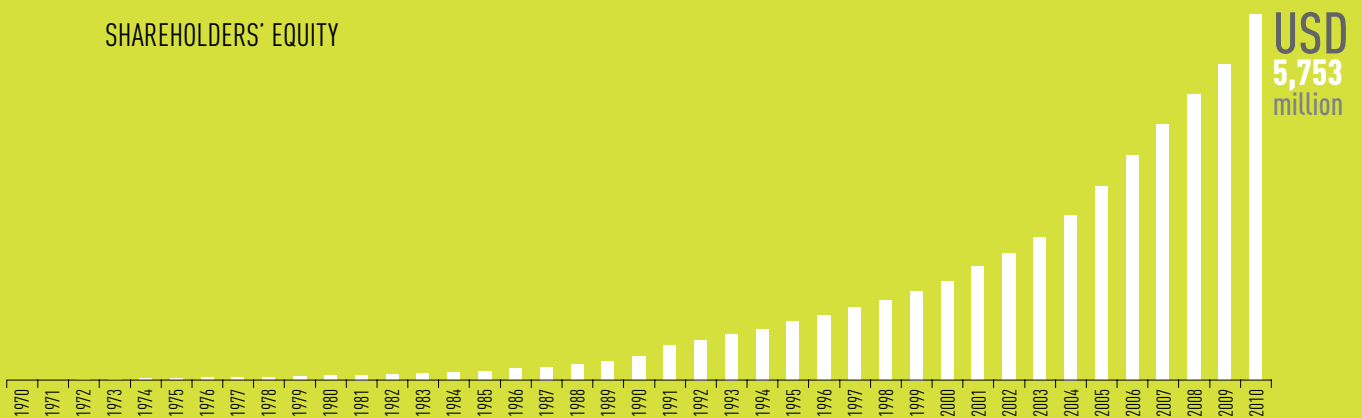
1970-2010

40 YEARS OF EXTRAORDINARY FINANCIAL PERFORMANCE

TOTAL ASSETS



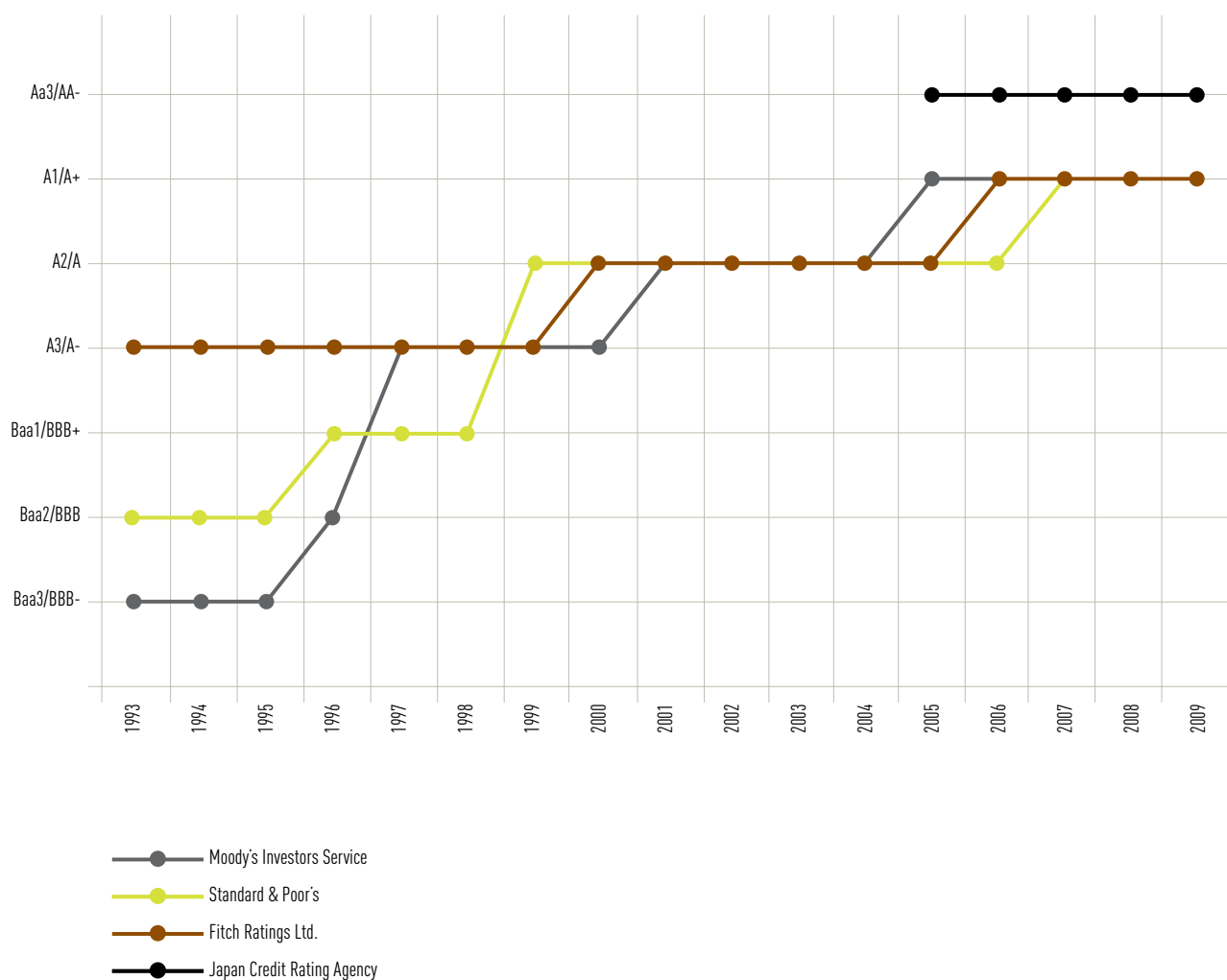
SHAREHOLDERS' EQUITY



1993-2010

TWO DECADES AS THE FREQUENT LATIN AMERICAN ISSUER

WITH THE HIGHEST CREDIT RATINGS



AN AGENDA
FOR THE REGION'S
COMPREHENSIVE
DEVELOPMENT THAT SEEKS
HIGH, SUSTAINED
AND QUALITY GROWTH

HIGH, SUSTAINED, AND QUALITY GROWTH

MACROECONOMIC
STABILITY

MICROECONOMIC
EFFICIENCY

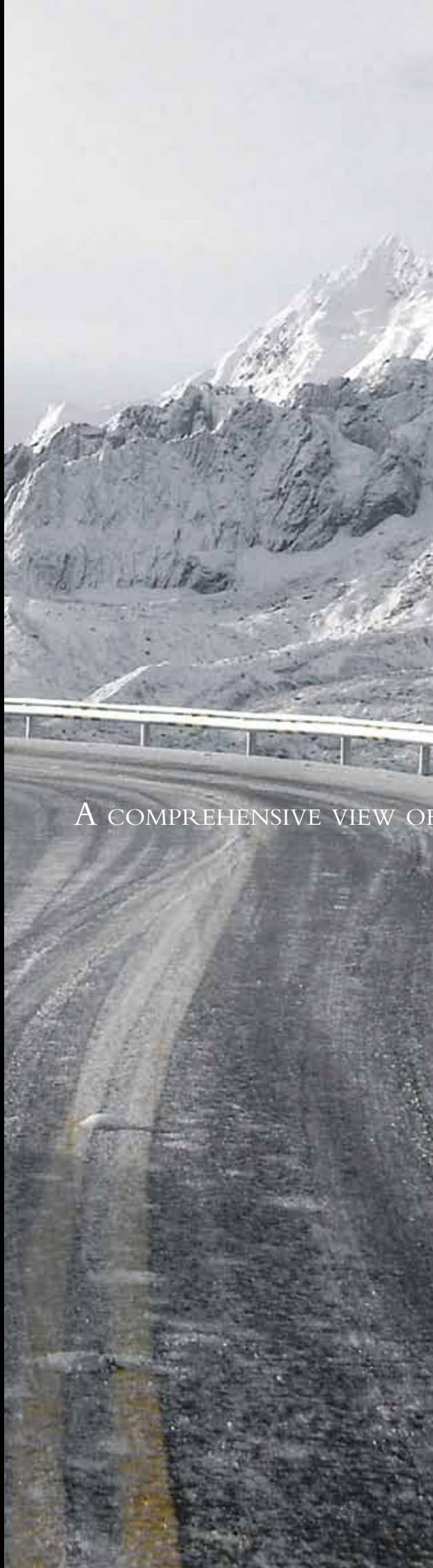
SOCIAL EQUITY

ENVIRONMENTAL
SUSTAINABILITY

INVESTMENTS IN ALL
FORMS OF CAPITAL

PRODUCTIVITY INCREASES

SOCIAL INCLUSION



A COMPREHENSIVE VIEW OF THE DEVELOPMENT PROCESS



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MESSAGE FROM THE EXECUTIVE PRESIDENT

18

I am pleased to present the 2010 Annual Report within the framework of the institution's 40th anniversary. In these forty years CAF evolved from a small regional institution to a bank with Latin American reach which today counts with eighteen shareholder countries.

The institution's growth is reflected in multiple ways: in the volume of its operations, in their geographic and strategic diversification, as well as in the variety of products and services offered both to the public and private sectors of the region, in support of a comprehensive agenda that favors sustainable development and regional integration.

The transformation of the institution is also reflected in the construction of bridges between Latin America and the rest of the world, in order to attract financial and technological resources, and to participate in the increasing process of knowledge generation in development issues.

The institution's financial strength, its high credit ratings, and the solid commitment of its shareholder countries, have enabled it to access international financial markets continuously and competitively.

After forty years, CAF is consolidating itself as a regional bank of Latin America for Latin America, committed to the service of its countries and ready to face future challenges with renewed strength and dynamism.

I would like to specially thank the governments, shareholders and Board members for their trust and unwavering support, as well as our employees for their commitment, creativity and professionalism.



L. Enrique García
Executive President



FINANCIAL HIGHLIGHTS

USD MILLION	2010	18,547	4,127	13,878
	2009	15,887	3,685	11,772
		TOTAL ASSETS	LIQUID ASSETS	LOAN AND INVESTMENT PORTFOLIO

USD
MILLION

2010	2,814	5,753	166
2009	2,486	5,287	235
	PAID-IN CAPITAL	TOTAL SHAREHOLDERS' EQUITY	NET INCOME

HIGHLIGHTS

CAF commemorated its fortieth anniversary in a year of consolidation and growth. The Institution contributed significantly to the development debate in the region by initiating a strategic discussion on the challenges that Latin America must address in coming decades.

CAF has positioned itself as an important player in generating and disseminating public policy knowledge in the region, through its presence in important international fora and events and its working agenda with international think tanks.

The Institution's new Latin American dimension has been strengthened by its recent capitalization processes and the resulting capital increases, and is also reinforced by a series of cooperative agreements with other international organizations, including the China Development Bank, the Import Export Bank of India, and the French Development Agency.

The Institution successfully placed over USD 2 billion in 10 bond issues, thereby registering the most intense activity in capital markets in its history. During the year, CAF launched its second bond issue in the prestigious Swiss market, and continued to participate in Latin American capital markets.

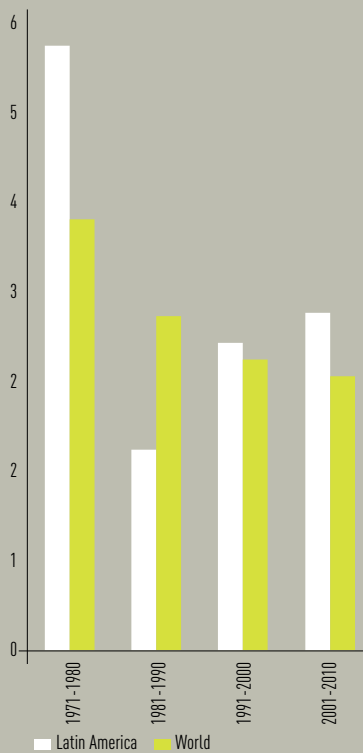
Rating agencies reaffirmed CAF's credit quality in 2010. Standard and Poor's improved its outlook from stable to positive. The investment grade ratings that CAF has obtained since 1993 position the Institution as the Latin American frequent issuer with the highest credit ratings.

CAF received several recognitions during the year including Best Multilateral Agency 2010, from the prestigious Latin Finance magazine. This distinction follows other similar prior achievements including Best Latin American Issuer 1995 (Euromoney), Best Multilateral of the Year 2000 (Latin Finance), Issuing Agency of the Year 2003 (Euromoney), Best Bond Issue to Finance Development 2003 (Emerging Markets), and Best Multilateral 2003 (Latin Finance).

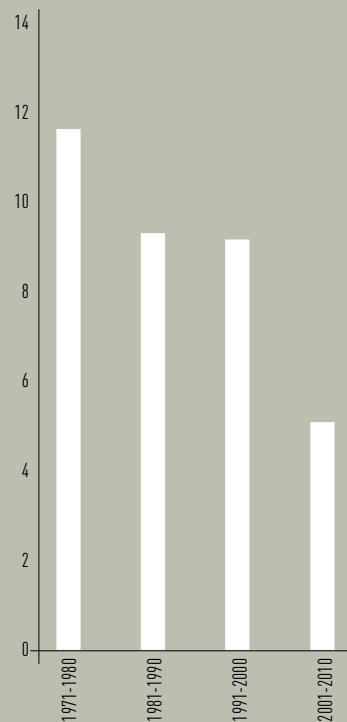
CAF achieved another record year in operations despite a particularly complex international environment. Approvals for the five-year period 2006–2010 amounted to USD 39,778 millions, and the loan portfolio reached USD 13,878 million.

CAF inaugurated its regional office in Montevideo with the presence of the Vice President of the Oriental Republic of Uruguay, Danilo Astori. Together with the regional office in Panama, the opening of this new office in the Southern Cone forms part of the decentralization process required by the new institutional dimensions.

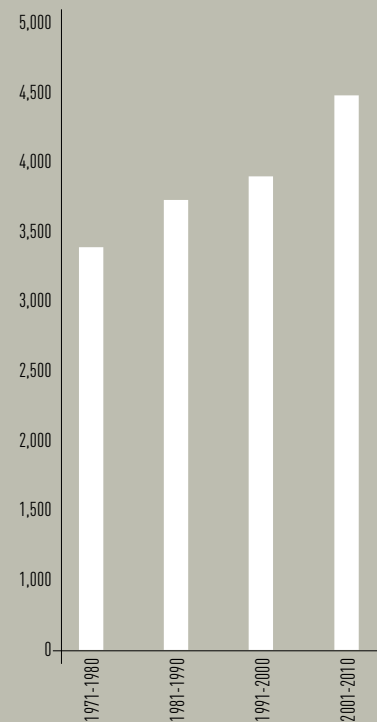
AVERAGE GDP GROWTH
(% annual)



AVERAGE INFLATION
(% annual)

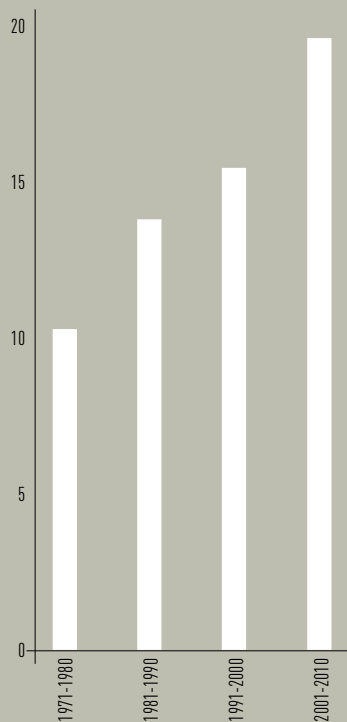


AVERAGE GDP PER CAPITA
(in USD constant 2000)



LATIN AMERICA SEEMS TO HAVE ENTERED
A PATH OF PROSPERITY AND STABILITY, AFTER HAVING
EXPLORED MULTIPLE DEVELOPMENT MODELS.

AVERAGE EXPORTS (% of GDP)



Source: World Bank, own calculations.

ECONOMIC OVERVIEW AND REGIONAL INTEGRATION

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ECONOMIC OVERVIEW AND REGIONAL INTEGRATION

INTERNATIONAL ENVIRONMENT: RECENT EVOLUTION AND PROSPECTS

The recovery of the global economy exceeded all expectations in 2010 with the return of growth rates similar to those registered in the period that preceded the 2008 crisis. However, the dynamism of the recovery and the contribution of countries to global growth are heterogeneous. After the initial rebound that marked the end of recession, advanced countries are now converging toward relatively low growth rates. In contrast, emerging economies are experiencing an accelerated expansion, thus becoming the main drivers of global growth. In this context, China became the second largest economy in the world exceeding the size of Japan's gross domestic product (GDP).

During 2010, the economy of the United States grew at a more moderate pace. A growth rate close to 3% is expected for the year after the strong recovery registered during the last quarter of 2009 (5% annualized). Weakness in labor market continues, with persistently high unemployment rates and a slow recovery in job creation, which will continue to weight on consumption. In addition, some data from the real estate sector show that housing sales remain low, although the sharp fall in volumes and prices stabilized during the year. The low activity of the real estate sector will jeopardize investment, which could take a toll on output in 2011.

It is expected that the United States will grow below its potential in coming years, but with small risk of a double dip recession. The weakness of economic fundamentals makes it difficult to withdraw the current fiscal and monetary stimuli. In fact, in 2010 the Federal Reserve introduced another program of liquidity expansion (Quantitative Easing II) and, on the fiscal side, the unemployment insurance benefits were extended until 2011 and tax cuts were extended for an additional two years. This will provide additional support to household consumption; keeping the cost of capital low to stimulate private investment, while public investment will remain strong in the short term. The progressive reduction of the fiscal space and the need to preserve debt sustainability will require a fiscal adjustment which is unlikely to take place before 2012. It is also expected that the environment of high liquidity and low interest rates will remain at least for several quarters.

Despite the fact that data for the second quarter of 2010 showed signs of recovery, the prospects for the remainder of the year and for 2011 point to a very modest growth in Europe. The recent debt crisis dented consumer and business confidence, softened domestic demand and, consequently, production. Fiscal consolidation will also weight on the recovery, which

has been sustained to a large extent by monetary and fiscal stimuli. The withdrawal of these stimuli has been announced in some countries, such as Germany, while in countries more affected by the debt crisis, such as Greece, Ireland, Portugal, and even Spain, strong fiscal adjustment measures have been implemented.

Important differences among countries underlie the general scenario. Germany continues to lead growth underpinned by its growing exports to emerging economies; while France and Italy have shown modest growth based more on domestic than external demand. Spain started to show the first signs of recovery as a result of its increasing exports. However, in the short term, it will underperform compared to the Euro Zone. The Greek economy contracted more than expected during the second quarter, casting doubts over the hopes for a setback in the recession. The financial and fiscal crisis tarnished Ireland's performance in 2010 and the strong adjustments associated with the rescue program will dampen growth in the short term.

The Japanese economy also emerged from recession and accumulated three consecutive quarters with positive growth rates, albeit at very moderate rates. External demand provided the greatest boost to growth, to a great extent due to the dynamism of interregional trade which underpinned Japanese exports. This compensated for the stagnation of private domestic demand, derived from deflationary expectations and weakness in the job market. The authorities have maintained an expansionary monetary policy and a strong fiscal stimulus, which are expected to continue in the short term in order to reduce the risks of sliding back into recession. However, there are mounting concerns on the yen appreciation, considering the dependence of the Japanese economy on exports.

Although the recovery in advanced economies contributed to global growth in 2010, emerging economies propelled the expansion led by China. After achieving an annual growth rate of close to 12% in the first quarter of 2010, the Chinese government was forced to adopt restrictive measures to prevent an excessive overheating of the economy and the emergence of asset bubbles. Thus, China's growth decreased to an annual rate of close to 10% in the following quarters. This nonetheless exuberant expansion of the world's second largest economy turned out to be the main driver of global demand.

The sustainability of this expansion depends, however, on the capacity to redirect the sources of growth toward domestic demand, particularly towards consumption. A large fraction of the fiscal stimuli in China was deployed to investment which benefited sectors linked to manufacturing exports. Feeble growth prospects for the advanced economies, would sever the impact on GDP growth of manufacturing, unless production can be channeled to domestic markets. This shift requires policies aimed at promoting household consumption, improvements in the social protection network and more exchange rate flexibility. In the short term, overheating risks have driven authorities to restrain monetary policy, by increasing reserve requirements and interest rates, in order to tame demand growth.

▶ THE RECOVERY OF THE WORLD ECONOMY EXCEEDED ALL EXPECTATIONS IN 2010, WITH GROWTH RATES SIMILAR TO THOSE REGISTERED DURING THE UPSWING THAT PRECEDED THE 2008 CRISIS.

Another driver of global growth has been India, with an annual growth rate expected to exceed 8% in 2010. However, stability is threatened by inflationary pressures stemming from demand growth exceeding potential output and rising food prices. India's inflation rate is among the highest in Asia, forcing the Central Bank of India to raise interest rates several times throughout the year.

Finally, economies in emerging Europe have advanced toward recovery, although there are notorious exceptions. In many countries, the positive performance during the first few months of the year was tarnished by the weakening of the external environment during the second quarter. Complications in the Euro Zone, which is the destination of many of the exports of emerging Europe and the origin of a large fraction of the capital flows, were especially damaging. However, a number signals a gradual recovery in some economies as the obstacles were overcome. Russia, Turkey, and Ukraine for example, benefitted from the redirection of capital flows toward emerging economies. The increase in the prices of basic products has benefitted commodity exporters such as Armenia, Kazakhstan, Mongolia, and Russia. On the contrary, the countries of South Eastern Europe, Croatia, and Slovenia remain stagnant or in recession because the recovery of exports was overshadowed by the weakness of domestic demand.

FINANCIAL, BASIC GOODS AND FOREIGN EXCHANGE MARKETS

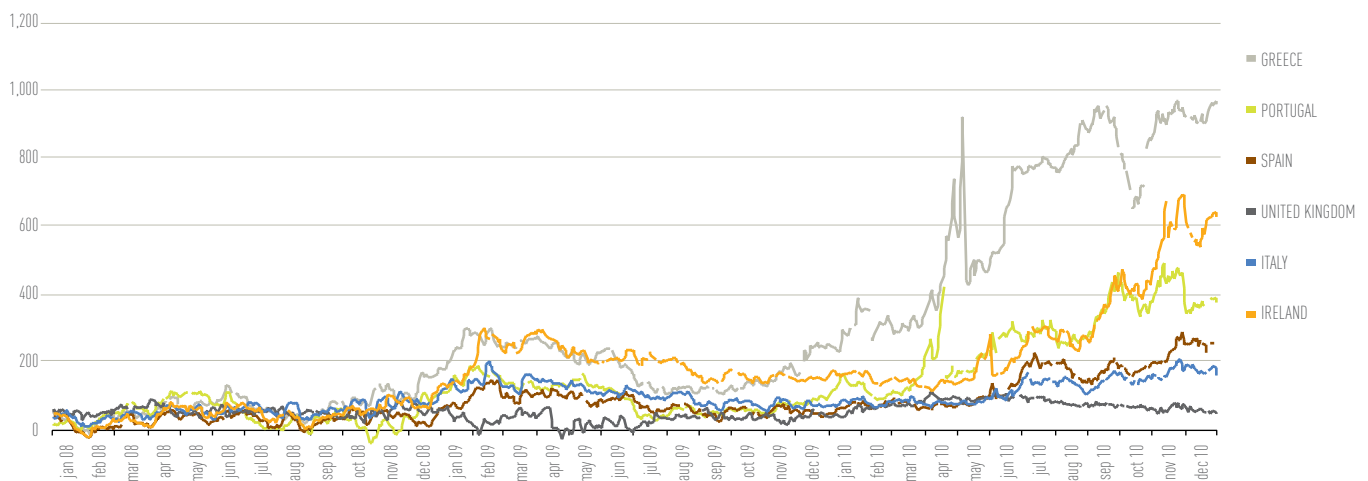
The calm that returned to the financial market since 2009 was threatened in April 2010 by the fiscal crisis in Greece that quickly spread to other countries of the Euro Zone (Ireland, Portugal, and Spain). This unleashed a new panic wave, triggering volatility in financial, stock, and exchange markets, and considerably widening sovereign spreads, especially in the case of European countries with fiscal problems.

The uncertainty about the solvency of the European banking system, highly exposed to sovereign debt in the region, led to a reduction of liquidity which forced the European Central Bank intervention. Traditional safe refuge asset prices, such as US Treasury bills and gold soared, while risky assets prices lost part of its previous gains in the year, and the Euro posted a large decline against the US dollar.

After the extraordinary agreements reached between the European Union, the European Central Bank, and the International Monetary Fund to support troubled economies and avoid possible sovereign defaults, tensions in the financial markets started to subside. The release of positive results of the stress tests for European banks, and the announcements of explicit fiscal consolidation measures by Euro Zone members, significantly contributed to reestablish calm in the markets. Although investor confidence was partly restored, risks still weight on the performance of developed economies, preventing a further dissipation of volatility. Any disruption in the markets has the potential to generate new episodes of instability in coming months.

It should be noted that tensions during the crisis episode circumscribed to Europe, so contagion to other regions was limited. Emerging economies only exhibited a temporary widening of sovereign spreads, while spreads in the Euro Zone widened up to more than 500 bp in some countries and still remain high. This resulted in a movement of capital toward emerging economies. Although the flow of direct investment toward emerging economies continues to be important, portfolio flows increased substantially after this episode. A reversion of this trend is not foreseen, at least in the short term.

Graph 1. **RATE DIFFERENTIALS BETWEEN THE 10-YEAR BONDS IN SELECTED COUNTRIES AND THE 10-YEAR GERMAN BOND**



Source: Reuters, CAF.

After the April turbulence was overcome, the return of risk appetite motivated the recovery of stock markets. However, stocks still exhibited a high volatility explained mainly by the weakening of the US economy starting in the second quarter, the expected impact of the fiscal adjustments in Europe, and the restrictive policies in China to prevent overheating.

Foreign exchange markets also tended to normalize after the April turbulence. The euro slid to a minimum of USD/EUR 1.19 at the most critical point in the crisis, and then recovered progressively until it reached USD/EUR 1.34 by the end of the year. The announcement of the fiscal austerity package and the successful Spanish bond sale helped to restore confidence in the European currency. After plummeting to USD/GBP 1.43 in 2009, the pound gained ground again and closed 2010 at USD/GBP 1.56.

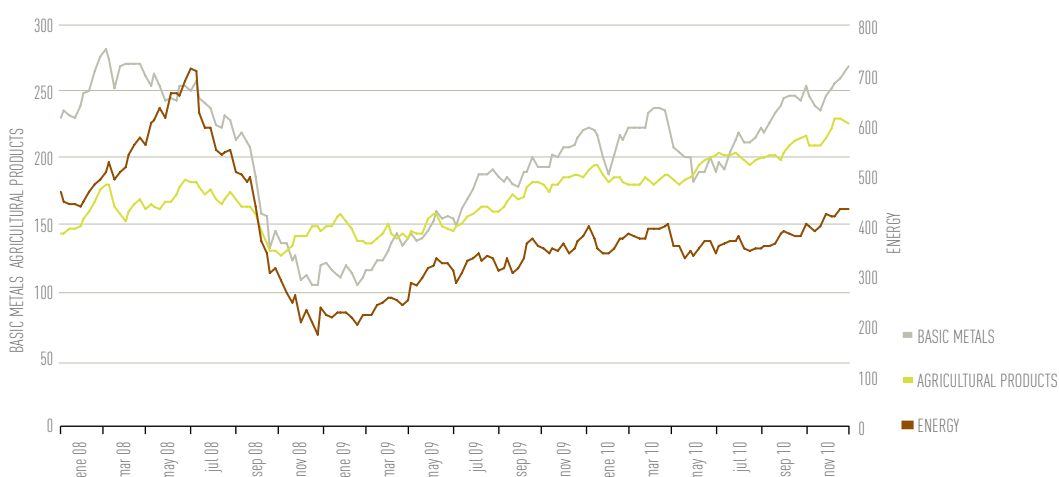
Although affected by the volatility of the markets, the yen appreciated in the last months of 2010. In response, monetary authorities intervened in the market to curb yen's volatility and signaled their commitment to preserve currency stability. After strong international pressures on China and its policy of maintaining an undervalued currency, in mid-June, Chinese authorities announced they would allow the appreciation of the renminbi. However, the greater exchange rate flexibility has not yet resulted in sig-

nificant currency movements, leading to a marginal appreciation of slightly more than 3%.

The commodities market continues to register historically high prices associated mainly to the strong growth of the Chinese economy and the reduced supply of certain basic products. Crude oil remains within a range of USD 70 and USD 90 per barrel, well above the historical values. The same occurred with basic metals, particularly copper.

Agricultural goods also trended upwards, fueled by strong global demand conditions— underpinned by emerging economies' growth— and negative supply shocks. The price of wheat hit a 15-year high after the droughts affecting Russia and the subsequent global restriction of this global food staple. If this phenomenon continues, it could unleash inflationary pressures in several emerging economies, becoming an obstacle for sustaining their fast-paced economic growth.

Graph 2. PRICE INDEX OF BASIC GOODS



Source: Bloomberg.

LATIN AMERICA: RECENT EVOLUTION AND PROSPECTS

Latin America posted strong growth in 2010, significantly exceeding market expectations. It consolidated the recovery initiated in 2009 and positioned itself among the most dynamic regions in the world along with emerging Asia. The region grew 6.1% in 2010. It is expected that growth will decelerate in 2011 and converge to potential rates in 2011, as fiscal and monetary stimuli are withdrawn and activity moderates in advanced economies. However, it is expected that the impulse from emerging Asia and domestic demand will still guarantee robust growth rates in the region.

REAL SECTOR

Recovery consolidated in Latin America in 2010. The strong setback in activity during the first months of 2009 was followed by a quick

rebound of output that lifted the region out of recession at an unprecedented pace.

The stellar performance of the region was linked to both a more favorable international environment and, at a domestic level, a timely policy stimulus. On the external front, the recovery of international trade volumes underpinned the region's exports. The rise of commodity prices led to an improvement in the terms of trade that particularly favored commodity exporters in South America. The recovery of the United States supported an increase in worker's remittances to Latin America, which further boosted household income and thus consumer's purchasing power. The region also benefitted from easier access to low-cost international financing, due to expansive monetary policies in advanced economies and the relatively solid fundamentals of the region, which guaranteed the narrowing spreads.

In addition, anti-cyclical fiscal and monetary policies in most countries throughout the region were key to avoid more protected recessions. Moreover, the strength of financial systems allowed the monetary stimulus to reactivate credit and underpinned private demand.

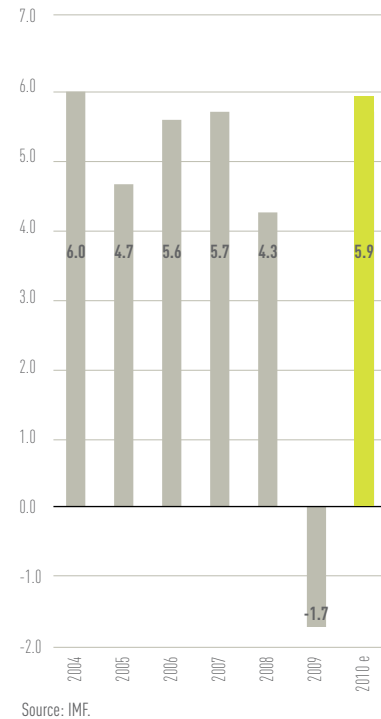
The policy mix described above was possible due to the structural reforms implemented during the 1990's, which led to an improvement of external and fiscal solvency. This time, Latin America was much more resilient to withstand a global crisis stemming from the developed world, and avoided another episode of fiscal and exchange rate crisis, as the ones in the past.

EXTERNAL SECTOR

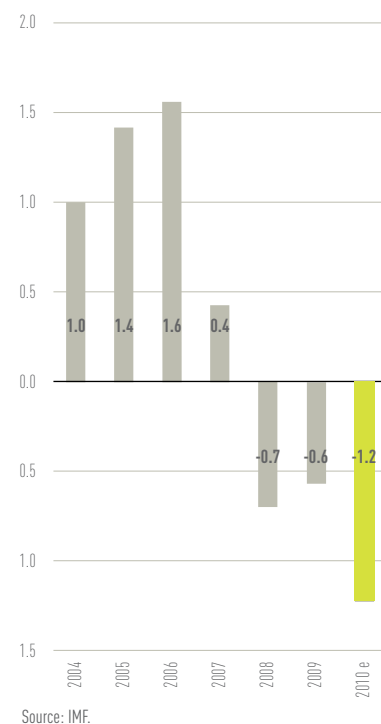
The volume and value of sales in international markets picked up with the increase of global demand. Exports growth, however, did not lead to a *pari passu* improvement of the trade balance, since imports hiked at a faster pace with the recovery of domestic demand. Commodity exporters in South America gained from better terms of trade, hydrocarbon and grain exporters. Larger remittances flows helped finance current account deficit in Central American economies. The larger exposure of Central American exports to the US economic cycle was the key to their underperformance in trade compared to their South American peers.

Direct investment continued flowing toward the region due to the positive business outlook, especially in energy. The share of portfolio capital flows toward the region increased as a result of the abundance of international liquidity and interest rate differentials. Higher capital inflows were in line with the widening gap between domestic savings and investment, following the rebound of domestic expenditure. The volatile nature of portfolio flows and the resulting currency appreciation has led to exchange market interventions by monetary authorities, resulting in an accumulation of international reserves. This trend is unlikely to be reversed as long as the fiscal stimulus and interest rate differentials persist.

Graph 3. **GDP GROWTH IN LATIN AMERICA (%)**



Graph 4. **LATIN AMERICA: CURRENT ACCOUNT (% OF GDP)**



FISCAL ACCOUNTS

Most countries in the region adopted counter-cyclical fiscal measures in response to the crisis. The scope of the policies varied according to the soundness of the fiscal position prior to the crisis and the savings generated during the period of buoyancy. Countries in which the fiscal improvements were mainly associated with cyclical factors, or which did not save enough, had less scope for action.

As may have been expected, the fiscal stimulus policies led to deterioration in fiscal balances in 2009. However, the fiscal outlook improved in 2010 with up surging revenues, both from domestic and commodity exports sources. Facing strong tailwinds for recovery, some countries began withdrawing fiscal stimuli.

Even though domestic and global dynamics improved fiscal accounts, some countries still have pending tax reforms to guarantee structural balance. This is the only path to achieve fiscal sustainability in the medium and long term.

MONETARY AND EXCHANGE RATE POLICIES

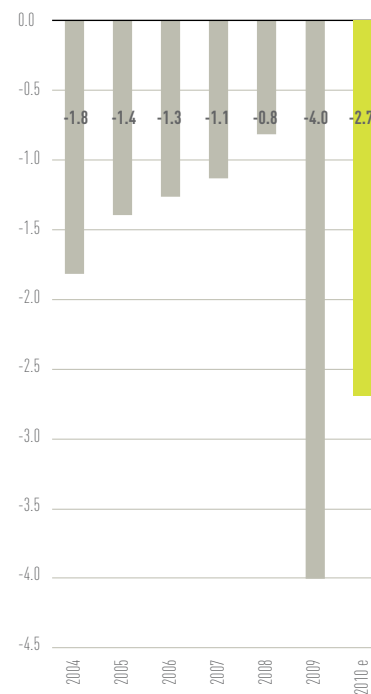
The recovery of Latin American economies did not fuel inflationary pressures. However, the speedy recovery is bringing the economies of the region closer to their potential growth levels, which has led some Central Banks to initiate a tightening interest rate cycle to prevent overheating and to keep inflationary expectations anchored.

The difficulties faced by some countries to withdraw fiscal stimulus will probably lead to a policy mix where Central Banks will assume the predominant role in cooling down the economies. However, this implies important policy dilemmas for monetary authorities. Higher interest rates encourage capital inflows, and currencies tend to appreciate. Until now, the Central Banks have managed the situation mainly through sterilized interventions. However, these are costly and their effectiveness in counteracting currency volatility is limited. Some Central Banks have chosen to establish capital controls and increase reserve requirements, among other measures. The latter have unleashed controversy regarding their effectiveness and the distortions they can generate. Undoubtedly, the appreciation of currencies will continue to be one of the main policy problems confronted by the region in the short term.

COMPETITIVENESS AND BUSINESS ENVIRONMENT

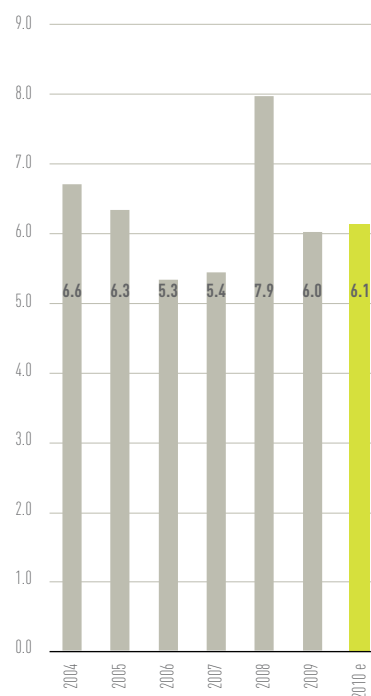
According to the latest Global Competitiveness Report of the World Economic Forum (WEF), Latin America, on average, ranked 82 in a sample of 139 countries. In 2010, the region maintained its average place in the ranking, where a number of factors determining countries' competitiveness are compared. The region still underperforms industrialized countries in infrastructure, coverage access and quality of education, market efficiency, innovation, and quality of its institutions.

Graph 5. **LATIN AMERICA:**
FISCAL OUTCOME (% of GDP)



Source: IMF.

Graph 6. **LATIN AMERICA:**
AVERAGE INFLATION RATE
(consumer price index)



Source: IMF.

The countries with the best performance during the year were Chile (30), Panama (53), and Puerto Rico (41). On the other hand, Bolivia (108), Panama (53), and Paraguay (120) showed the highest improvements in their competitiveness indexes compared to the previous year. Bolivia improved 12 places in the report published by the WEF, while Panama and Paraguay managed to rise six and four places, respectively.

Table 1. **LATIN AMERICA IN THE WORLD ECONOMIC FORUM**

Pillars	2009-2010	2010-2011	Change
	Ranking out of 134 countries	Ranking out of 139 countries	
Global competitiveness index	82	82	0
Institutions	94	78	-16
Infrastructure	80	78	-2
Macroeconomy	77	78	1
Health and primary education	75	78	3
Higher education and training	78	78	0
Market efficiency	84	88	4
Technological readiness	75	76	1
Business sophistication	75	78	3
Innovation	89	90	1

Source: WEF.

Other economies in the region exhibited slight improvements or maintained their position in the ranking. Such is the case of Brazil (58), Chile (30), Colombia (68), Costa Rica (56), Puerto Rico (41), and Uruguay (64). However, all these economies exceeded the world average ranking of 70 in the 2010 report.

These positive results reflect the macro efforts made by the region in recent decades to reduce their exposure to external shocks, especially by improving macroeconomic fundamentals, strengthening the net external position, and fostering the development of local financial markets. These results were consistent with economic development policies aimed at diversifying exports and promoting policies aimed at fostering international integration.

Despite these improvements, according to the Doing Business 2010 report, published by the World Bank, Latin America continues to be one of the developing regions where companies face the greatest difficulties to do business. The region, on average, is ranked 95 in a sample of 175 countries and faces substantial gaps with respect to other regions such as Eastern Europe and Central Asia (71), East Asia and the Pacific (83), and the Middle East and Northern Africa (92).

INTEGRATION AND INTERNATIONAL INSERTION

The volume of world trade grew continuously in 2010 boosted by the strong performance of emerging markets. Export volumes in Brazil, China, and India reached their pre 2008 crisis peaks. In contrast, exports have not fully recovered in industrialized economies and remain 8% below their pre-crisis levels.

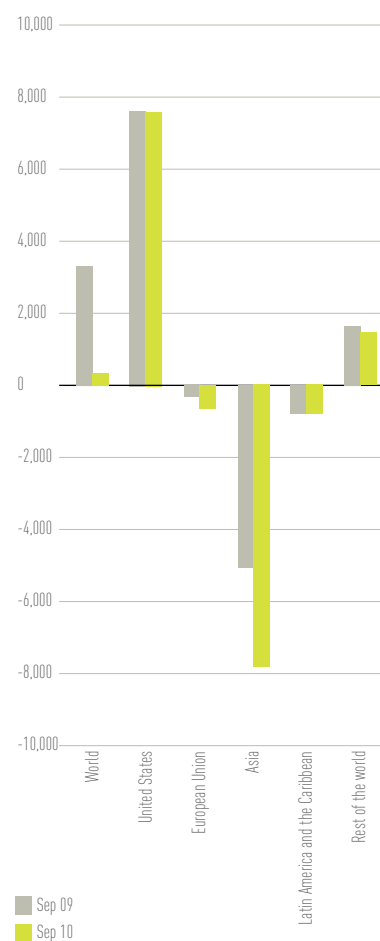
The relative strength of emerging economies, prompted large inflows of capital toward Latin America and the Caribbean. These inflows created an upward pressure on several Latin American currencies during 2010. Macroeconomic policies attempting to prevent a further deterioration of competitiveness should be expected. Central Banks across the region have opted to accumulate international reserves and even some of them have adopted measures to curb capital inflows and thus limit the pace of currency appreciation, in order to maintain their competitiveness in international markets.

Strong macroeconomic fundamentals supported the region's attractiveness. By the end of 2010, capital flows to the region are expected to grow by at least 40%, after a drop in the aftermath of the international crisis. Brazil continues to be the largest recipient of international funds in the region, followed by Chile, Mexico, Colombia, and Argentina; while the United States has managed to maintain its position as the largest investor in the region. Just as in previous periods, the service sector captured the largest fraction of Foreign Direct Investment (FDI), while primary sectors (agriculture, mining, and hydrocarbons) fell compared with 2009. In addition, Latin American companies continued to consolidate their position in intraregional investment flows. Chile became the main Latin American investor abroad (USD 7,983 million), followed by Mexico (USD 7,598 million), Colombia (USD 3,025 million), and Venezuela (USD 1,800 million). At the same time, the steel and automotive industries attracted significant investment flows to Argentina, Brazil, and Mexico during the year.

It is also worth mentioning the growing presence of Asian FDI in the region, especially from China. Overall, Asian FDI has become a particularly important source of funding for Latin America in recent years, mainly investing in the energy and telecommunications sectors.

Starting in the first quarter of 2009, trade continued on the expansionary path while experiencing a brief deceleration during the second semester of 2010. Nonetheless, most of the economies of the region still rely heavily on commodity exports, increasing their vulnerability to external shocks. To overcome this weakness, authorities in several countries in the region have adopted measures to stimulate the productive sectors and to diversify trade partners. Latin America deepened its trade relationships with Asia increasing the volume of exports by 21% and imports by 33% during 2010. It should be noted that the demand for products coming from China increased 55% with respect to the previous year, while exports to that country –mainly basic agricultural and mineral products– increased by 58% during the same period.

Graph 7.
TRADE BALANCE
LATIN AMERICAN AND
THE CARIBBEAN, ACCORDING
TO TARGETS (in USD thousand)



Source: CEPAL.

Intraregional trade in 2010 also improved, particularly within regional commercial blocks, despite the difficulties observed in the relationship between Colombia and Venezuela during the first quarter. The increase was led mainly by the members of the Mercado Común del Sur (Mercosur), which grew at a rate of 9.3% during the year. Intra-community exports, within the Andean Community (CAN, in Spanish) reached USD 5,639 million between January and September of 2010, for a 2.2% reduction with respect to 2009 (USD 5,767 million). During 2010, there was more dynamism between Ecuador and Peru, resulting in a 57.8% increase in bilateral trade. In addition, Colombia increased its exports to Peru (49.1%) and Ecuador (48.4%) contributing to the increase of intraregional exports. Trade within the Central American Common Market (MCCA, in Spanish) also recovered during 2010, increasing by 11.5% with respect to the previous year.

Table 2. **FOB INTRAREGIONAL EXPORTS** (in USD thousand)

	2009	2010*	Change
Intra CAN	5,767,429	5,639,510	-2.2%
Intra Mercosur	32,713,144	35,764,012	9.3%

* January-September 2010 | Source: Central Banks, official sources.

The balance of this past year in the relationship between Latin America and the Caribbean and the European Union was highly positive, with the successful completion of the negotiations with the CACM and Panama, with Colombia and Peru, as well as the reopening of negotiations with Mercosur. However, the biggest challenge in the agenda is for the initiatives in each of the three pillars of the strategic association (trade and investment, political dialogue, and cooperation) to be focused on the four strategic areas of common interest: growth and better quality of trade and investment, infrastructure and competitiveness, climate change and alternative energies, and social cohesion.

Through the Latin American Pacific Basin Initiative, known as the Arch Forum (Foro Arco), 11 countries of the region continued sharing close ties and interest in strengthening their trade and investment relations with Asia-Pacific. Departing from the existing free trade agreements between Latin American and some Asian and Pacific countries, progress has been made in the harmonization of some trade policies and an agreement was reached on the identification of key projects in transportation, infrastructure and logistics with a high regional impact. There are also training programs in science and technology to bolster productive transformation and competitiveness, pillars of intra-regional cooperation, to take advantage of trade opportunities, investment, and innovation among countries of the region and Asia-Pacific.

During 2010, the Latin American and Caribbean countries promoted an agenda to stimulate a number of mechanisms for regional integration, to promote consensus and strengthen the capacity to participate in dialogues related to issues on the international agenda. Strengthening of regional

political institutions was paramount. There were also various negotiations with extra-regional partners and, simultaneously, the consolidation of a complementary integration agenda. In this context, there were noteworthy advances in the South American Union of Nations (Unasur), the Bolivarian Alternative for the Americas (ALBA), as well as in the reorientation of the agendas of the traditional integration schemes with Mercosur, CAN, and the MCCA.

Based on the historical tradition of political agreement of the Rio Group and the mandates of the Latin American and Caribbean Summit (CALC), an important step was taken in the Cumbre de la Unidad Summit, which brought together 25 Chiefs of State and Governments from Latin America and the Caribbean with the purpose of reaching a greater convergence of the agendas of the different regional integration blocks. In pursuit of this common objective, the Latin American and Caribbean states will promote interaction, coordination, and development in order to give the region a greater capacity for dialogue with other regions and in the multilateral fora where the issues on the global agenda are discussed.

During 2010, Unasur became the premier instance for coordination and political dialogue to resolve political conflicts between member countries, as well as to effective humanitarian actions to attend the impacts of the earthquake in Haiti. Unasur was able to consolidate its position as the counterpart in the region's political dialogue with Africa, Asia, and Europe. At the same time, there were dialogues aimed at protecting the democratic systems of the region. The different South American Councils of Ministers created in the framework of Unasur advanced in their search for cooperation schemes to achieve joint goals on issues regarding energy integration, social policies, education, health, financial integration, and defense. In addition, agreements led to a South American Energy Strategy and a Structure of the South American Energy Treaty. The institutional scheme of Unasur was also strengthened, reaffirming the commitment of its members.

The Bolivarian Alternative for the Americas (ALBA) advanced in the creation of the Single Regional Compensation System (Sucre, in Spanish) as a monetary unit of exchange. This cooperation scheme between its member countries succeeded in establishing a system that is compatible with the financial and exchange policies of its members.

Likewise, the sub-regional integration schemes renewed their agendas to promote a number of areas for cooperation to advance beyond intraregional trade. The CAN, establishing the strategic axis of Andean integration, aimed its agenda toward areas of mutual interest, including social, ethnic, cultural, educational and environmental issues, and trade facilitation.

Despite the adverse effects of the crisis, Mercosur was able to advance in the definition of some issues related to the Customs Union; in particular the definition of the remaining universe for the common external duty, the scheme regarding double taxation on intraregional trade, and the ap-

proval of the common customs code. In addition, Mercosur advanced in its extra-regional negotiations agenda relaunching the negotiations of the Economic Cooperation Agreement with the European Union.

The MCCA was the integration scheme that showed the most progress in the framework of its trade integration process. In this sense, after completing the negotiation of the Economic Complementation Agreement with the European Union and implementing the Free Trade Agreement with the United States, the Central American countries advanced significantly in consolidating their customs union and incorporating Panama to the scheme.

Other bilateral negotiation efforts were also in the agenda of the countries whose international insertion policies have favored free trade agreements with extra-regional partners, including the ones subscribed by Costa Rica with China and Singapore, by Colombia and Peru with Korea and the European Union, and between Peru and Japan.

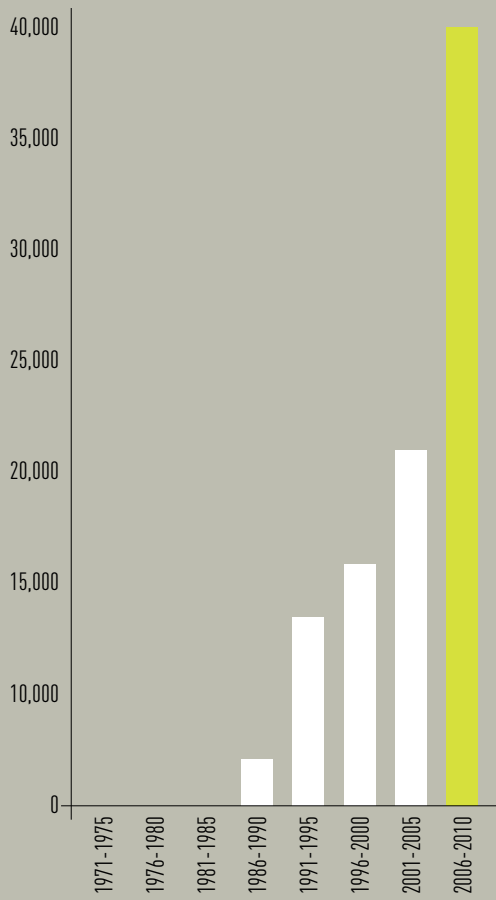
In a multilateral context, negotiations of the Doha Round in the framework of the World Trade Organization are stagnant. At present, progress has been scarce in securing agreements that will safeguard the interests of the countries which favor greater development.



LATIN AMERICA AND THE CARIBBEAN PROMOTED AN AGENDA TO STIMULATE A NUMBER OF REGIONAL INTEGRATION MECHANISMS IN ORDER TO PROMOTE AGREEMENTS AND STRENGTHEN THEIR CAPACITY TO PARTICIPATE IN DIALOGUES RELATED TO THE INTERNATIONAL AGENDA.

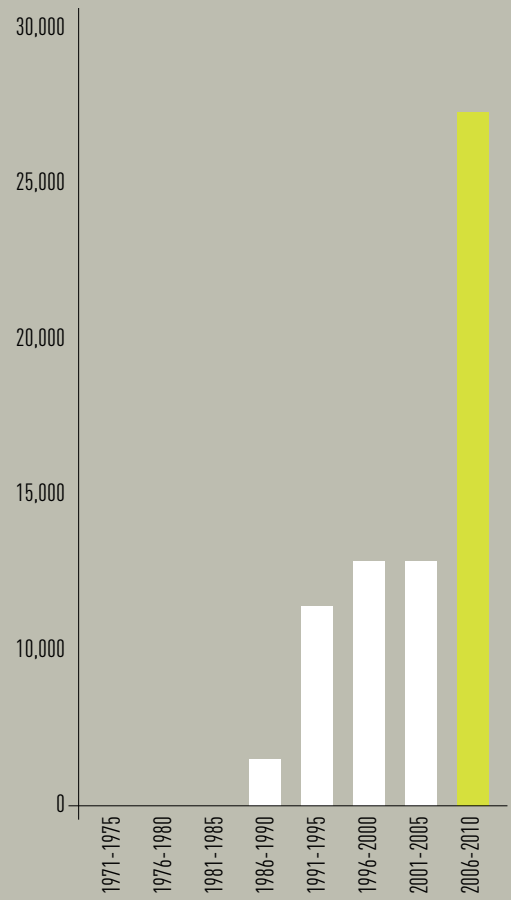
APPROVALS

(in USD million)



DISBURSEMENTS

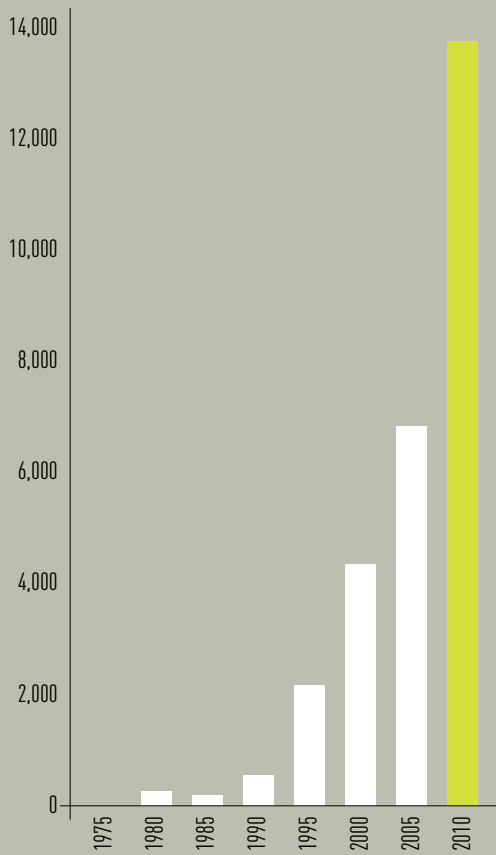
(in USD million)



40 YEARS OF RECORD OPERATIONS

PORTFOLIO

(in USD million)



OPERATIONS

41 APPROVALS

41 Approvals by product

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OPERATIONS

CAF's 40th anniversary was one of the most relevant events of 2010. In a year of growth and expansion for the Institution, results evidenced the consolidation of 40 years of record operations, even under a particularly complex economic scenario.

Approvals for the five-year period 2006–2010 totaled USD 39,778 million (USD 10,533 million during 2010) while loan portfolio reached USD 13,878 million at the end of the year. Throughout its history, CAF has approved more than USD 72,000 million in favor of projects and initiatives aimed at sustainable development and regional integration, while supporting the volume and quality of its operations with management policies aligned with the various national realities. In addition, it has strengthened its capital base in recent years, and continues to enjoy support from its shareholders.

In its expansion process, the Institution became an important Latin American development bank, which currently has 18 shareholder countries, and provides multiple services to a wide variety of clients from public, private, and mixed entities of the region. In recent years, CAF positioned itself as the main source of multilateral financing for its founding countries, and as the main source of multilateral financing for infrastructure in Latin America. At year-end 2010, 92.2% of approvals were allocated among its ten full-member countries.

During four decades CAF has acquired a profound knowledge of regions and sectors while playing an anti-cyclical and catalytic role. This has resulted in added value to the projects it finances from a comprehensive view of the development process. Over the past twenty years, the Institution significantly diversified its financing toward areas of strategic interest, such as infrastructure, social development, and the environment, as well as towards productive sectors, both directly and through the financial systems of the countries of the region. At present, more than 60% of approvals are directed at infrastructure and social development projects.

In 2010 CAF supported shareholder countries during the crisis. The Institution increased disbursements to over USD 1,500 million granting credit lines to finance several programs. In addition, it increased financing for foreign trade and working capital as well as to improve the debt profile and financial conditions of the governments of its shareholder countries. Of the total approvals in 2010, close to USD 4,000 million were allocated through credit lines renewals granted to companies and banks in order to strengthen the productive sectors in the region.

Likewise, cooperation funds managed by CAF, mostly of a non-reimbursable nature, aimed at consolidating collaboration networks and supporting key initiatives in activities related to pre-investment studies, microfinance, competitiveness, democratic governance, comprehensive community development, sports and music, heritage rescue, and sustainable development in its broadest sense. During 2010, approvals directed towards these strategic programs totaled USD 46 million.

APPROVALS

During 2010, CAF approved operations for USD 10,533 million, a record figure that represented an increase of over 15% with respect to the previous year, and consolidated the growing trend of financial support to shareholder countries within a context of economic recession.

Table 1. **APPROVALS BY PRODUCT**

(in USD million)

	2010
Medium- and long-term loans	6,024
Sovereign	5,076
<i>Investment programs and projects</i>	4,001
<i>Programatic and SWAPS</i>	1,075
Non-sovereign	948
Credit lines (banks and enterprises)	3,636
Partial credit guarantees	115
Contingent credit lines	620
Equity investments	93
Cooperation funds	46
Total	10,533

Of the total approved, over USD 4,000 million were allocated to investment programs and projects through medium and long-term loans, and over USD 1,000 million were approved through a comprehensive loan program. In addition, over USD 3,600 million were directed at strengthening companies and banks in shareholder countries through credit lines in favor of the productive sectors, and USD 872 million were distributed among partial credit guarantees, equity investments, contingent credit lines, and cooperation funds.

APPROVALS BY COUNTRY

CAF's growing presence in Latin America translates into increased operations in most countries. It is worth noting the USD 4,020 million (38% of the year's total) approved in favor of Argentina, Brazil, Panama, and Uruguay, countries that have become Series A shareholders. When added to the approvals of founding countries, the amount rises to USD 9,668 million and represents 92% of the total.

In turn, resources allocated in favor of Argentina, Brazil, and Venezuela, represented increases of 148%, 118%, and 161%, respectively, when compared to the amounts approved in 2009.

Graph 1.

APPROVALS
(in USD million)



In addition, approvals to Brazil, Colombia, and Peru reached USD 1,100 million, USD 815 million, and USD 565 million, respectively. Resources were directed to the productive sectors through the financial system through short- and medium-term lines of credit.

Table 2. **APPROVALS BY COUNTRY¹**
(in USD million)

	2006	2007	2008	2009	2010	2006-2010
Argentina	580	204	411	649	1,607	3,450
Bolivia	397	275	560	511	426	2,169
Brazil	579	1,518	1,798	907	1,980	6,782
Colombia	1,001	1,213	1,483	2,050	992	6,739
Costa Rica	25	128	120	10	10	294
Ecuador	1,024	1,089	604	873	901	4,490
Mexico	10	-	10	65	35	121
Panama	53	-	635	232	312	1,232
Paraguay	3	-	6	107	36	151
Peru	941	1,180	1,458	2,287	1,693	7,560
Dominican Republic	-	-	75	129	0	205
Uruguay	20	115	601	590	120	1,447
Venezuela	842	816	72	627	1,638	3,994
Other countries	46	69	114	133	783	1,145
Total	5,521	6,607	7,946	9,171	10,532	39,778

1. Includes programs and investment projects, comprehensive program loans, credit lines to banks and companies, partial credit guarantees, equity investments, contingent credit lines, and cooperation funds.

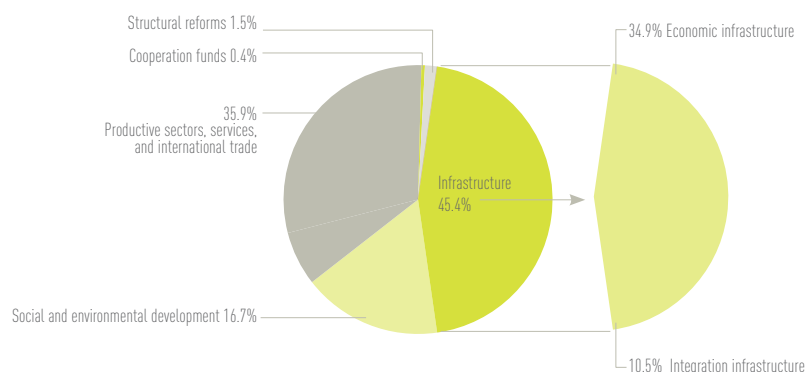
In addition, approvals to other shareholder countries reached USD 864 million, representing an increase of 94% with respect to the amount registered in 2009. In particular, CAF provided extraordinary support to Chile and Haiti to attend the emergencies derived from natural disasters.

APPROVALS BY STRATEGIC AREA

CAF approved USD 4,787 million for the infrastructure sector –especially in the energy and road areas– in line with the priorities established by shareholder countries in their agendas for development. These approvals represented 45.5% of the total, of which 34.9% was directed to support economic infrastructure projects, and the remaining 10.5% was aimed at financing integration infrastructure projects among countries.

Projects approved during the year include: the repowering of Embalse's nuclear plant, the high tension electric line of 500 KV between Pico Truncado and Rio Gallegos, the comprehensive reactivation of the Belgrano–Cargas Railroad, and phase II of the geostationary telecommunication satellite (ARSAT), in Argentina; the complementary road works program and the transportation program, in Bolivia; the municipal transportation program of Goiânia, and the fiscal sustainability program of the Contagem municipality, in Brazil; the works for Transmilenio mass transport system for the troncal phase II and III in Bogota, Colombia; the road development program in Los Chillos Valley–provincial council of Pichincha, in Ecuador; the program to execute the remaining works of tranches 2, 3, and 4 of the road interconnection between Peru and Bra-

Graph 2. **APPROVALS BY STRATEGIC AREA**



zil, which are a part of the III Southern Interoceanic axis of the IIRSA initiative, in Peru; and the program to strengthen the national electric system and the third financing for the hydroelectric plant, Manuel Piar in the Lower Caroni, in Venezuela.

These initiatives seek to create a platform that will enable the economic growth needed to improve the quality of life of the population by promoting favorable competitiveness and sustainability conditions in the region.

In addition, CAF financed social and environmental development initiatives granting resources for the implementation of projects in the areas of basic services, building human and social capital, and preserving the environment. Approvals to these areas of strategic interest reached USD 1,763 million, and represented 16.7% of the total approved during the year.

Resources were assigned to operations such as the Water and Irrigation Program, in Bolivia; the non-committed financing facility for the comprehensive care of the earthquake emergency, in Chile; the environmental sanitation program for community development (Promadec II, in Spanish) and the program to support public investment in the social sector (PAISSE, in Spanish), in Ecuador; the non-committed financing facility for solidarity support, in Haiti; the sanitation program of the city and bay of Panama, and the investment program for the potable water and sanitation sector of the province of Panama; the potable water and sewage improvement program in marginal waters of Lima, and Phase II of the Majes-Siguas project, in Peru; and the Simon Bolivar Social Inclusion through Music Complex, in Venezuela.

In addition, CAF allocated USD 3,785 million to the productive sectors, both directly and through the financial systems of the countries of the region, equivalent to 36% of total approvals during the year. Resources were channeled through short- and medium-term credit lines while financing the development banks in the region with and without sovereign guarantee.

Resources granted aim at promoting competitiveness, strengthening public and private companies in the region, and supporting SME and micro-financing entities that benefit entrepreneurial sectors with limited access to financial services.

In the area of structural reforms, CAF renewed the non-committed contingent line of credit in favor of Uruguay; approved an operation to support the institutional strengthening of the Undersecretary's Office for territorial planning of public investment (SSPTIP, in Spanish) attached to the Ministry of Federal Planning, Public Investment, and Services of the Nation, in Argentina; as well as an operation to support the fiscal sustainability of the municipality of Contagem in Brazil. Approvals to this sector totaled USD 153 million at year-end 2010, and represented 1.5% of the total.

APPROVALS BY TERM

Long-term loans –those with maturities of five years or longer– concentrated 65% of the year's approvals. Thus, CAF supported financing segments not serviced by other sources and participated, through public and private initiatives, in high-impact projects for the sustainable development of the countries.

At the same time, short-term operations concentrated 33% of approvals. Resources from this operational line were aimed at financing foreign trade and working capital operations through financial systems for the development of the productive sector.

Table 3. **APPROVALS BY TERM**
(in USD million)

	2006	2007	2008	2009	2010	2006-2010
Long-term	4,360	3,618	3,186	5,394	6,831	23,390
Medium-term	952	46	38	269	268	1,573
Short-term	209	2,943	4,722	3,507	3,435	14,815
Total	5,521	6,607	7,946	9,171	10,533	39,778

APPROVAL BY TYPE OF RISK

During 2010, CAF's approvals to the sovereign sector reached USD 5,796 million, that is, an increase of 4% with respect to the amount registered the previous year.

Likewise, approvals to the non-sovereign sector represented 45% of the total (USD 4,737 million) and were mainly channeled towards the productive sectors which demanded short- and medium-term resources, through the financial sector. The Institution also provided direct financing to companies for working capital, foreign trade, and investment operations mainly to increase the productive capacity of public and private enterprises.

Table 4. **APPROVALS BY TYPE OF RISK**
(in USD million)

	2006	2007	2008	2009	2010	2006-2010
Sovereign	3,791	2,984	3,343	5,590	5,796	21,505
Non-sovereign	1,730	3,622	4,603	3,580	4,737	18,272
Total	5,521	6,607	7,946	9,171	10,533	39,778

DISBURSEMENTS

At year-end 2010, CAF's disbursements reached USD 7,694 million. Forty percent of the year's disbursements were allocated to investment programs and projects in infrastructure, social and environmental development, among other priority sectors in CAF's Agenda for Comprehensive Development. Thus, the Institution seeks to improve competitiveness in the productive sectors, and support the least favored segments of the population, particularly providing access to basic services.

Table 5. **DISBURSEMENTS BY PRODUCT**
(in USD million)

	2010
Medium- and long-term loans	3,005
Sovereign	2,616
Investment programs and projects	1,456
Programatic and SWAPS	1,160
Non-sovereign	389
Credit lines (banks and enterprises)	4,590
Contingent credit lines	49
Equity investments	23
Cooperation funds	26
Total	7,694

Close to 53% of total disbursements (USD 4,057 million) had short-term maturity, without a significant impact in the portfolio increase at the end of 2010. Brazil, Colombia, and Peru concentrated almost 91% of disbursements during the year.

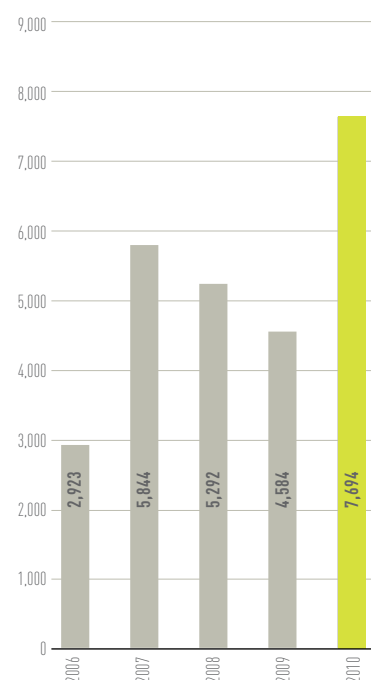
Table 6. **DISBURSEMENTS BY COUNTRY²**
(in USD million)

	2006	2007	2008	2009	2010	2006-2010
Argentina	64	333	294	492	283	1,466
Bolivia	175	197	444	216	253	1,285
Brazil	132	879	951	1,022	1,226	4,209
Colombia	653	968	892	927	1,601	5,042
Costa Rica	19	8	86	24	0	137
Ecuador	504	1,416	444	290	721	3,375
Panama	23	38	16	6	23	106
Paraguay	1	8	8	4	51	71
Peru	483	1,730	1,531	650	2,494	6,889
Dominican Republic	-	-	55	20	45	120
Uruguay	11	62	170	377	95	715
Venezuela	845	127	260	412	685	2,328
Other countries	12	79	141	145	216	592
Total	2,923	5,844	5,292	4,584	7,694	26,336

² Includes investment programs and projects, comprehensive program loans, credit lines to companies and banks, contingent credit lines, equity investments, and cooperation funds.

Graph 3.

DISBURSEMENTS
(in USD million)



PORTFOLIO

At the end of 2010, CAF's portfolio reached USD 13,878 million, a 17.9% increase with respect to the amount registered in 2009. For the eighth consecutive year, the portfolio growth reached a new record for the Institution.

PORTFOLIO BY COUNTRY

The portfolio increase in 2010 evidenced the economic dynamism experienced by Latin American countries, and CAF's response to the growing demand for resources by the economies of the region.

Table 7. **PORTFOLIO BY COUNTRY**

(in USD million)

	2006	2007	2008	2009	2010
Argentina	98	421	693	1,157	1,395
Bolivia	1,031	1,048	1,110	1,166	1,309
Brazil	323	807	825	1,034	1,116
Colombia	1,620	1,633	1,707	1,695	1,974
Costa Rica	25	22	107	126	121
Ecuador	1,371	2,150	2,018	2,052	2,437
Panama	38	63	72	76	90
Paraguay	41	39	37	28	66
Peru	1,806	1,809	1,774	1,869	2,186
Dominican Republic	-	-	55	75	120
Uruguay	31	62	232	582	657
Venezuela	1,724	1,470	1,535	1,765	2,228
Other countries	84	98	94	148	181
Total	8,191	9,622	10,259	11,772	13,878

PORTFOLIO BY ECONOMIC SECTOR

The contribution to the construction of infrastructure and social development in shareholder countries is one of CAF's main strategic lines. To this respect, loans granted to the transportation, storage, and communications; and to the electricity, gas, and water sectors, reached USD 8,460 million and represented 61% of the year's portfolio. In addition, 11.5% of the social development portfolio was concentrated in the education, social services, and health sectors.

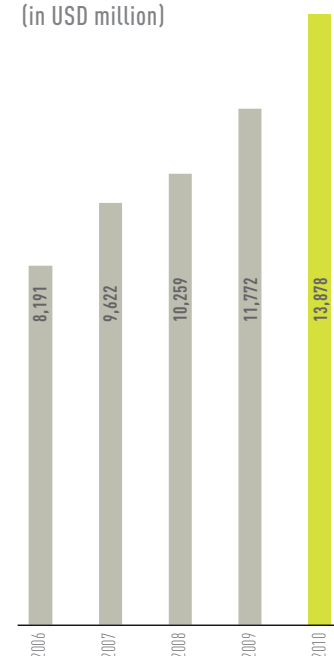
Table 8. **PORTFOLIO BY ECONOMIC SECTOR**

(in USD million)

	2006	2007	2008	2009	2010
Agricultural infrastructure	142	113	88	78	40
Mining and quarries	60	70	70	43	66
Manufacturing industry	193	279	416	261	200
Electricity, gas, and water	985	1,079	2,004	2,968	4,095
Transportation, warehousing, and communications	3,190	3,103	3,201	3,660	4,365
Commercial banking	431	1,512	1,457	1,500	1,699
Development institutions	312	249	210	225	345
Education, social and health services	1,671	1,945	1,740	1,698	1,599
Other activities	1,206	1,272	1,075	1,339	1,469
Total	8,191	9,622	10,259	11,772	13,878

Graph 4.

PORTFOLIO
(in USD million)



In turn, the portfolio assigned to commercial banks and development financial institutions reached USD 2,044 million, and represented 14.7% of the total. Increases in this portfolio reflect CAF's interest in supporting the productive sector through the financial systems, as a fundamental mechanism for the development of the countries in the region.

Additionally, 12.8% of the portfolio (USD 1,774 million), was assigned to other activities aligned with CAF's corporate strategy. It is worth mentioning the USD 1,468 million aimed at implementing reforms and seeking macroeconomic stability in shareholder countries.

CAF'S SUPPORT TO THE PRODUCTIVE SECTORS OF THE REGION

During the year, CAF continued supporting the financial systems of shareholder countries as a means of strengthening their productive sectors. To this end, the Institution provided both the public and private sectors with significant resources to ensure foreign trade flows and mitigate the negative impact of scarce international funds, therefore increasing the flow of funds under favorable conditions to the productive sectors of the countries. CAF's enabled foreign trade operations, granted medium- and short-term loans to finance projects in the productive sector, as well as subordinated loans to support increases in banking activity, and capital investments in funds specialized in financial institutions.

In 2010, the Institution approved approximately nine structured transactions, some of them in Jamaica and Mexico, countries where these operations were placed for the first time. It is worth mentioning the number of operations directed to the energy sector: West Kingston Power Partners (WKPP) in Jamaica, Euros SAPI in Mexico, Electron Investment S.A. (EISA) in Panama, and the Chilca-Marcona-Montalvo, and Termochilca transmission line in Peru; as well as the expansion and modernization program of the container terminal in the port of Santa Marta (SMITCO), the line of credit for regional multi-sector investments granted to the Spanish group Abengoa, and the Autonorte road concession, in Colombia.

In addition, the agro-industrial sector, as well as the food, oil and gas, and energy sectors registered the largest activity during 2010. Two syndicated A/B loans were granted to YPF in Argentina (USD 250 million), and to Eletrobrás in Brazil (USD 500 million).

INNOVATIVE OPERATIONS

► CAF enabled Instituto de la Función Registral of the State of Mexico the issue of a 20-year local-currency commercial paper through a partial credit guarantee. With its first partial credit guarantee issued in Mexico, CAF strengthened its catalytic role and expanded investment alternatives in local markets, also promoting new sources of financing for the development of infrastructure.

During 2010, CAF also initiated activities with financial institutions in countries where it had no prior presence. Thus, it opened new lines of credit for financial institutions in Argentina and Paraguay for USD 150 million, and participated in the middle banking segment in Brazil with the approval of new lines of credit for USD 100 million.

PORTFOLIO BY TERM

As in previous years, CAF allocated most of the loan portfolio to long-term operations contributing to the creation of economic, integration, and social development infrastructure. At year-end 2010, the long-term loan portfolio reached USD 11,883 million and represented 86% of the total. Adding the medium-term portfolio and capital investments, the portfolio amounts to USD 12,678 million and represents 91.4% of the total. Thus, the Institution contributes to the financing needs of the region which would not be easily satisfied through other financing sources.

In turn, the short-term portfolio reached USD 1,199 million, and represented 8.6% of the total.

Table 9. PORTFOLIO BY TERM
(in USD million)

	2006	2007	2008	2009	2010
Capital investments	93	74	75	85	95
Loans	8,097	9,548	10,184	11,687	13,783
Long-term	7,456	7,868	8,472	10,101	11,882
Medium-term	189	377	660	432	702
Short-term	452	1,303	1,052	1,154	1,199
Total	8,191	9,622	10,259	11,772	13,878

PORTFOLIO BY TYPE OF RISK

One of CAF's priorities is to satisfy the credit requirements of the sovereign sector as a way of supporting shareholder countries in financing public investment projects. To this respect, the portfolio assigned to this sector reached USD 10,518 million at year-end 2010, and represented 76% of the total. The amount reflects the cumulative efforts resulting from the Institution's close relationship with shareholders and clients, which is periodically renewed through programming missions to identify the priorities of the countries' development agendas.

Table 10. PORTFOLIO BY TYPE OF RISK
(in USD million)

	2006	2007	2008	2009	2010
Sovereign	7,072	7,249	7,543	8,782	10,518
Non-sovereign	1,118	2,373	2,716	2,990	3,360
Total	8,191	9,622	10,259	11,772	13,878

In turn, beneficiaries of non-sovereign risk loans concentrated 24% of the portfolio, reaffirming CAF's commitment to supporting productive sector growth that translates into improvements in of the levels of competitiveness. It is worth mentioning the loans granted to public enterprises and sub-national governments, without sovereign guarantee, that reflect the increasing financial and managerial strength of some of these governments in an effort to enhance decentralization, and improve the quality of sub-national public administration.

COOPERATION FUNDS

In addition to the financial support offered for credit operations, CAF continued supporting sustainable development and regional integration through technical assistance and strategic programs, financed mainly with non-reimbursable resources from both the Institution's net earnings and funds.

The allocation of cooperation funds is an important tool that is used to support countries in order to: i) ensure the quality of investment projects; ii) create capacities and conditions for self-sustainability in the communities; iii) favour the competitiveness of productive chains; iv) contribute to the preservation of the environment; and v) raise the social capital and improve the managerial capacity of the MSME's.

Table 11. **MAIN COOPERATION FUNDS MANAGED BY CAF**
(in USD million)

	2010
Technical Assistance Fund (FAT)	13.8
Human Development Fund (Fondeshu)	11.8
Fund for the Promotion of Sustainable Infrastructure Projects (Proinfra)	1.8
Bolivia Special Fund (FEB)*	1.8
Ecuador Special Fund (FEE)	2.8
Cross-Border Cooperation and Integration Fund (COPIF)	0.6
Other funds**	3.3
Total	45.9

* Includes funds assigned to the Highly Indebted Poor Countries Program (HIPC).

**Includes the Spanish Technical Cooperation Fund and the Andean Energy Conservation Fund (FACE).

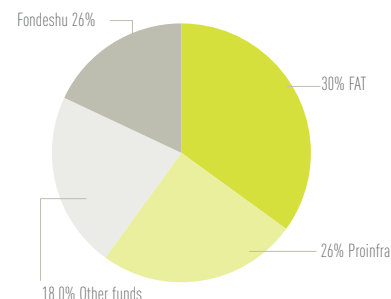
During 2010, through the Technical Assistance Fund (FAT) and the Human Development Fund (Fondeshu), CAF supported a number of strategic programs that complement its business operations. The programs address themes such as: competitiveness, integration infrastructure, social development, governance, environmental development, humanitarian support, and culture.

CAF integrates common requirements through regional programs in the areas of competitiveness, research, macroeconomic analysis, microfinance, strengthening of financial markets, regional policies, ports and logistics, and international insertion.

Sustainable development and regional integration are the pillars of the Institution's mission. In this context, it is worth mentioning CAF's participation in the Initiative for the Integration of the South American Regional Infrastructure (IIRSA), and in the Program for Infrastructure Development.

Regarding governance, the Governance and Political Management Program, as well as the Leadership for Change Program, and the Regional Updating and Improvement of Local Management Program (PRAMEG)

Graph 5.
SOURCES OF THE MAIN COOPERATION FUNDS



MAIN COOPERATION FUNDS

TECHNICAL ASSISTANCE FUND (FAT)

Concentrates most of the special sources of financing. Its mission is to support projects and programs in shareholder countries.

2010 approvals: USD 13.8 million.

HUMAN DEVELOPMENT FUND (FONDESHU)

Provides financial support for the implementation of high impact, innovative, and productive community projects aimed at the most vulnerable social sectors.

2010 approvals: USD 11.8 million.

FUND FOR THE PROMOTION OF SUSTAINABLE INFRASTRUCTURE PROJECTS (PROINFRA)

Allocates resources for diagnostic studies of sector issues, appropriate technological options, and pre-investment studies for integration infrastructure projects, previously authorized by the countries. Resources are assigned to projects that promote regional integration infrastructure, including innovative financing mechanisms.

2010 approvals: USD 11.8 million

SPECIAL FUNDS FOR BOLIVIA (FEB) AND SPECIAL FUNDS FOR ECUADOR (FEE)

Finance the technical assistance and the economic priorities of these countries. Created in 1998, both funds are included in CAF's Establishment Agreement.

2010 approvals: FEB USD 1.8 million, FEE USD 2.8 million

SPANISH TECHNICAL COOPERATION FUND (FECT), CANADIAN AGENCY FUND (ACDI), AND ITALIAN GENERAL COOPERATION FUND (FGCI)

Represent financing sources for the region's development through Canadian, Spanish, and Italian consulting firms. The Spanish Ministry of Economics manages the operations of the Spanish contribution. The Canadian Agency for International Development (ACDI) operates from the Canadian Embassies in each one of the petitioner countries, and the Ministry of Foreign Relations of the Republic of Italy is the entity responsible for granting the final no-objection of operations financed with FGCI resources.

2010 approvals: USD 3.1 million

ANDEAN ENERGY CONSERVATION FUND (FACE)

Provides resources for consulting and training in the area of energy source conservation in Andean countries. Resources from this fund were fully utilized in 2010.

2010 approval: USD 90,000

GERMAN FUND OR KREDITANSTALT FUR WIEDERAUFBAU (KfW)

Allocates resources for consulting on integration projects in the least favored regions of CAF's shareholder countries. Resources from this fund were fully utilized in 2010.

2010 approvals: USD 10,000

CROSS-BORDER COOPERATION AND INTEGRATION FUND (COPIF)

Supports the timely identification, preparation, and execution of high-impact projects that promote sustainable development in the border regions of shareholder countries. Contributes to strengthening cooperation, dialogue, mutual trust, and cross-border integration both at a bilateral and multilateral level.

2010 approvals: USD 0,6 million

are especially relevant to the public and private sectors, and to the civil society since they generate knowledge and provide modern and useful tools.

Regarding social and environmental development, CAF seeks to cover the needs of the least favored populations through programs and initiatives such as the Social Inclusion through Music, improving the quality of life in informal settlements, elementary education, educational excellence, biodiversity, information systems to monitor protected areas, and green school models, among others.

During the year, the Institution allocated additional resources for humanitarian help through FAT and Fondeshu, as well as to address and mitigate the impact of the natural disasters that affected Bolivia, Brazil, Chile, and Haiti.

Approvals of activities financed with third-party funds managed by CAF reached USD 1.9 million. Resources were mainly aimed at financing consultancies undertaken by companies of donor countries.

SPECIAL FUNDS

CAF supports projects and initiatives through other funds of a different nature than the cooperation funds, such as: the Entrepreneurial Investment and Development Fund (FIDE), the Compensatory Financing Fund (FFC), and the Latin American Carbon, Clean and Alternative Energies Program (PLAC⁺).

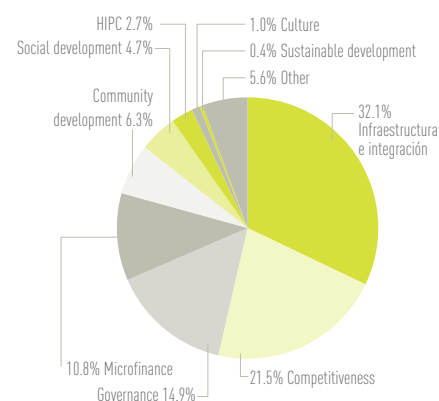
The FIDE supports the strengthening of the capital base of small- and medium-sized enterprises through capital, quasi-capital, and credit operations. Activities are implemented through alliances with venture capital funds, banks, large industries, and guarantee funds which, in turn, make capital investments in the Small and Medium-Sized Enterprises (SMEs) of the region.

In 2010, CAF allocated USD 6 million through FIDE, to facilitate access to financing, constitute guarantee funds, refinance credit portfolios, participate in co-financing schemes, and establish innovative risk instruments with financial institutions in several countries.

In addition, the Institution continues supporting industry development at a regional level promoting the development and strengthening of the venture capital industry through the Latin American Venture Capital Association (LAVCA).

In turn, the FFC promotes the implementation of projects aimed at reducing regional asymmetries, helping excluded populations, and promoting the integration of the regional infrastructure. Through this fund, CAF allocated resources to reduce the financial costs of projects that meet certain eligibility criteria, without affecting the Institution's profitability.

Graph 6.
UTILIZATION OF THE MAIN
COOPERATION FUNDS



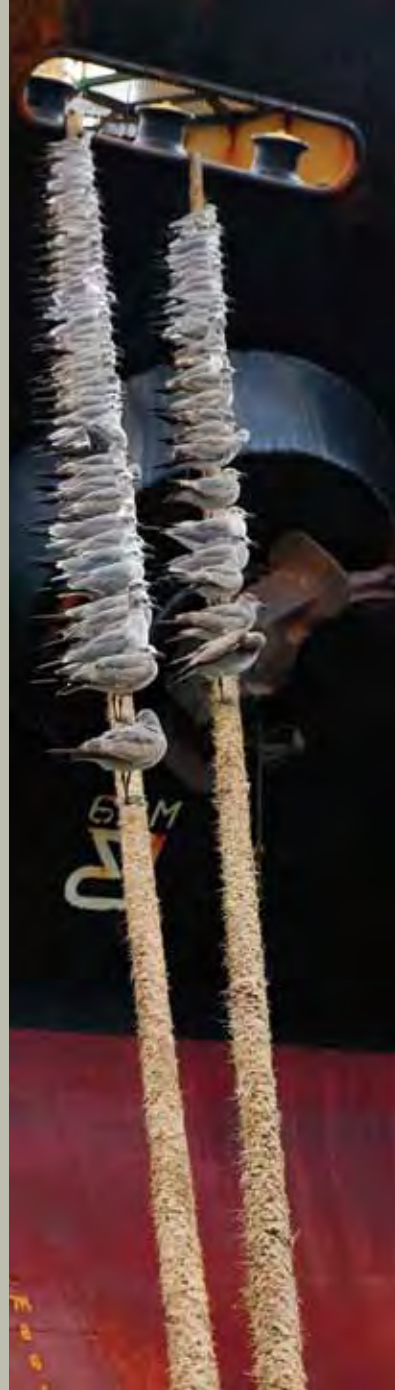
During 2010, 16% of the total amount approved was eligible for the FFC subsidy. This is the case of projects such as the Road and Complementary Works Program, the Southern Integration Highways Project, the Water and Irrigation Program (PROAR), and the Transportation Sector Program, in Bolivia; the Road Development Program in the Valle de Los Chillos-Provincial Council of Pichincha, and the Environmental Sanitation Program for Community Development (Promadec II, in Spanish), in Ecuador; the Sanitation Program of the City and Bay of Panama, and the Investment Program for the Potable Water and Sanitation Sector, in Panama; the Program to implement the remaining works of tranches 2, 3, and 4 of the Road Interconnection between Peru and Brazil that are part of the Southern Inter-Oceanic III axis of the IIRSA Initiative, and the Project to Improve Potable Water and Sewage, in Peru; and the Simon Bolivar Social Inclusion through Music Complex, in Venezuela. At year-end, 25% of the portfolio had benefitted from this fund, which contributed USD 15 million in subsidies for interest payments.

Likewise, the PLAC^{+e} is a self-sustainable initiative that supports and strengthens national institutions and mechanisms to stimulate the use of different Greenhouse Gases (GHG) markets, by identifying, developing, and financing projects related to clean and alternative energies, as well as energy efficiency in Latin America.

During 2010, the PLAC^{+e} signed a purchase-sale contract for USD 3.2 million of emission reductions with the Colombian company Pizano, S.A. to develop a reforestation project of 2,000 hectares in the Bajo Atrato in the Northern area of the Chocó. At present, the PLAC^{+e} manages and develops 32 GHG emission reduction operations in Latin America in sectors such as sustainable transportation, renewable energies, energy efficiency and reforestation, and capture and use of biogas, among others. The project portfolio is equivalent to 6.8 million tons of GHG not issued into the atmosphere, and represents a business of more than USD 88 million. This is done through the carbon funds managed by CAF, such as the CAF-Netherlands CDM Facility (CNCF) with the government of Holland and the Ibero-American Carbon Initiative (IIC) with the government of Spain, in addition to other purchase-sale operations on the Institution's own account.

During 2010, CAF started the Special Financing Program for Clean Energy Projects (PROPEL). Some of the program's achievements include: i) the prior approval of more than 10 potential projects for approximately USD 50 million; ii) the signing of three letters of intent, and the initiation of the credit procedures for clean energy projects developed in Ecuador, Paraguay, and Peru; iii) the development of a section in CAF's extranet dedicated to the promotion of the program; and iv) the consolidation of commercial relations with a number of international credit institutions interested in the development of clean energy projects in Latin America.





SHAREHOLDER COUNTRIES

56 ARGENTINA

62 BOLIVIA

68 BRAZIL

74 COLOMBIA

80 ECUADOR

86 PANAMA

92 PARAGUAY

96 PERU

102 URUGUAY

106 VENEZUELA

112 OTHER SHAREHOLDER COUNTRIES

114 Chile

114 Costa Rica

114 Spain

115 Jamaica

115 Mexico

116 Portugal

116 Dominican Republic

FORTY YEARS
OF GROWTH AND EXPANSION
IN THE REGION

Detailed engineering Geostationary
Argentinean Satellite Project-Phase II

Program for the extension of the
useful life of Central Nuclear Embalse



Patagonia, Argentina



ARGENTINA

In USD million	2010	2006-2010
Approvals	1,607	3,450
Sovereign risk	1,252	2,894
Non-sovereign risk	355	556
Disbursements	283	1,466
Sovereign risk	195	1,330
Non-sovereign risk	88	136

In USD million	2010
Loan portfolio	1,395
Sovereign risk	1,246
Non-sovereign risk	149



During 2010, CAF approved USD 1,607 million to Argentina, of which 77.9% (USD 1,252 million) corresponded to sovereign risk operations, and 22.1% (USD 355 million) to non-sovereign risk operations.

The total amount approved includes USD 187.5 million of tranche B of the loan granted to YPF, S.A., and USD 100 million assigned by means of credit lines through Banco BICE to Molinos Río de la Plata and Vicentín.

Worth mentioning are operations that favor projects to address the needs of the electricity sector through the Pico Truncado-Río Turbio-Río Gallegos Interconnection Project for power transmission (USD 500 million), and the Project to Extend the Useful Life of Embalse's Nuclear Plant (USD 240 million).

Likewise, a significant portion of the resources was allocated to the implementation of *economic and integration infrastructure* projects, specifically in the transportation sector. CAF provided financial support for the rehabilitation and improvement of the Belgrano Cargas railway corridor (USD 326 million), and for the regional roadway program (USD 140 million). In addition, the Institution supported the Argentinean government in the new design of the satellite policy, granting USD 36 million in favor of Empresa Argentina de Inversiones Satelitales (ARSAT) to start Phase II of the detailed engineering project of the geostationary Argentinean telecommunications satellite.

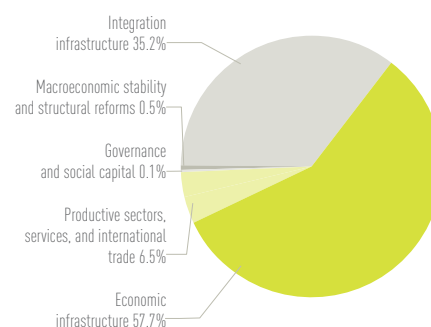
CAF also continued supporting the *productive sector* providing short-, medium-, and long-term credit lines to Banco de Inversión y Comercio Exterior (BICE). Resources will be allocated to the expansion of plants, purchase of fixed assets, working capital, and foreign trade operations conducted by corporate enterprises and SMEs.

In the *corporate private sector*, CAF approved an A/B loan for USD 250 million in favor of YPF S.A., Argentina's main oil and gas company and second largest exporter. Resources will partially finance the company's investment program that comprises oil and natural gas drilling and production, refining, marketing, petrochemical products, and biofuels.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	1,500	232
Sovereign	1,250	194
Investment programs and projects	1,250	194
Non-sovereign	250	38
Lines of credit (enterprises and banks)	105	50
Cooperation funds	1.8	1.1
Total	1,606.8	283.1

APPROVALS BY STRATEGIC AREA 2010



APPROVALS TO ARGENTINA 2010 (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Republic of Argentina, through the Ministry of Federal Planning, Public Investment and Services, through Empresa Nucleoeléctrica Argentina (NA-SA)	Program to extend the useful life of Embalse's Nuclear Plant	Replace components and equipment at Embalse's Nuclear Plant to extend its operation by 25 years, guaranteeing the continuity of the plant's electricity supply to the Argentinean interconnection system, as done since the plant started operating in 1984.	240	18
Republic of Argentina, through the Ministry of Federal Planning, Public Investment and Services, and Empresa Argentina de Inversiones Satelitales, S.A.	Phase II of the detailed engineering project for the geostationary Argentinean satellite	Support the construction and placement in orbit of the ARSAT I geostationary telecommunications satellite and two other satellites (ARSAT II and ARSAT III), and achieve the permanence of the two Argentinean orbital positions, taking the necessary steps to obtain new orbital positions and the associated frequency bands.	36	12
Republic of Argentina, through the Ministry of Federal Planning, Public Investment and Services, and the Coordination Unit for Programs and Projects, with External Financing.	Regional roadway development program	Finance the increase and optimization of traffic in the provincial road networks to generate the productive integration of the different regions, thus contributing to a sustainable economic recovery in the country's Northern provinces.	140	15
Republic of Argentina, through the Energy Secretariat (SE), through the Management Committee of the Trustee Fund for Federal Electric Transportation (CAFFTEF)	Pico Truncado-Río Turbio-Río Gallegos-Calafate, extra high tension line of 500 Kv	Address the increasing needs for electric transmission foreseen in the Transportation Plan in 500/220/132 kV to provide continuity, security, and reliability to the system, and enable the connection between the Patagonian Interconnected System (SIP) and the Argentinean Interconnection System (SADI).	500	15
Republic of Argentina, through the Railroad Infrastructure Management State Company (ADIF)	Program to rehabilitate the railway tracks of the General Belgrano Cargas railroad	Finance the rehabilitation of Argentina's most extensive railway network, to improve the connectivity of the Embarcacion-Avia Terai-Barranqueras-Rosario corridor.	326	15
YPF, S.A.	Partial financing of the 2010-2011 investment plan	Partially finance the investment program of YPF, the Argentinean oil and gas company, to support the diversification of its sources of revenue and increase the levels of reserves.	250	Tranch A: 5.5 Tranch B: 4
Republic of Argentina, through the Undersecretary's Office for Public Investment Territorial Planning (SSPTIP), Ministry of Federal Planning, Public Investment and Services of the Nation.	Program for the institutional strengthening of the Undersecretary's Office for territorial planning of public investment	Establish a State policy where decision-making processes associated to investments in infrastructure and territorial management are based on regional planning and organization.	8	12
Molinos Río de la Plata, Vicentín S.A.I.C.	Short-term co-financing program for corporate clients of the agro-industrial sector	Finance pre-exports.	50	Various
Banco BICE	Financing for trade, working capital, and investment projects	Finance investment and foreign trade operation projects and working capital.	50	Various
CGM Leasing Argentina	Acquisition of fiduciary debt of financial trust fund	Finance leasing operations for Argentinean SMEs.	5	3
Various beneficiaries	Other operations with cooperation resources	Various	1.8	Various
Total			1,606.8	



OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF ARGENTINA

INFRASTRUCTURE

► Project to strengthen the institutional port sector of the Buenos Aires Province, involving human resources and information systems, and generate capacities to improve the performance of the under Secretariat for port activities in the coordination and control of the ports in the system. The project includes a training program, drafting a document on provincial port policy, and the development of planning tools and master plans for the ports of La Plata and San Nicolás.

► First phase of a Mobility and Transportation Plan to establish a permanent planning process.

The consultancy will determine the main components of a Mobility and Transportation Plan for Comodoro Rivadavia.

► Master plan for the integration of the Argentina-Uruguay border region, leading to the development of a strategic consensus and proposals for public policies.

SOCIAL DEVELOPMENT

► Sponsored the II Latin American Sanitation Symposium in Buenos Aires, whereby progress was made to create the Latin American Water and Sanitation Association (ALAS). The object of the association is to become a forum for dialogue and debate and a development instrument where the operating entities dealing with potable water, sewage, and sanitation would converge.

During 2010, CAF approved close to 1.8 USD 1.8 million to Argentina in cooperation funds. Resources were channeled directly to beneficiaries or through the various special programs developed by the Institution.

SOCIAL SUSTAINABILITY

- ▶ Supported to the Valdocco Foundation in the implementation of the Project for the Children and Youth in Haiti.
- ▶ Signed an agreement for the implementation of the Rural Connectivity Project in the Province of Salta to promote and use innovative school teaching instruments in 14 rural school of the province, through the dissemination and implementation of information technologies and Internet access. The Governor's Office in Salta, one of the most important provinces of Northern Argentina, manages the project that is part of an ambitious connectivity policy.
- ▶ Sponsored the National Youth Seminar of the Argentinean Children and Youth Orchestra System (Soijar). The seminar brought together young musicians and students from children and youth orchestras of various Argentinean provinces, leading to a concert by the Youth Symphony Orchestra of the Argentinean System. The orchestra is made up of Soijar students from different regions of the country.

GOVERNANCE

- ▶ The Governance and Policy Management Program was delivered for third consecutive year at the University of San Andres and the National University of Rosario. The objective is to contribute to the development of capacities, and the design of reform processes with satisfactory levels of governance, with the participation of local authorities, technical teams from the national and sub-national levels, and individuals from the civil society.

COMPETITIVENESS

- ▶ Assisted the Córdoba Stock Exchange to disseminate the Competitiveness Index of the Argentinean provinces, to provide information for the formulation of strategic plans at different government levels.
- ▶ Provided resources to the civil association Vinos de Argentina to strengthen the international competitiveness of the country's wine industry and promote associations between small- and medium-sized producers. The project seeks to help medium- and small-sized wineries acquire knowledge of markets and the use of technology to increase their export capacity through associations or clusters.
- ▶ Granted resources to the Metropolitan Design Center of the City of Buenos Aires to incorporate design and innovation as a part of the tools to improve SMEs competitiveness. The initiative seeks to establish the size of the design market and its professional, industrial, commercial, and institutional profile.

PRIVATE EQUITY AND VENTURE CAPITAL

- ▶ Supported the organization of the I Annual Conference on Private Equity and Venture Capital of Argentina, whose goal was to improve the business climate of the private equity and venture capital industry by promoting different areas for long-term investment in the country, and the search of a strategic integration of this industry with the capital markets.

INTERNATIONAL COOPERATION

- ▶ Subscription of the Cooperation Framework Agreement between the International Union of Lawyers (UIA) and CAF, to strengthen the judicial systems of Ibero-American countries.
- ▶ Signature of the Cooperation and Development Framework Agreement between the UIA, the Foundation for Research and Prevention of Asset Laundering, and the Solventia Foundation to promote the dissemination of knowledge through events, seminars, and international congresses.

Carrera La Paz 3,600, year 2010.
Second edition

Project Southern Integration Corridor



Tiuanaco's Archaeological Ruins



BOLIVIA

In USD million	2010	2006-2010
Approvals	426	2,169
Sovereign risk	367	1,612
Non-sovereign risk	59	557
Disbursements	253	1,285
Sovereign risk	232	1,034
Non-sovereign risk	21	251

In USD million	2010
Loan portfolio	1,309
Sovereign risk	1,169
Non-sovereign risk	140



During 2010, CAF approved USD 426 million to Bolivia, of which 86% (USD 367 million) corresponded to sovereign risk operations, and 14% (USD 59 million) to non-sovereign risk operations.

Especially noteworthy are the USD 240.7 million approved for *economic and integration infrastructure* operations, which represented 57% of the total. CAF approved the financing of the Sector Transportation Program for USD 150 million, to support the execution of important road projects for the country, that incorporate environmental mitigation measures, rehabilitation, and road stabilization.

The Institution also approved USD 70 million for the Road and Complementary Works Program, to execute and implement an important bridge program that will improve the connectivity of the country's road network. CAF also approved USD 20.7 million to complete the Southern Integration Highways Program that promotes the integration of Bolivia and Argentina. Resources will be directed at the construction and acquisition of asphaltic cement for the Santa Barbara-Cuchu Ingenio highway and the Bella Vista-Cotagaita tranche, located in the departments of Chuquisaca, Potosi, and Tarija.

In addition, 29.6% of total approvals were destined to the *social and environmental area*. Worth mentioning is the approval of USD 126 million to promote investments in water irrigation and sewage service projects. The projects will improve the productive capacity of more than 15,000 families in rural areas and will benefit close to one million inhabitants.

Likewise, 12.5% of total approvals were directed to the *productive and financial sectors*, of which USD 22 million were allocated through the micro-financing sector by renewing lines of credit to finance trade operations, working capital, and investment projects; and USD 31 million to the corporate sector to support capital investments and foreign trade operations.

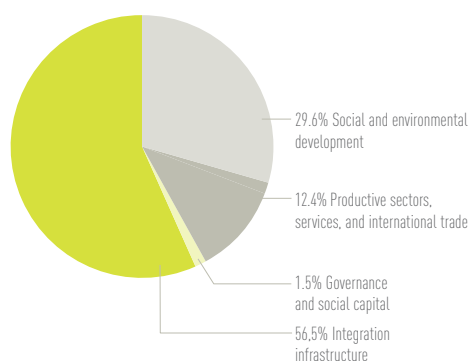
APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	367	181
Sovereign	367	181
Investment programs and projects	367	181
Lines of credit (enterprises and banks)	53	21
Contingent credit lines	-	49
Cooperation funds	6.3	2.4
Total	426.3	253.4

APPROVALS TO BOLIVIA 2010 (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Plurinational State of Bolivia, through the Bolivian Road Administrator (ABC)	Road and complementary works program, southern integration highways project	Support the completion of road projects and the execution of complementary works, and initiate a comprehensive bridge construction program to improve the connectivity of the country's road network, particularly in the La Paz Department.	70	18
Plurinational State of Bolivia, through the Bolivian Road Administrator (ABC)	Southern Integration corridor project	Reactivate the construction of the Potosi-Tarija highway, which is a part of the Southern Integration Highways Project, whose objective is to improve the political, economic, and administrative integration between the highland areas, the valleys, and the eastern plains, and to facilitate trade with the Republic of Argentina	20	12
Plurinational State of Bolivia, through the Ministry of Development Planning, through the Bolivian Road Administrator (ABC)	Sector transportation program	Develop a set of priority road projects to address the needs of the transportation sector, and facilitate the connectivity between the country's productive areas and neighboring countries.	150	18
Plurinational State of Bolivia, through the Ministry of Development Planning, through the Ministry of the Environment and Water	Water and irrigation program (PROAR)	Guarantee the country's food self-sufficiency through the execution of a number of priority irrigation projects and the execution of potable water programs to benefit 624,000 inhabitants	126	18
Citibank, Banco Nacional de Bolivia, Banco Unión	Revolving uncommitted credit lines for loans; issuance, confirmation, and acceptance of letters of credit, vouchers, and guarantees	Finance foreign trade operations, working capital, and investments in capital goods.	31	Various
Banco Solidario, Banco Los Andes, Procredit, Banco Fie S.A., and Ecofuturo	Revolving uncommitted credit lines	Finance working capital operations and investment projects in MSMEs.	22	Various
Various beneficiaries	Other operations with cooperation resources	Various	6.3	Various
Total			426.3	

APPROVALS BY STRATEGIC AREA 2010





OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF BOLIVIA

During 2010, CAF approved USD 6.3 million to Bolivia in cooperation funds. Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

INFRASTRUCTURE

- ▶ Hired consultancy services to undertake studies for the construction of the Invahuasi Tunnel, located in the border region between Chuquisaca and Santa Cruz to integrate these two departments and the populations of Muyupampa and Ipati.
- ▶ Studies for the periodic maintenance works of the Epizana-Comarapa Highway.
- ▶ Technical socio-environmental studies of the Guayaramerin-Puente Rio Mamore highway and of the Huanuni beltway in Oruro, presenting investment alternatives to optimize construction conditions.

SOCIAL DEVELOPMENT

- ▶ Humanitarian aid for the construction of temporary housing for the flood victims in the departments of El Beni and La Paz.

SOCIAL SUSTAINABILITY

- ▶ Supported workshop schools in Sucre and Chiquitania, whose purpose is to train youth in the trades necessary to restore the country's cultural heritage.
- ▶ Financed the project for the consolidation of productive chains between micro and small artisans and the market, through Emprendimiento Walisuma.
- ▶ Approved financing for the preparation of the Comprehensive Improvement Plan of the Burgos Marka Foundation, which will provide training in pastry preparation to the children who live in the center.
- ▶ Organized the second Carrera La Paz 3,600 with the participation of more than 7,500 runners, promoting the city as a place where high-altitude sports may be practiced.

ENVIRONMENTAL DEVELOPMENT

- ▶ Approved financing for a project to increase the value of Llama and Alpaca wool for the producers of the Municipality of Curahuara de Carangas as a continuation of a project for the recovery of marshlands.
- ▶ Supported the Project to Promote and Disseminate the Bolivian Norm NB-ISO 14064, for clean development, and energy and environmental efficiency in the business sector. The initiative contributes to mitigate climate change by evaluating the carbon footprint and its neutralization, in an internal system of emission reductions.
- ▶ Participated in the initiative Connecting our biodiversity, contributing to the sustainability of the Chaqueña Ecoregion of the Bolivian Southeast, through the development of a risk management plan in a municipality.

GOVERNANCE

- ▶ Trained 575 natural leaders in country vision and civic-democratic values, in the sixth version of the Leadership for Change Program.
- ▶ The tenth version of the Governance and Policy Management Program provided training to more than 250 professionals related to local development, who prioritize a balance between the managerial dimension of politics, technical-financial, and social issues to promote viable changes and greater levels of democratic governance.
- ▶ Supported the II International Tax Congress-Bolivia 2010, which strengthened knowledge in taxation by presenting international experiences and comparative legislation in an academic environment. The event included professionals from both the public and private sectors.

COMPETITIVENESS

- ▶ Held business and export promotion events to strengthen business development, including: III International Business Roundtable of La Paz; Cochabamba's Expoindustria 2010; III Bolivia Congress, Gas & Energy 2010; IV Contest of Innovative Ideas and Technological Base INNOVA San Andres; and IV Encounter of Sister Countries Bolivia-Ecuador.
- ▶ Supported the project to strengthen community based rural tourism: mysteries of the Titikaka circuit, whose main purpose is to generate complementary income and sustainable jobs by providing services in a self-managed tourist destination.
- ▶ Supported the third phase of the certification process ISO 2000, 2005, and ISO 9001 to consolidate a system of continuous quality improvement and to provide management tools to enterprises.
- ▶ Prepared and disseminated the Global Entrepreneurship Monitor 2010-2011, a platform for analysis of the situation of national entrepreneurial activity.

SMEs

AND MICROFINANCE

- ▶ Incorporated corporate social responsibility and corporate governance into the management of the SMEs. The project promotes a socially responsible culture as well as the strengthening of good corporate practices in 28 SMEs of Cochabamba, La Paz, and Santa Cruz through the induction, implementation, dissemination, and systematization of the methodology.

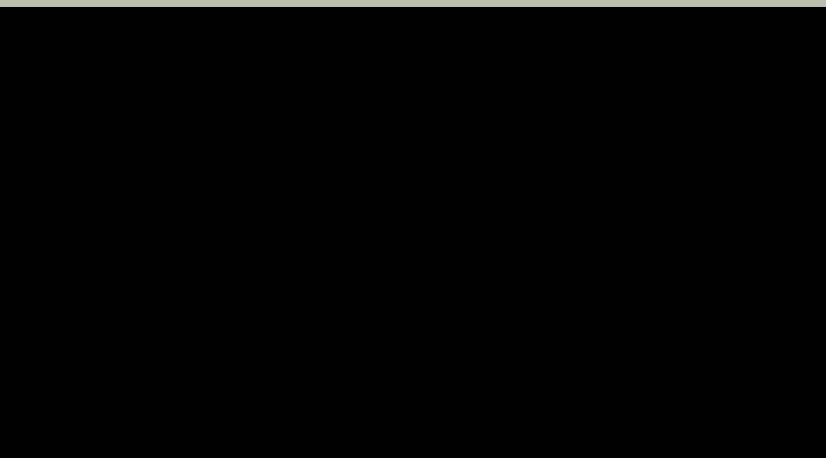
A/B Ison Centrais Elétricas Brasileiras
(Eletrobrás)

Viaduto do Coroado. Manaus



Amazon forest





In USD million	2010	2006-2010
Approvals	1,980	6,782
Sovereign risk	180	769
Non-sovereign risk	1,800	6,013
Disbursements	1,226	4,209
Sovereign risk	71	300
Non-sovereign risk	1,155	3,909

In USD million	2010
Loan portfolio	1,116
Sovereign risk	185
Non-sovereign risk	931

BRAZIL



During 2010, CAF approved USD 1,980 million to Brazil, of which 90.9% (USD 1,800 million) corresponded to non-sovereign risk operations, and 9.1% (USD 180 million) to sovereign risk operations.

It is worth mentioning that from total approvals, 34% (USD 677 million) were channeled through medium- and long-term loans to finance investment programs and projects, and 66% through revolving credit lines granted to banks and enterprises.

The Institution allocated USD 700 million directly to the corporate sector through an A/B loan for USD 500 million to Centrais Eletricas Brasileiras (Eletrobrás, S.A.) to support the corporate investment program in the areas of generation, transmission, and distribution of energy to stimulate growth of the domestic market. Additionally, the Institution allocated USD 200 million through a line of credit to Odebrecht, S.A. to issue partial credit guarantees and finance short-term working capital operations. With this facility, CAF plays a key role in meeting the need for new guarantors to continue the execution of relevant projects in the region, particularly in the infrastructure sector.

In addition, the Institution provided revolving lines of credit for USD 1,100 million through the financial sector to finance investment projects, foreign trade operations, and working capital needs of the productive sector, providing a timely response to the country's favorable economic growth.

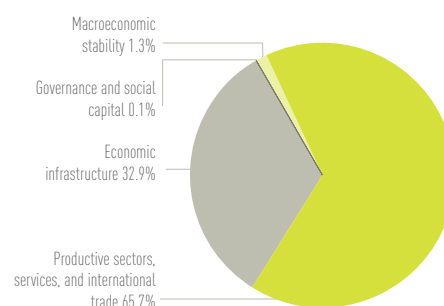
Likewise, CAF approved five operations to the *sovereign sector*, including: USD 50 million to the Municipal Prefecture of Fortaleza for the development of a sustainable tourism program; USD 45.1 million to partially finance the Fortaleza Urban Drainage Municipal Program; USD 35 million to the Municipality of Aparecida de Goiana for an Urban Restructuring Program in the Ribeirao Santo Antonio de Aparecida Basin; and USD 22.1 million to the Municipality of Hortolandia for the development of an Urban Infrastructure Program and the Protection of Natural Areas of Hortolandia.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010

(in USD million)

	Approvals	Disbursements
Medium- and short-term loans	677	195.3
Sovereign	177	70.2
Investment programs and projects	152	70.2
Programatic and SWAPS	25	-
Non-sovereign	500	125.1
Lines of credit (enterprises and banks)	1,300	1,030.1
Cooperation funds	2.8	0.3
Total	1,979.8	1,225.7

APPROVALS BY STRATEGIC AREA 2010



APPROVALS TO BRAZIL 2010 (in millions of USD)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Municipality of Hortolandia, with the guarantee of the Federal Republic of Brazil- Municipal Prefecture of Hortolandia, through the Preparation Unit of the Infra-Urbe Program, responsible for coordinating and managing the execution of the Program	Urban infrastructure program and the protection of natural areas of Hortolandia	Solve the problems arising from the lack or non-existence of urban infrastructure and the environmental problems of the municipality, reducing the levels of vehicle congestion and the risk of flooding in the area surrounding the Jacuba river.	22.1	15
Municipality of Fortaleza, with the guarantee of the Federal Republic of Brazil, through the Municipal Secretariat of Urban Development and Infrastructure of Fortaleza (SEINF)	Fortaleza urban drainage municipal program	Address the lack of urban infrastructure and drainage problems in the municipality, reducing the levels of vehicle congestion and reducing the risks of flooding in at-risk areas in the city of Fortaleza.	45	16
Municipal Prefecture of Fortaleza-Fortaleza Secretariat of Tourism	Tourism development program (Prodetur)	Develop sustainable tourism through municipal management guided by plans, projects, and actions that guarantee the efficiency and effectiveness of tourism in Fortaleza, promoting social inclusion through job creation and better income distribution.	50	16
Municipality of Aparecida de Goiania- Municipal Secretariat of the Treasury	Urban restructuring program in the basin of the Ribeirao Santo Antonio de Aparecida	Improve the quality of life of the population by adjusting the urban structure of the city to accommodate the changes derived from development during the last decade. The program includes improvements in transit, overcoming the deficit in water supply and sanitary sewage, and promoting the creation, installation, and development of knowledge-intensive companies.	35	16
Federal Republic of Brazil, Municipality of Contagem, State of Minas Gerais- Municipal Prefecture of Contagem, through the Municipal Secretariat of the Treasury	Fiscal sustainability program of the municipality of Contagem	Support the Municipality of Contagem to achieve a more stable and sustainable fiscal position, by improving its debt profile and increasing the efficiency of the municipal public sector.	25	12
Centrais Eletricas Brasileiras (Eletrobrás)	A/B loan	Partially finance the corporate investment plan of Eletrobrás.	500	17
Constructora Norberto Odebrecht, S.A.	Uncommitted revolving line of credit	Finance working capital to sustain the operational cycle, and issue partial credit guarantees on guarantees issued by the AIG insurance company.	200	1
Banco Bradesco, Banco do Brasil, Banco Votorantim, Banco Industrial e Comercial BIC, Banco Itau and Banco Itau BBA, Banco Santander, Banco HSBC	Uncommitted revolving lines of credit	Finance foreign trade operations, working capital, and investment in capital goods.	1,100	Various
Various beneficiaries	Other operations with cooperation resources	Various	2.8	Various
Total			1,979.8	



During 2010, CAF provided USD 2.8 million to Brazil in cooperation funds. Those resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF BRAZIL

INFRASTRUCTURE

- ▶ Supported the Improvement Program of the tourism infrastructure of the West Coast of the State of Ceara in the preparation of the technical, economic, and environmental feasibility studies and the basic and executive projects for the establishment, duplication, adjustment, and improvement of the highways in the tourism hub of the West Coast, State of Ceara, with resources from the ProInfra Fund.
- ▶ Supported the government of the State of Sao Paulo in establishing the generation potential of small and mini hydroelectric plants in the State of Sao Paulo, as well as to identify projects in the private sector.

SOCIAL DEVELOPMENT

- ▶ Supported the Municipality of Fortaleza in the development of a social management plan to minimize the impact derived from the execution of the improvement of Avenida Beira Mar, and coordinate training and integration activities.
- ▶ Provided resources to Instituto de Pesquisa Economica Aplicada to contribute to projects that provide technical and institutional support to government activities for the formulation of public policies and development programs.
- ▶ Provided resources to the Prefecture of the Municipality of Osasco to promote and articulate public activities aimed at generating employment and income, local development, and the consolidation, sustainability, and growth of projects, networks, and other forms of integration. Resources also promoted and strengthened culture, and the strategies of the local and regional economy in terms of human, social, cultural, political, and economic development.

SOCIAL**SUSTAINABILITY**

- ▶ Humanitarian aid for the Prefecture of Sao Luiz de Paraitinga for the purchase of medicines.
- ▶ Conducted workshops of the Andean Itinerant Conservatory in Rio de Janeiro and Campos do Goytacazes, as well as musical training workshops.

ENVIRONMENTAL**DEVELOPMENT**

- ▶ Provided resources to the Getulio Vargas Foundation (FGV) to support the model project of mediation for agribusiness, whose purpose is to research and prepare a mediation model for agribusiness as a first step toward the construction of proposals to promote understanding and balance among the various actors in the productive chains of the sector.
- ▶ Held the international seminar on policies, strategies, and action for the control of deforestation in Latin America to present progress in policies, plans, and programs for the control of deforestation, with emphasis on the experience of Brazil in the Amazon region.

REGIONAL**INTEGRATION**

- ▶ Supported the Brazilian Center for International Relations to coordinate activities in projects related to the generation of knowledge, and stimulate intellectual exchanges between the academic community and public policy makers.
- ▶ Supported the Ministry of Culture of Brazil in the First International Symposium on Architecture and Museums-New Trends-Brazilia 50 years, to establish a channel for debating on the economic impact generated by investment in culture and its importance for social inclusion and the strengthening of citizenship.
- ▶ Supported the Federal University of Mato Grosso do Sul in the III International Seminar-Latin America- identity, diversity, and languages of the platinum territory.
- ▶ Supported the Jose Bonifacio University Foundation of the Federal University of Rio de Janeiro in the Seminar on the Colombia-Brazil Energy Integration, to analyze the models of the electricity sector.

AGREEMENTS

- ▶ Signed a framework agreement with the Brazilian Cooperation Agency to undertake technical cooperation projects in areas of mutual interest for CAF shareholder countries. The parties will explore the possibility of disseminating the *Amazonia Sem Fogo* project.

Potable Water Program. Magdalena Department

Phase III of Transmilenio Mass Transport Program



Cartagena de Indias



COLOMBIA

In USD million	2010	2006-2010
Approvals	992	6,739
Sovereign risk	106	2,929
Non-sovereign risk	886	3,810
Disbursements	1,602	5,042
Sovereign risk	202	744
Non-sovereign risk	1,400	4,298

In USD million	2010
Loan portfolio	1,974
Sovereign risk	1,083
Non-sovereign risk	891



During 2010, CAF approved USD 992 million to Colombia, of which 89.3% (USD 886 million) corresponded to non-sovereign risk operations, and 10.7% (USD 106 million) to sovereign risk operations.

The Institution allocated USD 815 million (82.1% of the year's approvals) to support the *productive sector* through lines of credit granted to public and private banks to finance foreign trade operations, working capital, and investments in capital goods.

In addition, CAF allocated USD 102 million to the *economic infrastructure* area to finance phase III of the Mass Transport Program of Bogota, better known as Transmilenio. Resources were approved in favor of the Republic, through the Ministry of Transportation with the assistance of Transmilenio and the Urban Development Institute.

CAF also provided USD 16.8 million to finance the expansion and modernization of the container cargo terminal in the Port of Santa Marta. In addition, it approved a revolving line of credit for USD 50 million to Cementos Argos, to support the operations and commercial areas of the company. In addition, allocated USD 4 million to finance investment projects and working capital for the development of the micro-, small-, and medium-sized enterprises in the country.

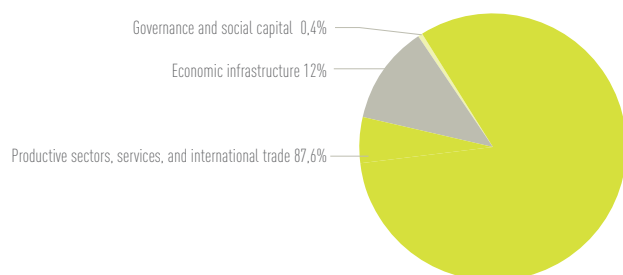
APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	119	214
Sovereign	102	200
Investment programs and projects	102	40
Programatic and SWAPS	-	160
Non-sovereign	16.8	15
Lines of credit (enterprises and banks)	869	1,383
Equity investments	-	3
Cooperation funds	4.4	2
Total	992.2	1,602

APPROVALS TO COLOMBIA 2010 (in millions of USD)

Client/Executing Agency	Operations	Objective	Amount	Term (years)
Republic of Colombia through the Ministry of Transportation with assistance from Transmilenio and the Urban Development Institute	Transmilenio Mass Transport Program (third loan)	Finance the works of the Mass Transport Program of Bogotá's Transmilenio, specifically in the Suba Avenue (Phase II Trunk Line), Phase III (Calle 26 Trunk Line and Carrera 10 Trunk Line).	102	18
Santa Marta International Terminal Company (SMITCO)	Expansion and modernization of the container cargo terminal of the port of Santa Marta	Expand and rebuild the area allocated to a new general cargo container terminal in the Port of Santa Marta.	16.8	12
Cementos Argos	Uncommitted revolving line of credit for corporate purposes	Support the operations and commercial areas of Cementos Argos, which are part of the Grupo Empresarial Antioqueño.	50	180 days
Bancodelx, Bancolombia, Bancolombia Panamá, Banco de Bogotá, Banco de Bogotá Panamá, Banco Santander, Findeter, Banco da Vivienda, Banco de Occidente, Citibank Colombia, BBVA Colombia, Banco Popular	Lines of credit, subordinated loans, equity investments, and guarantees	Finance foreign trade operations, investment projects, letters of credit, working capital, and investments in capital goods.	815	Various
Fundación Mundial de la Mujer-Popayán (Women's World Foundation) and Fundación Mundial de la Mujer-Bucaramanga	Lines of credit, subordinated loans, equity investments, and guarantees	Finance investment projects and working capital for the development of MSMEs.	4	Various
Various beneficiaries	Other operations with cooperation resources	Various	4.4	Various
Total			992.2	

APPROVALS BY STRATEGIC AREA 2010





OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF COLOMBIA

During 2010 CAF allocated USD 4.4 million to Colombia in cooperation funds. Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

INFRASTRUCTURE

- ▶ Financed preliminary studies to establish the potential and possible locations for logistic platforms that promote the agglomeration of services in the region of the Eje Cafetero.
- ▶ Supported technical studies for the construction of a new bridge in the binational border pass of Rumichaca between Colombia and Ecuador.
- ▶ Financed technical, legal, and commercial studies needed to involve private capital in the modernization and management of public fixed assets, in accordance with national policies.
- ▶ Signed an agreement with Bogotá's Chamber of Commerce, the District Mayors Office, and the Governors Office of Cundinamarca to develop the regional logistics plan.
- ▶ Financed social and environmental studies for the environmental and social action plan of Túnel La Línea.
- ▶ Financed studies of the border passes of Cucuta-San Antonio-Ureña, La Fria-Guarumito-Agua Clara and Paraguachon.

SOCIAL DEVELOPMENT

- ▶ Financed the preparation of the Drainage Master Plan for the Western Area of Baranquillas. The studies include the diagnosis of existing conditions, the evaluation of risks, the analysis of alternatives and feasibility of the works associated with the rain water sewage system, as well as the construction and rehabilitation of main and secondary channels, the protection of river beds and basins, and the formulation of regulatory guidelines for the control of informal settlements, urban development, and environmental regulation.
- ▶ Supported the Ministry of Environment, Housing, and Territorial Development in the institutional reorganization to respond to the priorities of the new government administration.
- ▶ Completed technical studies of the housing macro project of Bucaramanga, through which 10,000 housing units will be provided to low-income populations within the framework of a comprehensive and sustainable development.

ENVIRONMENTAL DEVELOPMENT

- ▶ Supported the Autonomous Regional Corporation of La Guajira and the Governor's Office of the State of Zulia in the zoning of natural and manmade threats, and risk analysis.
- ▶ Supported the dissemination of documents that summarize the contributions to the cultures of America and the world.
- ▶ Supported the organic production of food and its trade to improve the living conditions of farming families in vulnerable condition.
- ▶ Recovered critical and environmentally important areas of high-priority for the sustainability of water supply in the hydrographic basins, starting from the design of strategies to reduce the negative effects on water supply.
- ▶ Completed the support program to the Sectorial Ministry for the establishment of a program to strengthen forestry management.
- ▶ Signature of a contract to buy and sell emissions reductions with the Colombian company Pisano, S.A. to develop a reforestation project in the Northern area of the Chocó.

SOCIAL SUSTAINABILITY

- ▶ Supported the improvement in the quality of life of at-risk communities, together with Artesanías de Colombia by developing the wool crafts chain. More than 400 artisan women and their families will benefit from this project that promotes training and the development of teachers, so that knowledge may be replicated and promoted in the area as an income generating opportunity.
- ▶ Promoted a cooperative dedicated to the semi-automatic manufacture of low-cost masonry blocks, together with the Mario Santo Domingo Foundation. The initiative will benefit close to 30,000 families that will establish the Ciudad del Bicentenario in Cartagena. The project will contribute to satisfy the demand for 1.75 million blocks per year that Ciudad del Bicentenario requires, and provide the community with an income-generating activity that will provide a base for the creation of new enterprises, crafts, and productive activities.

COMPETITIVENESS

- ▶ Signed an agreement with the National Association of Foreign Trade to develop agribusiness.
- ▶ Subscribed an agreement with the Management of the Mesoamerican Integration and Development Project to support the Business and Investment Roundtable for exporting SMEs of the Mesoamerican region.
- ▶ Supported the stock exchange through the promotion of the first phase of the integration of the Chilean, Colombian, and Peruvian stock exchanges.
- ▶ Strengthened the capacity of Incubar del Caribe as a national pilot project through technological transfer from Octantis (Chile).
- ▶ Implemented a project with the Colombian stock exchange to support the establishment of good governance codes in 20 companies.
- ▶ Supported the Finance Secretariat of Bogotá in the implementation of transparency and good governance best practices.

GOVERNANCE

- ▶ In support of the region's institutions, granted resources to strengthen democratic governance through the Governance and Policy Management Program.
- ▶ Strengthened community and cultural development through the Leadership for Change Program in its Sixth Phase, the Josué Program for Local Promotion and Development Centered on Youth in the Department of El Chocó, and the Strengthening of Productive Units in Padilla (Cauca).

SMEs AND MICROFINANCE

- ▶ Supported the Financial Superintendency of Colombia to improve microcredit regulations and strengthen its supervision.
- ▶ Strategic review of Bancoldex as a development bank, to establish its role in the country's economic development, in particular, regarding its contribution to enhancing of access to financial services and as promoter of non-financial services for the real sector.

Road development program in Valle de Los Chillos

Community development environmental Program



Colón Archipelago, Galapagos Island



ECUADOR

In USD million	2010	2006-2010
Approvals	901	4,490
Sovereign risk	703	3,339
Non-sovereign risk	198	1,151
Disbursements	721	3,375
Sovereign risk	616	2,362
Non-sovereign risk	105	1,013

In USD million	2010
Loan portfolio	2,437
Sovereign risk	2,285
Non-sovereign risk	152



During 2010 CAF approved USD 901 million to Ecuador, of which 78% (USD 703 million) corresponded to sovereign risk operations and 22% (USD 198 million) to non-sovereign risk operations.

Especially noteworthy are the operations for USD 598 million in the areas of *infrastructure and social and environmental development*, which represented 66.4% of the total. Resources will be directed at financing the Environmental Sanitation Program for Community Development (USD 300 million) to build and rehabilitate potable water systems, sanitary and rain sewage, treatment of waters, and management of solid wastes; the Program to Support Public Investment in the social sector (USD 250 million), which is part of the 2010-2011 Annual Investment Plan; and the Highway Development Program in the Valle de Los Chillos (USD 48.2 million) to improve and expand the road infrastructure linked to the General Rumiñahui Highway which connects the valley with the city of Quito.

In addition, CAF approved USD 267 million to support the *productive sector* through public and private banks, mainly aimed at stimulating economic growth. Of the total approved during the year, USD 155 million were allocated to the banking system through lines of credit to finance foreign trade operations, working capital, and investments in capital goods; USD 100 million to finance credit operations for small and medium entrepreneurs through Corporación Financiera Nacional; and USD 12 million to support the development of MSMEs in the country.

Likewise, the Institution granted resources directly to the *corporate sector* to support export companies which have demonstrated a greater competitiveness, as well as to leading companies in the local market which participate in sectors of strategic importance for the country's economy. Worth mentioning are the USD 20 million in favor of Corporación La Favorita, USD 6 million in favor of IPAC, and USD 5 million in favor of Novopan. Resources were granted to finance investment projects, foreign trade operations, and working capital.

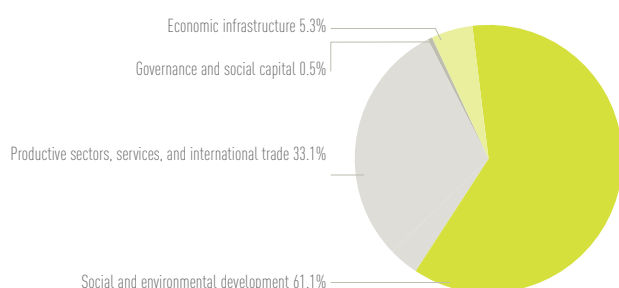
APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	604	517.8
Sovereign	598.2	514
<i>Investment programs and projects</i>	348.2	114
<i>Programatic and SWAPS</i>	250	400
Non-sovereign	6	3.8
Lines of credit (enterprises and banks)	292	201
Cooperation funds	4.4	2.6
Total	900.6	721.4

APPROVALS TO ECUADOR 2010 (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Provincial Government of Pichincha (with a guarantee from the Republic of Ecuador)	Highway development program in the Valle de Los Chillos	Improve and expand the road infrastructure (intersections and connections) from and to the General Rumiñahui Highway, which connects the valley with the city of Quito.	48.2	15
Republic of Ecuador, Banco del Estado	Environmental sanitation program for community development (Promadec II)	Finance the construction, improvement, and rehabilitation of potable water systems, sanitary and rain sewage, treatment for waste waters, construction of projects to manage solid residues, complementary works, supervision, and execution of the plan for environmental management.	300	18
Republic of Ecuador, Secretariat of Finance	Program to support public investment in the social sector of Ecuador (PAISSE)	Contribute to the development of the Annual Investment Plan (2010-2011), within the framework of the National Development Plan 2009-2013 and the 2009-2011 Social Agenda, through the execution of an investment program in the social area.	250	12
Corporación La Favorita	Revolving uncommitted line of credit	Finance working capital for Corporación La Favorita.	20	Up to a year
IPAC	Financing trade, working capital, and investment projects	Finance investment projects, foreign trade operations, and working capital.	6	5
Novopan	Financing trade, working capital, and investment projects	Finance investment projects, foreign trade operations, and working capital.	5	Up to a year
Corporación Financiera Nacional (sovereign guarantee)	Line of credit with sovereign guarantee	Finance foreign trade operations, working capital, and investments in capital goods.	100	1
Banco Bolivariano, Banco Guayaquil, Banco Pichincha, Banco Internacional, Banco de la Producción	Financing trade and working capital	Finance foreign trade operations, working capital, and investments in capital goods.	155	Various
Banco Procredit	Revolving uncommitted line of credit and partial credit guarantee	Finance MSMEs.	12	Various
Various beneficiaries	Other operations with cooperation resources	Various	4.4	Various
Total			900.6	

APPROVALS BY STRATEGIC AREA 2010





OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF ECUADOR

INFRASTRUCTURE

- ▶ Channeled resources through operations with sectional governments to undertake infrastructure studies in the areas of potable water, sewage, solid wastes: study and final design of bridges in the secondary road network of the province of Esmeraldas.
- ▶ Studies to improve integration roads in the rural areas of the Province of Manabi.
- ▶ Road solution in the Southern sector of the city of Esmeraldas.
- ▶ Supported the Municipalities of Manta and Riobamba to strengthen Municipal management, collect property registry and territorial information of the cantons, and conduct studies on urban development and the construction of rural roads.

SOCIAL DEVELOPMENT

- ▶ Approved studies for developing the potable water and sewage Master Plan for the Municipality of Mejía, as well as the pollution prevention and control plan of water bodies, and technical assistance for the creation of the potable water, sewage, and garbage collection cantonal company.
- ▶ Approved a technical cooperation to the Metropolitan District of Quito to conduct studies and provide the social support necessary to relocate families living on the banks and beds of high ravines.
- ▶ Supported the Pontificia Universidad Católica del Ecuador to transform the current academic structure, educational model, and physical plant of the University into a new concept which will boost research as the main source of financing.

During 2010, CAF granted USD 4.4 million to Ecuador in cooperation funds. Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

SOCIAL**SUSTAINABILITY**

- ▶ Approved a technical assistance for the educational unit San Daniel Comboni aimed at training teachers, educating in family values, and improving the academic education of students through the practice of soccer. The school has become a reference on teaching methodology.
- ▶ Implemented the Social Inclusion through Music Program, while strengthening its orchestral and choral aspects.
- ▶ Consolidated training in crafts and heritage rescue in three workshop schools (Cuenca, Quito, and San Andres) in alliance with the Spanish Agency for International Cooperation and Development, and other institutions.

SMEs**AND MICROFINANCE**

- ▶ Supported the organization of the XX Forum of Microfinance organized by the Rural Financial Network, held in Quito. The forum generated a space for discussion regarding the promotion and development of microfinance in the region.

ENVIRONMENTAL**DEVELOPMENT**

- ▶ Conducted a feasibility study for implementing solid waste infrastructure and adaptation and mitigation of climate change in the Province of Guayas.
- ▶ Designed and implemented a system for managing hospital waste in the four main hospitals of the Junta de Beneficencia de Guayaquil, whose executing agency is the Honorable Provident Society of Guayaquil.
- ▶ Developed an information system to monitor protected natural areas in the Andean-Amazon Region (Ecuador-Peru) with Universidad de Cooperación Internacional.
- ▶ Supported the development of public policies from the civil society on the subject of land tenure security and incentives for forest conservation, whose executing agency is Corporación de Estudios Ambientales.
- ▶ Supported the organization of the Workshop on the Management of Marine Coastal Protected Areas of Ecuador and Peru, in partnership with Ecobiotec, the State Department of the United States, and the World Conservation Fund.

COMPETITIVENESS

- ▶ Signed an agreement with Corporación para el Desarrollo Económico y Territorial Esmeraldas, to develop entrepreneurial capacities.
- ▶ Signed an agreement with Fundación Mujer y Familia Andina, to develop a sustainable model of production, transformation, and marketing.
- ▶ Signed an agreement with Fundación Forestal Juan Manuel Durini to strengthen the cocoa and lumber value chains in the Province of Esmeraldas.
- ▶ Supported the Ecuadorean Committee of Economic and Territorial Development in the II Latin American Forum of Local Economic Development Agencies.
- ▶ Continued the project to create the Academic Unit of Corporate Governance, which gathers an important group of higher education institutions.
- ▶ Signed an agreement with Banco Bolivariano to establish principles and guidelines that will enable the adoption and implementation of corporate governance best practices.

GOVERNANCE

- ▶ Signed agreements with the Pontificia Universidad Católica del Ecuador and the Universidad Católica Santiago de Guayaquil for the ninth consecutive year of the Governance and Policy Management Program. Two hundred participants in twelve provinces were trained.
- ▶ Supported the Prefecture of Pichincha for its ISO 9001 certification in process improvement and internal training.
- ▶ Continued the Leadership for Change Program in alliance with the Escuela Superior Politécnica del Litoral in its fourth graduating class. Seventy-four cantons participated in the cities of Azogues, Galapagos, Guayaquil, Manta, and Quito.
- ▶ Implemented the second stage of the Regional Program for Updating and Improving Local Management in the Municipalities of Manta and Riobamba.
- ▶ Developed a systematic financial and budgeting model and a geo-referenced map for managing cadastral information.

Sanitation project for the city and bay of Panama

Program for the expansion of the Panama Canal



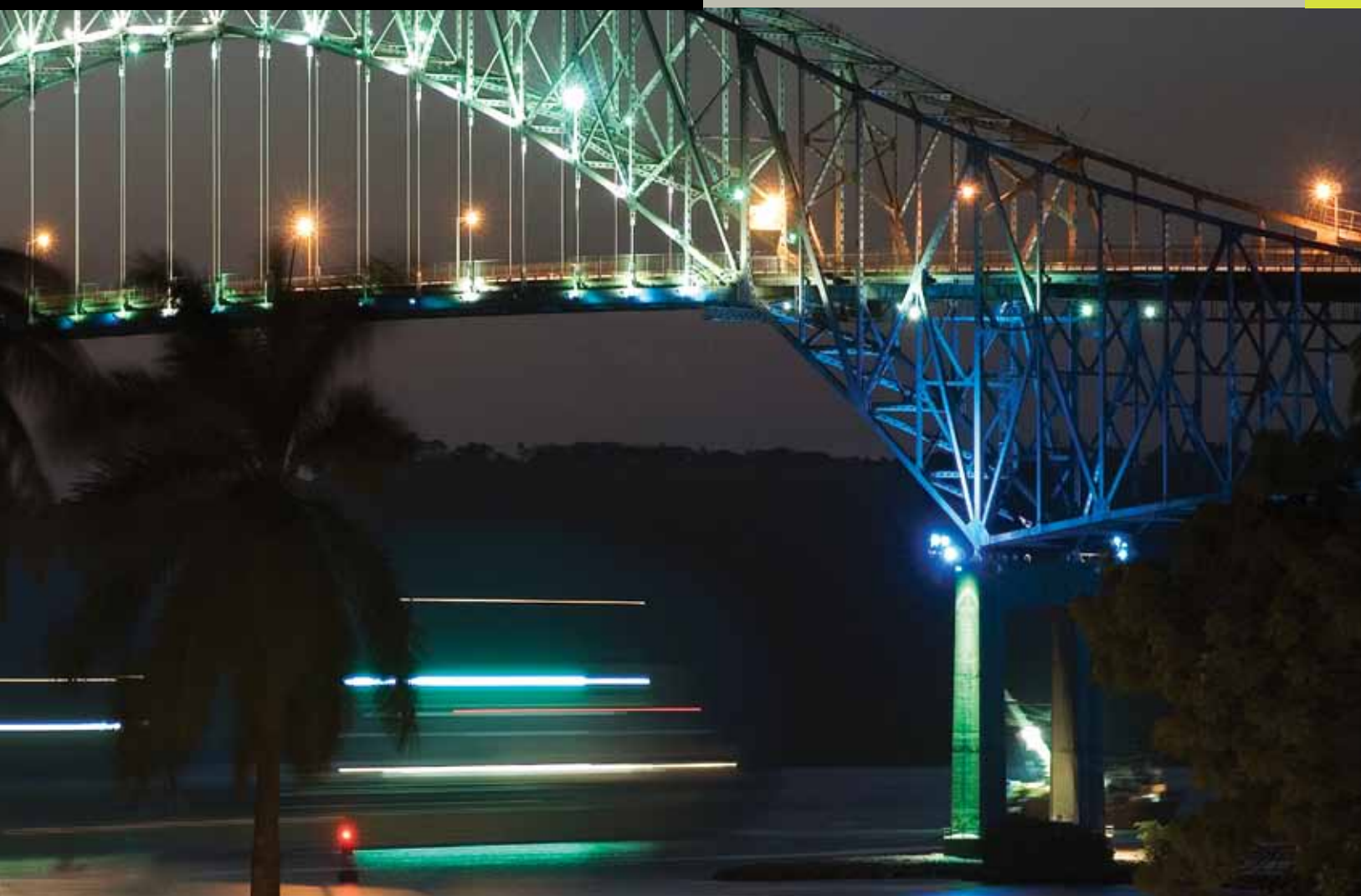
Panama City



PANAMA

In USD million	2010	2006-2010
Approvals	312	1,232
Sovereign risk	222	719
Non-sovereign risk	90	513
Disbursements	23	106
Sovereign risk	3	85
Non-sovereign risk	20	21

In USD million	2010
Loan portfolio	90
Sovereign risk	70
Non-sovereign risk	20



During 2010, CAF approved USD 312 million to Panama, of which 71% (USD 222 million) corresponded to sovereign risk operations and 29% to non-sovereign risk operations.

The Institution allocated USD 220 million to the *social and environmental* sectors. Of this amount, it granted USD 120 million to the Sanitation Project of the City and Bay of Panama to finance the construction of civil works, the supply of building materials and equipment for the construction of an Interceptor Tunnel, and a plant for the treatment of waste. In addition, it allocated USD 100 million to the Investment Program in the potable water and sanitation sector of the Province of Panama to improve the living conditions of the population by means of the expansion and sustainable improvement of the coverage, quality, efficiency, and reliability of the potable water and sanitary sewage services.

Likewise, CAF approved USD 50 million through revolving lines of credit to a number of banks to contribute to initiatives with high social, environmental, and productive impact by financing foreign trade operations, working capital, and capital investments.

CAF also provided USD 40 million to Electron Investment, S.A., to support the construction of the hydroelectric generators Pando and Monte Lirio that will be operated in sequence using the flow of the high and middle sections of the Chiriqui Viejo River, located in the Western part of the country.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

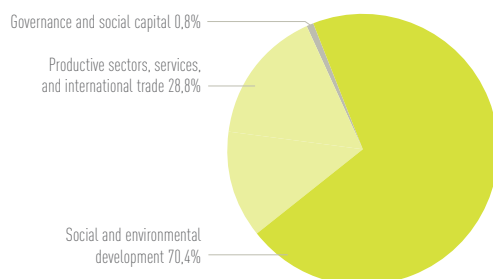
	Approvals	Disbursements
Medium- and short-term loans	260	2.5
Sovereign	220	2.5
<i>Investment programs and projects</i>	220	2.5
Non-sovereign	40	-
Lines of credit (enterprises and banks)	50	20
Cooperation funds	2.4	0.9
Total	312.4	23.4

APPROVALS TO PANAMA 2010 (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Republic of Panama, through the Ministry of Economy and Finance, and Ministry of Health	Sanitation project of the city and bay of Panama	Finance the construction of civil works, materials and equipment for the interceptor tunnel and of the waste water treatment plant of the city and bay of Panama	120	18
Republic of Panama, through the Ministry of Economy and Finance, and the Instituto de Acueductos y Alcantarillados Nacionales (IDDAN)	Investment program in the potable water and sanitation sector of the province of Panama	Improve the living conditions of the population of the province of Panama through the sustainable expansion and improvement of coverage, quality, efficiency, and reliability of potable water and sanitary sewage services	100	18
Electron Investment, S.A. (EISA)	Senior and subordinated long-term loans	Design, build, and equip the run-of-river hydroelectric generators Pando and Monte Lirio that will operate in sequence and will use the waters of the high and middle parts of the Chiriquí Viejo river located in Western Panama	40	13
BBVA Panama, La Hipotecaria, Global Bank Corporation	Uncommitted revolving line of credit	Finance foreign trade operations and working capital	50	Various
Various beneficiaries	Other operations with cooperation resources	Various	2.4	Various
Total			312.4	

89

APPROVALS BY STRATEGIC AREA 2010





OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF PANAMA

INFRASTRUCTURE

- ▶ Financed studies to establish the hydrocarbon potential of Panama, with the objective of attracting exploratory risk capital and confirm the existence of commercial hydrocarbons, such as natural gas and oil derivatives, for domestic consumption.
- ▶ Conducted initial location and investment studies for the construction of a new international airport in the central provinces of the country. Currently, the studies are in the stage of technical and financial feasibility.

SOCIAL DEVELOPMENT

- ▶ Structured a strategy, with the National Government and the National Institute of Aqueducts and Sewage (IDAAN), aimed at improving the infrastructure of the potable water and sanitary sewage services as well as the quality of public management and its sustainability. With joint efforts from CAF, the IDB, and the World Bank, support has been provided to IDAAN and the Government's sector entities to design a set of reforms that guarantee more and better services for the population, complementing the credit operations approved for the sector during 2010.
- ▶ Supported the Early Childhood Development Program conducted by the Office of the First Lady of the Republic of Panama, through the Coordination Office for Community and Social Matters of the Ministry of the Presidency of the Republic, which includes actions aimed at strengthening rural families and, in particular, childhood, on aspects regarding education, health, nutrition, and early stimulation, among others.
- ▶ Held workshops of the Itinerant Latin Conservatory as part of CAF's Social Inclusion through Music Program.

During 2010, CAF approved USD 2.4 million to Panama in cooperation funds.

Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

COMPETITIVENESS

- ▶ Supported the V Competitiveness Forum which is held annually by the National Competitiveness Center. The forum constitutes a space of discussion, analysis and meeting place for the public and private sectors to identify the obstacles that limit competitiveness in the country and propose actions to overcome them.
- ▶ Signed a cooperation agreement with the Federated Association of Chambers of Commerce of the Central American Isthmus for the Project to Support Entrepreneurship and Local Development in Central America .The initiative seeks to facilitate inter-institutional dialogue aimed at seeking feasible solutions for deficiencies in subjects related to entrepreneurial culture and competitive local development in countries of Central America and the Caribbean.
- ▶ Supported the First Tuesday Panama workshops organized by the Foundation for the Economic and Social Development of Panama to exchange experiences between entrepreneurs, investors, and businesspeople.

GOVERNANCE

- ▶ Supported the Governance and Policy Management Program in alliance with the University of Panama and the George Washington University.
- ▶ Started the Leadership for Change Program to develop and train natural leaders with a national vision and democratic values so they can exercise leadership with responsibility and true knowledge.

Road integration works between Argentina and Paraguay

Program to support social and infrastructure investments



Jesus and Trinidad ruins



PARAGUAY

In USD million	2010	2006-2010
Approvals	36	151
Sovereign risk	1	86
Non-sovereign risk	35	65
Disbursements	51	71
Sovereign risk	51	63
Non-sovereign risk	0	8

In USD million	2010
Loan portfolio	66
Sovereign risk	64
Non-sovereign risk	2



During 2010, CAF approved USD 36 million to Paraguay, of which 98.4% (USD 35 million) corresponded to non-sovereign risk operations and 1.6% (USD 1 million) to sovereign risk operations.

The Institution supported the country's *productive sector* by allocating USD 35 million to finance investment projects and foreign trade and working capital operations through lines of credit granted to several banks. Resources were aimed at stimulating economic growth and enabling a prompt response to the financial crisis.

During the year, especially noteworthy are the disbursements to the Program in Support of Social and Infrastructure Investments to promote economic reactivation by implementing investment programs with high economic and social impact in the agricultural, housing, education, and infrastructure sectors.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	0	51
Sovereign	-	51
<i>Investment programs and projects</i>	-	51
Lines of credit (enterprises and banks)	35	-
Cooperation funds	0.6	0.1
Total	35.6	51.1

APPROVALS TO PARAGUAY 2010 (in millions of USD)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Banco Regional	Financing trade, working capital, and investment projects	Financing trade, working capital, and investment projects	5	1
Banco BBVA Paraguay	Financing trade, working capital, and investment projects	Financing trade, working capital, and investment projects	15	1
Banco Continental S.A.E.C.A.	Financing trade, working capital, and investment projects	Financing trade, working capital, and investment projects	15	1
Various beneficiaries	Other operations with cooperation resources	Other operations with cooperation resources	0.6	Various
Total			35.6	



OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF PARAGUAY

During 2010, CAF granted USD 600,000 to Paraguay in cooperation funds. Resources were channeled directly to beneficiaries or through the various special programs developed by the Institution.

- ▶ The Institution allocated USD 350,000 to the Urupabol Gas Pipeline to conduct studies for the gas interconnection from Bolivia to Paraguay and Uruguay. To conduct this initiative with resources from the ProInfra Fund, the Institution called for international bids to develop a feasibility study on the interconnection alternatives and to make recommendations for the energy integration of these three countries.
- ▶ Likewise, CAF provided support for the Women's Secretariat by allocating USD 200,000 to the Project to consolidate the institutional mechanisms for providing services, preventing and protecting victims of slavery. The project seeks to improve the actions of the public sector against slavery, enabling the coordination of comprehensive actions; the preparation of a manual to provide support to the victims, and standardized information for servicing, preventing, protecting, and reintegrating women and girls who have been victimized; the design and implementation of a model of social and economic reintegration of victims; and the institutional strengthening of the Women's Secretariat.
- ▶ In addition, the Institution approved a non-reimbursable technical cooperation of USD 300,000 to finance a program to improve the conditions to conduct educational activities in the public and private institutions that comprise the Agricultural Educational System of Paraguay. The executing agency is the Ministry of Agriculture and Livestock.

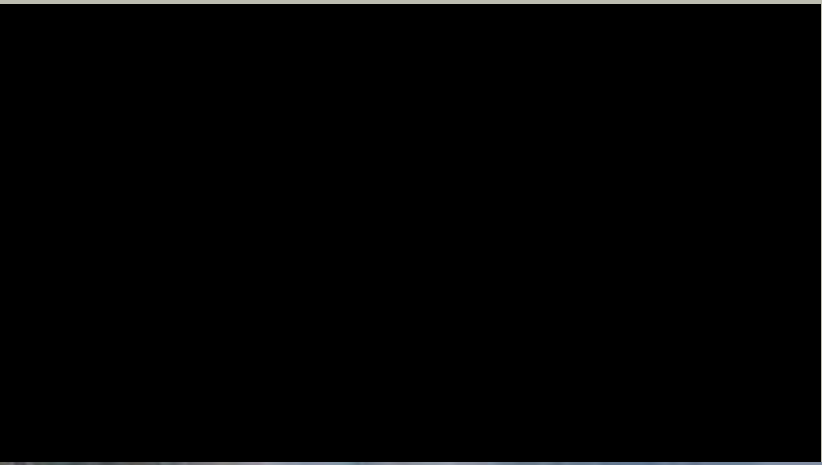
Modernization and environmental adaptation of La Pampilla Refinery

Peru-Brazil Inter Oceanic Road Corridor



Machu Picchu





In USD million	2010	2006-2010
Approvals	1,693	7,560
Sovereign risk	731	3,306
Non-sovereign risk	962	4,254
Disbursements	2,494	6,889
Sovereign risk	612	1,592
Non-sovereign risk	1,882	5,297

In USD million	2010
Loan portfolio	2,186
Sovereign risk	1,440
Non-sovereign risk	746

PERU



During 2010, CAF approved USD 1,693 million to Peru, of which 43% (USD 731 million) corresponded to sovereign risk operations and USD 56.8% (USD 962 million) to non- sovereign risk operations.

Total approvals included USD 597 million for renewals of lines of credit to banks and microfinance institutions to support the *productive sector*, USD 115 million for partial credit guarantees, and USD 100 million for revolving lines of credit granted directly to companies.

In the area of *economic infrastructure*, the Institution allocated resources mainly to the transportation sector. In this regard, it provided USD 200 million for the completion of the remaining works of tranches 2, 3, and 4 of the Peru-Brazil Interoceanic Road Corridor Project (IIRSA Sur)-Final Phase.

In addition, CAF allocated USD 300 million to the Program for the rehabilitation and improvement of road infrastructure. The program consolidates the strategy to guarantee the adequate maintenance and structural improvements of the national road network.

Likewise, CAF approved USD 227 million in favor of the areas of *social and environmental development*. Of this amount, USD 77 million were granted to Sedapal for the construction of the basic infrastructure that will enable the provision of potable water serviced for close to 2,400,000 inhabitants (approximately 500,000 households) located in the marginal areas of the Northern and Eastern Cones of Metropolitan Lima. In addition, it approved USD 150 million to support the execution of the Comprehensive Majes Siguan II Project, located in the Department of Arequipa in the South of Peru.

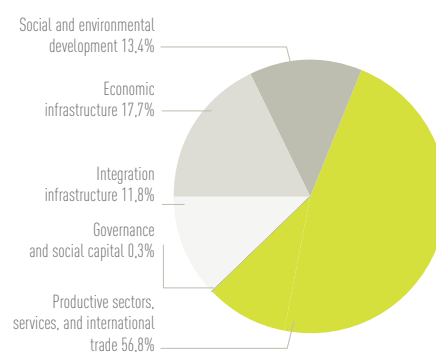
In the *productive sector*, two co-financing operations are worth noting: one for USD 50 million in favor of Gas Natural de Lima y Callao, S.A., for investments in the distribution network and expansion of the capacity of the distribution system in Callao and Lima; and another for USD 50 million for medium-term financing granted to Refinería La Pampilla, S.A. for investments in maintenance, environmental improvements, and initial studies for the modernization and environmental adaptation.

In favor of the *SME and microfinance* sector, the Institution approved lines of credit for USD 47 million for several institutions specialized in microfinance, expanding access to financial services to the micro entrepreneurial sector as well as to the least favored segments of the population.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium-and short-term loans	827	768
Sovereign	727	609
Investment programs and projects	427	309
Programatic and SWAPS	300	300
Non-sovereign	100	160
Lines of credit (enterprises and banks)	697	1,722
Partial credit guarantees	115	-
Equity investments	50	-
Cooperation funds	4.2	4
Total	1,693.2	2,494

APPROVALS BY STRATEGIC AREA 2010



APPROVALS TO PERU (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Republic of Peru, through the Regional Government of Arequipa, by means of the Special Majes Sigwas Project, also called Autonomous Authority of Majes (Autodema)	Majes Sigwas project phase II	Use the surplus waters of the Apurimac River by building branching, regulation, collection, and conduction works to promote agricultural and social development in the Sigwas Region, in the Department of Arequipa.	150	18
Republic of Peru, Ministry of Economy and Finance, through Dirección Nacional de Endeudamiento Público	Investment program to improve and rehabilitate the road infrastructure	Recognize investments made and committed in 2010 for the implementation of the Program for investing in improvement on rehabilitation of the road infrastructure, to preserve and update the road infrastructure by implementing improvement and rehabilitation road projects with a significant impact in the various regions of the country.	300	6
Republic of Peru, through the Ministry of Economy and Finance, Potable Water and Sewage Services in marginal areas of Lima (Sedapal)	Potable water and sewage improvement project in marginal areas of Lima	Develop the basic infrastructure to supply potable water to 2,400,000 inhabitants (approximately 500,000 households), predominantly low-income, located in marginal areas of the Northern and Eastern cones of Lima.	77	18
Republic of Peru, Ministry of Transportation and Communications, through the National Transportation Infrastructure Special Project (Provias Nacional)	Interoceanic road corridor Peru-Brazil (IIRSA Sur), Tranches 2, 3, and 4-Final phase	Complete the remaining works of tranches 2, 3, and 4 of the Peru-Brazil Inter-oceanic road corridor (IIRSA Sur), to consolidate it as the structural element of development of the Southern region of Peru and its integration with the rest of the country and Bolivia.	200	15
Refinería La Pampilla, S.A.	Non-sovereign long-term loan	Finance investments in maintenance, environmental improvements, and preliminary studies for the modernization and environmental adaptation of the La Pampilla Refinery.	50	5
Gas Natural de Lima y Callao, S.A. (Calidda)	Non-sovereign long-term loan	Finance the program to expand the distribution network and the extension of the distribution system in Callao and Lima.	50	10
Brookfield Infrastructure Fund	Capital investment	Capitalize the fund to invest in infrastructure projects in Peru.	40	12
Enersur	Partial credit guarantee	Finance a combined cycle project (closing the cycle of the three gas turbines) through the installation of a vapor turbine with an installed capacity of 275 MW.	50	13
Cemento Andino	Partial credit guarantee	Purchase and install the machinery and mechanical equipment for expanding the production capacity of the factory.	65	8
Graña y Montero, S.A.	Revolving credit line to issue letters of guarantee	Guarantee the obligations and responsibilities of GyM to other institutions.	50	2
Enfoca Discovey Fund	Capital investment	Support investments in sectors with high-growth potential and limited access to the country's capital markets.	10	10
Abengoa Transmisión Sur	Uncommitted revolving line of credit with guarantee	Finance infrastructure projects in the region.	50	Up to 36 months
Banco de Crédito de Peru, BBVA Banco Continental, Scotiabank Peru	Financing foreign trade, working capital, and investment projects	Finance investment projects, foreign trade operations, and working capital.	550	Various
Mibanco, Leasing Peru, Edpyme Crear Arequipa, Edpyme Nueva Emision, Caja Municipal de Ahorro y Crédito Arequipa, Caja Rural de Ahorro y Crédito Nuestra Gente, Financiera Confianza	Financing foreign trade, working capital, and investment projects of MSMEs	Support leasing operations and finance MSMEs	47	Various
Various beneficiaries	Other operations with cooperation resources	Various	4.2	Various
Total			1,693.2	

OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF PERU

INFRASTRUCTURE

- ▶ Supported Proinversion in the evaluation of the feasibility study for the private initiative of the Multimodal Transportation System for Huincho, for the construction of the Andahuaylas–Marcona railway line.
- ▶ Supported the Ministry of Transportation and Communications to increase its capacity to identify, analyze, and evaluate railway projects, through the Methodology and Evaluation of Railway project.
- ▶ In cooperation with the National Port Authority, established strategies to develop the National Port System, with the contribution of Valenciaport.

SOCIAL DEVELOPMENT

- ▶ Approved cooperation resources for the Ministry of Education for the project on Evaluation for the Generalization of the Basic Curricular Design for Superior Technological Institutes, in line with the need to strengthen specialized institutes in Peru.
- ▶ Organized a workshop for the Ministry of Health to disseminate concept and experiences on public private alliances and their potential to develop projects in the health sector.
- ▶ Supported the Provincial Municipality of Trujillo in the second stage of the program to strengthen municipal management to promote the project Improvement of the Territorial Information System of the District of Trujillo. The project will enable the optimization of municipal revenues.
- ▶ Cooperated with the Ministry of Economy and Finance for the development of the Assistance Program for the Modernization of the Management and Fiscal Policy of Decentralization.

During 2010, CAF granted USD 4.2 million to Peru in cooperation funds. Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

SOCIAL**SUSTAINABILITY**

- ▶ Supported the consolidation of 180 credit and loan units, as well as the creation of a regional network to strengthen their functioning and bring them closer to the formal financial system. To date, support has been provided for the creation of 350 units, benefitting 5,100 families living in extreme poverty in the region and enabling the development of 12 productive chains.
- ▶ Supported the consolidation of the workshop schools in Arequipa, Colca, Cusco, and Lima.
- ▶ Held orchestral and choral training workshops.

ENVIRONMENTAL**DEVELOPMENT**

- ▶ Supported the National Water Authority to comply with a commitment with the regions of Cajamarca, Lambayeque, and Piura in determining the availability of water in the hydraulic system of the Huancabamba River Basin.
- ▶ Hired consultants to formulate the social and environmental investment program to mitigate the indirect impacts of the Southern Interoceanic Corridor.
- ▶ Supported workshops to execute the environmental and social management program of the Southern Interoceanic Corridor.
- ▶ Supported PREVEN in the development of strategic plans manuals, and the preparation of a project portfolio for the prevention of disasters.
- ▶ Supported the Ministry of the Environment in the preparation of the National Environmental Action Plan.
- ▶ Supported the Municipality of Maynas in promoting the sustainable management of solid refuses, energy eco-efficiency, and territorial planning.
- ▶ Developed an information system to monitor the natural protected areas of the Andean-Amazonian region (Ecuador-Peru).

COMPETITIVENESS

- ▶ Implemented a project with the regional government of La Libertad for Sustainable Tourism and Territorial Economic Development in the Archeological Route of Los Moche.
- ▶ Developed a pilot project for the Fair Trade System in the textile manufacturing cluster.
- ▶ Implemented a program to support entrepreneurship through the Business Plans Contest Challenge Peru 2010.
- ▶ Conducted the pilot project Trade Information Systems to promote non-traditional exports.
- ▶ Supported the program Peru 2011 Elections: Centering the Electoral Debate by means of specialized workshops initiative and documents.
- ▶ Conducted the seminar that launched the Integration of the Stock Exchanges in Chile, Colombia, and Peru.
- ▶ Supported the Corporate Governance Program offered through the Lima Stock Exchange for 20 Peruvian enterprises.
- ▶ Implemented the Territorial Information System of the District of Lince.

FINANCIAL SECTOR

- ▶ Supported institutions of the financial system and the local capital market, such as Procapitales, Lima Stock Exchange, and Superintendency of Banking, Insurance, and Pension Fund Administrators to strengthen and consolidate the sector.

Palacio Salvo's garden



Palacio Salvo, Montevideo



View of Uruguayan camp



URUGUAY

In USD million	2010	2006-2010
Approvals	120	1,447
Sovereign risk	120	1,358
Non-sovereign risk	-	89
Disbursements	95	714
Sovereign risk	95	714
Non-sovereign risk	-	-

In USD million	2010
Loan portfolio	657
Sovereign risk	657
Non-sovereign risk	-



During 2010, CAF approved USD 120 million to Uruguay, all of which were sovereign risk operations.

In view of Uruguay's new condition as a full member of the Institution, in December 2010 CAF inaugurated its new country office in Montevideo which, according to the decentralization process, houses the infrastructure and corporate and financial projects divisions for the Southern region.

In the first year of the establishment of its office in the country, CAF continued supporting the Uruguayan government's public debt management strategy through the renewal of a contingent line of credit for USD 120 million.

In addition, and in line with CAF's Agenda for Development, the Institution continued to support the ongoing programs and projects in the areas of electricity, water and sanitation, and road infrastructure.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	0	95.2
Sovereign	-	95.2
Investment programs and projects	-	95.2
Contingent credit lines	120	-
Cooperation funds	0.3	0.1
Total	120.3	95.3

APPROVALS TO URUGUAY 2010 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Oriental Republic of Uruguay-Ministry of Economy and Finance	Non-committed contingent line of credit	Support the efforts of the National Government in the execution of its public debt management strategy through a preventive financing instrument which would provide financial resources in the event that access to international capital markets is not available under conditions consistent with that strategy.	120	18
Various beneficiaries	Other operations with cooperation resources	Various	0.3	Various
Total			120.3	

OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF URUGUAY

During 2010, CAF granted USD 300,000 to Uruguay in cooperation funds. Resources were channeled directly to the beneficiaries or through the various special programs developed by the Institution.

- ▶ From a technical assistance perspective, during 2010 CAF provided support in various subjects of strategic interest for the country, among which it is worth mentioning the approval of a technical cooperation with Proinfra funds for USD 150,000 in favor of the National Corporation for Development (CND), to conduct a workshop on structuring and evaluating public-private association projects regarding the construction and operation of prisons. The project constitutes one of the pillars of the prison emergency law introduced by the current government. In addition, the same technical cooperation conducted a training workshop on trust funds and fiduciary funds.
- ▶ Likewise, to strengthen the Road Corporation of Uruguay (CVU), CAF granted a non-reimbursable technical cooperation with Proinfra funds for USD 35,000 for the preparation of a manual on procedures to supervise CVU's road contracts and provide training to project directors.
- ▶ Regarding productive development, CAF granted a technical cooperation for USD 124,000 to the Asociación Empretec to strengthen and internationalize the farm sector productive chains, and the fruit, citric, and apiculture productive chains.
- ▶ In the area of social development, with the purpose of strengthening social inclusion and community integration, the Institution approved a technical cooperation for USD 6,000 for the National System of Youth and Children's Orchestras of Uruguay to support the strengthening of the musical movement through the first large itinerant workshop on orchestral training that will bring together 120 youth from around the country. The project is conducted within the framework of the Social Inclusion through Music Program.



Program to support the National Mass Transport System

Tocoma's Hydroelectric Plant



Tepui, Amazonas state



VENEZUELA

In USD million	2010	2006-2010
Approvals	1,638	3,994
Sovereign risk	1,638	3,803
Non-sovereign risk	-	191
Disbursements	685	2,328
Sovereign risk	685	2,328
Non-sovereign risk	-	-

In USD million	2010
Loan portfolio	2,228
Sovereign risk	2,228
Non-sovereign risk	-



During 2010, CAF approved USD 1,638 million to Venezuela, which corresponded entirely to sovereign risk operations.

It is worth mentioning the joint efforts of CAF and the Central Government to finance the expansion of the country's energy *infrastructure*. CAF contributed USD 1,391 million (85% of the total amount approved during the year) to this end. In addition, the Institution approved USD 500 million to the Program to Strengthen the National Electric System, which includes the rehabilitation and construction of new thermal generation installations.

Likewise, the Institution allocated USD 600,000 million for the Manuel Piar Hydroelectric Plant, which seeks to make efficient use of the sources of the Caroní River in the State of Bolívar, and continued supporting the construction of the Termozulia III project by providing USD 165 million for the construction and initiation of operations of the combined cycle plant located in Maracaibo.

In addition, CAF approved a loan for USD 126 million for the construction of encapsulated sub-stations in the urban area of Maracaibo. The projects are part of the investments made by the National Government to improve electricity generation capacity in the country and satisfy the projected demand of the National Interconnected System with improved reliability.

Furthermore, CAF approved USD 104 million for the Program to Support the Mass Transportation System, which seeks to solve the problems of mobility, congestion, and land management of cities, as well as to optimize the reliability and security of the services in operation.

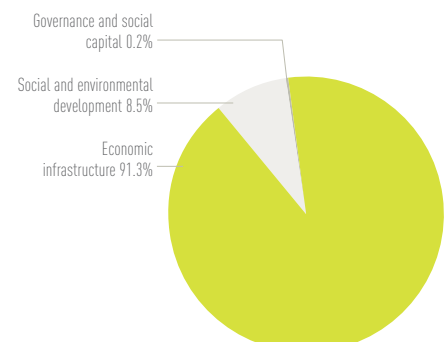
In the area of *social and environmental development*, CAF approved USD 140 million for the construction of the first phase of the Simon Bolivar Social Inclusion through Music Complex, in support of the National System of Youth and Children's Orchestras of Venezuela. It is worth mentioning that the architectural project, submitted to a rigorous contest, is the best reference in Latin America for the development of music that provides development opportunities to children and youth through the creation of spaces for the adoption of civic, ethical, and moral values, the adequate use of free time, and participation in a constructive social life.

CAF also continued supporting other social development projects such as the Program to Modernize and Rehabilitate the Potable Water and Sanitation Sector, the National Environmental Management and Conservation Project to improve environmental conditions through regional laboratories of environmental quality and the optimization of local environmental management, and the Yacambúj-Quíbor System.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010 (in USD million)

	Approvals	Disbursements
Medium- and short-term loans	1,635	684
Sovereign	1,635	684
Investment programs and projects	1,135	384
Programatic and SWAPS	500	300
Cooperation funds	2.8	0.8
Total	1,637.8	684.8

APPROVALS BY STRATEGIC AREA 2010



APPROVALS TO VENEZUELA 2010 (in millions of USD)

Client/Executing agency	Operation	Objective	Amount	Term (years)
Bolivarian Republic of Venezuela, Ministry of the Popular Power for Transportation and Communications.	Program to support the national mass transportation system	Assist the government in the development and optimization of mass transportation systems in the main cities of the country, in particular, of the Caracas Metro to resolve problems of mobility, congestion, and land management, and improve the reliability and security of the services.	104	12
Electrificaci3n del Caron3 (EDELCA), affiliate of Corpoelec	Manuel Piar hydroelectric plant project (Tocoma)	Strengthen and provide greater stability and reliability to the National Electric System, by optimizing the hydroelectric potential of the Lower Caron3 with an average annual contribution of 12,100 GWh to cover part of the country's electric energy deficit.	600	18
Bolivarian Republic of Venezuela, National Electricity Corporation (Corpoelec)	Program to Strengthen the National Electric System	Support the investments in projects of the electricity sector, included in the Plan for the Development of the National Electricity Sector (PDSEN) to improve electricity transmission and distribution.	500	12
Bolivarian Republic of Venezuela, through the State Foundation for the National System of Youth and Children's Orchestras of Venezuela (Fesnojiv)	Simon Bolivar Social Inclusion through Music Complex Project and its urban surroundings	Build and equip a space to conduct academic-musical, cultural, and academic-instrumental and choral activities to improve the living conditions of boys, girls, and youth, especially the most disadvantaged, through social inclusion, community integration, and human development activities.	140	18
Bolivarian Republic of Venezuela, through Electric Energy of Venezuela (Enelven)	Termozulia III Plant Project (second loan)	Increase the reliability and autonomy of the Western Electric System through the generation of 470 MW of additional installed capacity to meet the growing demand in the Western region of the State of Zulia, taking advantage of the turbo-vapor combined cycle technology that will enable electricity generation without increasing the use of fossil fuels.	165	18
Bolivarian Republic of Venezuela, through Electric Energy of Venezuela (Enelven), affiliate of Corpoelec	Project for the construction of encapsulated substations in sf6 in the urban area of Maracaibo	Reinforce the electricity transmission and distribution network of the State of Zulia by building three new electricity substations in the urban area of Maracaibo that will improve the continuity and reliability of the supply of electric services.	126	15
Various beneficiaries	Other operations with cooperation resources	Various	2.8	Various
Total			1,637.8	



During 2010, CAF granted USD 2.8 million to Venezuela in cooperation funds.

Resources were directly channeled to beneficiaries or through the special programs developed by the Institution.

OTHER CONTRIBUTIONS TO THE SUSTAINABLE DEVELOPMENT OF VENEZUELA

SOCIAL DEVELOPMENT

- ▶ Supported Hidroven in the studies to expand and optimize the infrastructure and equipment of potable water plants in the country.
- ▶ Supported the Ministry of the Popular Power for the Environment and the Yacambú-Quíbor Hydraulic System in the evaluation of conditions and the state of the Yacambu-Quíbor Project works for regulation and diversion, and in the analysis of the conditions necessary for its entry in operation.
- ▶ Supported the National Competition for the Preliminary Design of the Simón Bolívar Social Inclusion through Music Complex and its surroundings.
- ▶ Held a workshop for structuring CAF's project for the use of information technologies in teaching mathematics in Latin America.
- ▶ Supported the Equal Opportunities Program of the Simón Bolívar University, whose object is to contribute to the comprehensive development of disadvantaged youth, to successfully meet the challenges of tertiary education.

SOCIAL SUSTAINABILITY

- ▶ Approved the second phase of the Superatec Human, Technological, and Work Related Training Program under the social component of the Comprehensive Community Development Program. The program seeks to improve the technological and human skills of approximately 1,500 youth to help them find jobs in the communities of Antímáno, La Vega, Catia, Petare, and Cagua.
- ▶ Supported the Plan for the Sustainable Development of Social Infrastructure of La Morán neighborhood, where socio-environmental and infrastructure projects will be designed to empower the families and organized groups of the community, especially women in high risk situation.
- ▶ Approved the Revenga Vision Project: a sustainable local development model for institutional strengthening and productive support by providing self-management capacity in communal councils that will strengthen human capital formation in the Municipality of Revenga.
- ▶ Consolidated the Social Inclusion through Music Program, mainly aimed at low-income children and youth.

- ▶ Supported the Procura Paralysis Foundation for the implementation of the First Luthier Workshop for individuals with motor disabilities. The initiative also has the support of the Luthier of the State Foundation of the Youth and Children's Orchestra Systems of Venezuela.
- ▶ Created CAF's Orchestra of Latin American Youth, within the framework of the Commemoration of the Institution's fortieth anniversary. The orchestra included 230 musicians from the 18 shareholder countries, under the direction of Maestro Gustavo Dudamel.
- ▶ Continued the skills training program for youth, in partnership with the Spanish Agency for International Cooperation. Through this initiative support has been provided for the training of youth in the La Guaira and Coro workshop schools.

ENVIRONMENTAL DEVELOPMENT

- ▶ Supported the Green Schools Model for Venezuela in the Framework of Education for Sustainability, through the Sartenejas Technological Park Corporation. The objective of this project is to design a model of green schools in the framework of the Education for sustainability, and from that experience obtain recommendations for applying it in other regions of the country and of Latin America in similar conditions.
- ▶ Evaluated the environmental risk in the Mejías sub basin, Municipality of Antonio Pinto Salinas, State of Merida, through the Mayor's Office of the Municipality of Antonio Pinto Salinas.
- ▶ Supported the model for sustainable management of recyclable solid urban refuse of the Municipality of Chacao.

COMPETITIVENESS

- ▶ Promoted entrepreneurial capacity by supporting the Ideas 2010 Contest.
- ▶ Contributed to the strengthening of the entrepreneurial environment in Venezuela by sponsoring the XI International Seminar *Red Motiva*: university, entrepreneurship, and social responsibility.
- ▶ Promoted competitiveness in the Venezuelan industrial sector by supporting the seminar *The New International Financial System and its Importance for Emerging Economies*.
- ▶ Developed a productive transformation strategy aimed at diversifying exports by organizing the Productive Venezuela 2010 Trade Fair.
- ▶ Promoted productive capacities by participating in the XVI Annual Competitiveness Encounter.
- ▶ Strengthened a comprehensive business vision by supporting the Commerce and competitive services day, a positive vision.

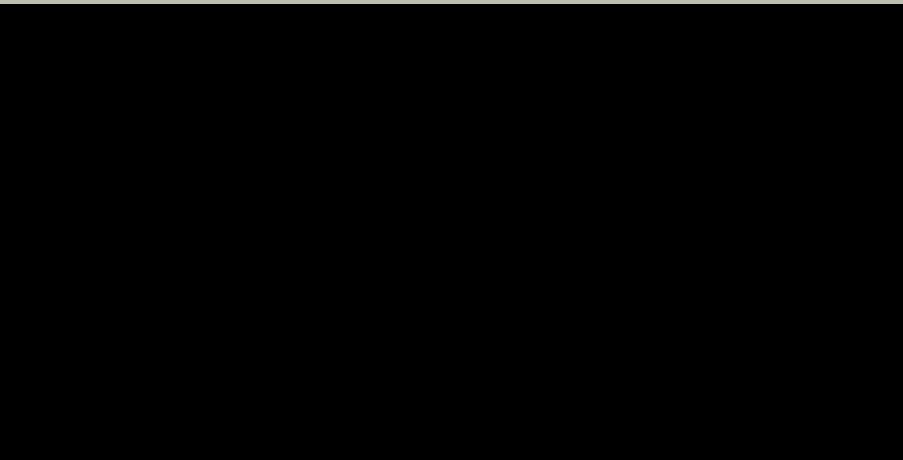
GOVERNANCE

- ▶ Trained 314 individuals in the Governance and Policy Management Program. Signed an agreement with Andres Bello Catholic University (UCAB) to provide continuity to the program for the eighth consecutive year.
- ▶ Signed an agreement with the Science and Technology University Institute to train 644 natural leaders in the Leadership for Change Program. Leaders came from 39 municipalities from the states of Aragua, Anzoátegui, Bolívar, Carabobo, Caracas, Miranda, Sucre, and Vargas.
- ▶ Conducted the Regional Program for Updating and Improving Local Management in the municipalities of Cedeño and Piar.

Electric aeolic refinancing in Mexico

Support to thermoelectric energy generation





In USD million	2010	2006-2010
Approvals	828	1,765
Sovereign risk	500	730
Non-sovereign risk	328	1,035
Disbursements	261	850
Sovereign risk	16	91
Non-sovereign risk	245	759

In USD million	2010
Loan portfolio	421
Sovereign risk	91
Non-sovereign risk	330



CHILE

Faced with the devastating effects of the earthquake that affected a large part of Chile, CAF approved a donation for USD 250 thousand to address the emergencies and the immediate needs of the affected population. In addition, the Institution provided a non-committed USD 300 million loan for Comprehensive Support for the Emergency Generated by the Earthquake aimed at the immediate attention of the victims of the disaster and to the reestablishment of critical services such as repair of hospitals, schools, road infrastructure, potable water energy, and telecommunications.

The relationship between CAF and Chile continued to strengthen with the approval by the Chamber of Deputies and forwarding to the Senate of the draft Agreement between the Government and CAF for the development of activities in the country, which was signed in Santiago on July 15th, 2009. When the agreement comes into force, CAF will have the privileges and immunities it requires as a financial institution to initiate support operations both to the public and private sectors in the country.

APPROVALS BY PRODUCT 2010

(in USD million)

	Approvals
Medium- and short-term loans	0
Contingent credit lines	300
Cooperation funds	0.4
Total	300.4

COSTA RICA

In Costa Rica, CAF renewed a line of credit for Banco Improsa, S.A. to provide financing to the MSMEs in the country. In addition, the Institution granted USD 50,000 in cooperation funds to address the emergencies and material damages caused by the rains.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010

(in USD million)

	Approvals	Disbursements
Medium- and short-term loans	0	0
Credit lines (enterprises and banks)	10	-
Cooperation funds	0.05	0.3
Total	10.05	0.3

DOMINICAN REPUBLIC

During 2010 CAF approved USD 291,000 in technical cooperation resources to strengthen technical education infrastructure in the area of tourism. The program will be conducted by the Santa Cruz Polytechnic, Municipality of Santa Cruz del Seibo.

In addition, the project to provide technical training to at-risk youth of social exclusion came to an end. Executed by the Adopem Foundation, 837 youth were trained through the project in skills such as accounting assistant, administrative assistant, sales assistant, and data punching technician with an average rate of employment of 60%.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010

(in USD million)

	Approvals	Disbursements
Medium- and short-term loans	0	45
Sovereign	-	16
<i>Investment programs and projects</i>	-	16
Non-sovereign	-	29
Cooperation funds	0.3	0.1
Total	0.3	45.1

JAMAICA

During 2010, CAF approved a long-term loan to West Kingston Power Partners for up to USD 10 million to partially finance the construction of a thermal generation plant of 65.5 MW in Kingston. Thus, the Institution supports initiatives that stimulate the growth of the productive sector and the country's competitiveness. The project, with a total investment of USD 131.7 million, is designed to ensure stability in energy supply, reduce energy rates at the retail level, and diminish transmission losses. Once in operation, the company will sell the energy it generates to the local energy distribution company, Jamaica Public Service Company.

APPROVALS BY PRODUCT 2010

(in USD million)

	Approvals
Medium- and short-term loans	10
Non-sovereign	10
Total	10

MEXICO

During the year, CAF issued papers in the Mexican stock exchange for an amount equivalent to USD 320 million. The operation aimed at strengthening the Mexican capital market and its capacity to support national development. In addition, CAF renewed a revolving line of credit to the financial institution Compartamos, and approved a loan for USD 25 million to Eurus, for a wind powered electricity generating plant.

Likewise, CAF supported the II Latin American and Caribbean social Sciences Congress, organized by the Facultad Latinoamericana de Ciencias Sociales (FLACSO). The event promoted dialogue and reflection on subjects related to Latin America.

APPROVALS AND DISBURSEMENTS BY PRODUCT 2010

(in USD million)

	Approvals	Disbursements
Medium- and short-term loans	25	20
Non-sovereign	25	20
Credit lines (enterprises and banks)	10	-
Equity investments	-	2.1
Cooperation funds	0.1	0.3
Total	35.1	22.4

PORTUGAL

After Portugal became CAF's shareholder in 2009, the Institution took steps to strengthen that country's relations with Latin America. In this regard, it signed a memorandum of understanding with the Agencia para o Investimento e Comercio Externo de Portugal (AICEP) seeking joint cooperation in subjects of mutual interest. The agreement with AICEP will concentrate on subjects related to sustainable development and integration. In addition, the Institution held the seminar CAF's Action in Latin America at the headquarters of the Ministry of State and Finances, in which government representatives and business people had the opportunity to become acquainted with the Institution's work.

SPAIN

During the year, CAF implemented a dynamic agenda of business promotion and investment attraction towards Latin America. In addition, it continued to organize and participate in events and visits to public and private institutions and to the European Union institutions in Brussels, giving greater visibility to the Institution in the European market.

Some meetings where CAF participated included: the signature of the memorandum of understanding European Union-CAF in Brussels, the subscription of the Latin America Investment Facility (LAIF) of the European Commission; the renewal of the Ibero- American Business Platform between CAF and Unidad Editorial group; the introduction of CAF in Portugal, after the country became a shareholder, in a seminar and meetings with high-level authorities of the public and private sectors; the European-Latin American Summit, held in Madrid; the participation in the XII Latibex Forum; the Inter-American Dialogue (SEGIB) Meeting on Trilateral Relations between Latin America-United States-European Union; the IFAD Assembly in Rome; the Annual Assembly of the Crans Montana Forum in Brussels; and the Seminar Ibero-America Invests sponsored by CAF-SEGIB and other cooperating institutions.

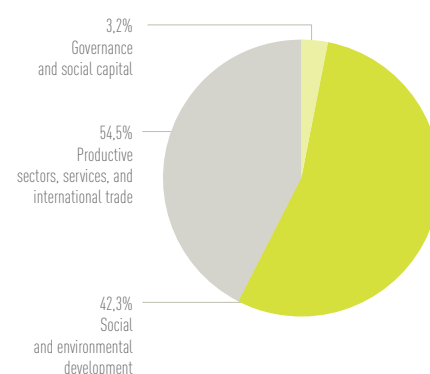
APPROVALS AND DISBURSEMENTS BY PRODUCT 2010

MULTINATIONAL

(in USD million)

	Approvals	Disbursements
Medium- and short-term loans	0	0
Non-sovereign	0	-
Credit lines (enterprises and banks)	215	164
Contingent credit lines	200	-
Equity investments	43	18.5
Cooperation funds	14.9	11.1
Total	472.9	193.6

OTHER SHAREHOLDER COUNTRIES APPROVALS BY STRATEGIC AREA 2010



APPROVALS TO OTHER SHAREHOLDER COUNTRIES 2010 (in millions of USD)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
CHILE			300.4	
Republic of Chile, through the Ministry of Finance	Uncommitted financing facility for the comprehensive attention of the emergency caused by the earthquake in Chile	Finance the comprehensive response to the emergency in Chile due to the February 27, 2010 earthquake, including works to mitigate the impact of natural disasters on physical, natural, and social capital.	300.4	18
COSTA RICA			10.05	
Banco Improsa	Uncommitted revolving line of credit	Provide financing for SMEs.	10	3
Various beneficiaries	Other operations with cooperation resources	Various	0.05	Various
DOMINICAN REPUBLIC			10	
Various beneficiaries	Other operations with cooperation resources	Various	10	12
JAMAICA			35.1	
West Kingston Power Partners (WKPP)	Long-term senior loan	Support energy production through thermo-electric plants installed on barges at the seashore, West of Kingston.	10	3
MEXICO			25	15
Banco Compartamos	Uncommitted and rotating revolving line of credit	Finance SMEs.	0.1	Various
Eurus S.A.P.I. de C.V.	Non-sovereign long-term loan	Finance a wind powered electric plant.	0.3	
Various beneficiaries	Other operations with cooperation resources	Various	0.3	Various
MULTINATIONAL			472.9	
CAF's shareholder countries	Uncommitted financing facility for the Solidary Support to the Republic of Haiti	Finance projects in the areas of economic and social infrastructure, basic services and environment for reconstruction after the catastrophic earthquake of January 12, 2010.	200	18
ABENGOA, Grupo Abengoa	Uncommitted rotating line with guarantee	Support projects for the sustainable development of the infrastructure, environment, and energy sectors through the Abengoa economic group.	90	3
Latin America Agribusiness Development Corporation, S.A. (LAAD)	Uncommitted rotating line	Provide financing for the agricultural sector of CAF shareholder countries.	10	5
American Energy Fund I LP, TRG Latin America Private Equity Fund I, Microfinance Growth Fund (MiGroF)	Equity investment in the American Energy Fund I L.P.	Invest in medium-sized companies with great potential, with the possibility of investing in various projects in the region.	33	Various
Banco Latinoamericano de Comercio Exterior (BLADEX), Inter-American Corporation for Financing Infrastructure (CIFI)	Committed rotating line of credit	Finance foreign trade operations and infrastructure projects in the region.	125	Various
Various beneficiaries	Other operations with cooperation resources	Various	14.9	
Total			828.3	

CAF COMMEMORATES ITS FORTIETH ANNIVERSARY AND PRESENTS 40 EMBLEMATIC INITIATIVES FROM THAT PERIOD



- Acerías Nacionales de Ecuador
- Viña Undurraga
- Bridge over the Limon River
- Bolivia-Brazil gas pipeline
- Brazil-Venezuela electric grid interconnection system

- Urban renewal in Guayaquil
- Sucre workshop school
- Coro workshop school
- Competitiveness in the automotive sector
- Grape, wine, and singanis cluster

- Agricultural cluster
- Premium Venezuelan rum
- Bogota-Buenaventura road corridor
- La Línea Tunnel
- First-class Ports

- Urban mass transportation system
- Santa Cruz-Puerto Suarez road corridor
- Social inclusion through music
- Irrigation and hydroelectric power generation in Olmos
- "Sowing" Natural Gas for development

- Transmilenio
- Southern Inter-Oceanic road corridor
- Social inclusion through sports
- Support for the energy sector
- Hydroelectric development of the lower Caroni



ACTIVITIES AND EVENTS RELATED TO CAF'S 40TH ANNIVERSARY

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- Punta del Tigre thermal power plant
- Support for municipal governments in Brazil
- Bogota: a great school
- Access to potable water and environmental sanitation
- Biodiversity program

- La Picasa railway viaduct
- Roadways integrating Argentina and Paraguay
- Tuy Medio railroad
- Latin American Carbon, Clean and Alternative Energies Program
- Expansion of the Panama Canal

- Renovation of Embalse's nuclear power plant
- Community development
- Centrais Eletricas Brasileiras
- Telemedicine system
- Democratic governance

FORTY YEARS

CAF began operations in 1970 through an agreement among the governments of Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela. The aim was to create an important financial instrument for funding the integration of the countries in the Andean Group. The year before, these countries had signed the Sub-Regional Integration Agreement, known as the Cartagena Agreement, which, among other things, involved trade liberalization and joint industrial programming among member countries. Before that, they had signed the Bogota Declaration in 1966 and CAF's Establishing Agreement in 1968. Thus, the Andean Group turned an ideal held by the countries in the sub-region into reality.

In its Establishing Agreement, CAF adhered to the principles established in the Treaty of Montevideo, the Punta del Este Charter, the Bogota Declaration, and the Declaration of the Presidents of America in Punta del Este.

The Establishing Agreement stated that it was necessary for each country that had signed the Bogota Declaration to adopt the goal of creating better economic conditions for participating in a Latin American common market, and it also expressed the desire to achieve harmonious, balanced growth in the sub-region.

Collective and joint actions by the countries in the sub-region were deemed important for their development and for the creation of a common market together with other Latin American nations. In this context, the first initiatives financed by CAF were mainly aimed at promoting integration. In its first decade, the Institution financed expansion projects of small enterprises in the private sector in order to increase their productivity and exports to the Andean countries. In 1972, CAF granted the first loan to finance a physical integration project between two of its shareholder countries.

During the first years of its operation, CAF signed cooperation agreements with other national and multilateral development organizations in order to obtain long-term financing for implementing its first five-year plan.

In 1974, CAF's efforts to create a mechanism for promoting and financing trade in shareholder countries, and to increase sub-regional integration through export growth and diversification, led to the establishment of the Andean Trade Financing System (SAFICO, in Spanish).

In 1975, CAF entered a new stage of administrative and institutional consolidation in which it established new goals for its operations, and focused on obtaining financial and technical resources and on promoting new projects.

In 1976, the countries signed an agreement to harmonize their financial, monetary, and exchange policies. This led to the establishment, in 1978, of the Andean Reserve Fund which would later become the Latin American Reserve Fund.

In 1979, CAF changed its credit policy to give priority to development projects that were national priorities for its shareholder countries. That year, the Andean Council of Ministers of Foreign Affairs and the Andean Parliament were created.

The decade of the 1980's witnessed new efforts to increase Latin American integration. The Treaty of Montevideo led to the creation of the Latin American Integration Association (ALADI, in Spanish), with Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela as participants. The new association resulted from the transformation of the Latin American Free Trade Association (ALALC, in Spanish), created in the 1960's, into a more flexible regional integration organization. The ALADI made it possible for other countries to adhere to the Treaty of Montevideo.

In the early 1980's, CAF's Board approved a new operational policy which enabled the Institution to expand its field of action, consolidate its position as the financial arm of Andean integration, and boost the process of development in shareholder countries. This policy led the Institution to finance its first energy development projects, including an electrical power plant in Ecuador, an electric grid interconnection in Bolivia, and a network of gas pipelines in Colombia. At the same time, CAF took its first steps in the social arena by signing cooperation agreements with the International Fund for Agricultural Development (IFAD), the OPEC Fund, and the World Food Program. This gave rise to a new role, as fund manager, for the execution of projects financed by other institutions.

However, the economic crisis of the 1980's led to the stagnation of the integration process until a change in the Andean Group's orientation decisively boosted new integration mechanisms. In alignment with the group's vision, CAF adopted a number of strategies to increase its resources and extend its field of action. In December 1989, the Institution doubled its authorized capital and invited other Latin American countries to become members. This led to the incorporation of Mexico as a shareholder in 1990, followed by Brazil in 1992, Trinidad & Tobago in 1994, and Jamaica, Panama, and Paraguay in 1997.

During the 1990's, CAF began an important program for raising funds in capital markets in order to increase its support to shareholder coun-

tries. Its active presence in the main international markets significantly increased the Institution's financial strength and its capacity to support regional development and integration.

In 1993, CAF's obtained an investment grade risk rating for the first time. Every year since then, it has obtained the highest credit ratings of all Latin American frequent issuers. Over the years, the Institution's optimal financial performance has led to more than ninety five percent of its financing coming from international sources, thus making more financial resources available to larger projects in shareholder countries.

The new millennium marked the beginning of another transformation. CAF expanded its activities in the rest of the continent and became one of the main multilateral development organizations in Latin America. Argentina and Uruguay became shareholders in 2001, followed by Costa Rica and Spain in 2002, and the Dominican Republic in 2004.

The evolution of integration processes in the region inspired an amendment of CAF's Establishing Agreement to allow other Latin American countries to join as Series A shareholders. Thus, Argentina, Brazil, and Uruguay became full members in 2007, the same year the Institution opened its first regional office in Europe. In 2008, Panama and Paraguay became full members, and in 2009, Portugal became the second European Union shareholder.

In 2009, with a view to maintaining CAF's increasing influence in Latin America, its Executive Board and Shareholders' Assembly gave swift and unanimous approval to a significant capital increase of USD 2,500 million, an amount which will double its paid-in capital.

CAF plays a significant anti-cyclical and catalytical role in supporting the policies and strategies of the governments in its shareholder countries. Throughout its history, and especially since the 1990's, it has consistently achieved record figures in approvals and loan portfolio, with very significant growth rates.

The Comprehensive Development Agenda proposed by CAF complements its financial and business strategy in the search for high, sustained, and quality growth. The agenda addresses a series of strategic programs in the areas of infrastructure, social development and sustainability, the environmental competitiveness, and international insertion, among others.

CAF's growth and financial soundness has enabled it to fund ever larger projects. Since the 1990's, it has positioned itself as the main source of multilateral financing for infrastructure in Latin America. Moreover, the Institution has become the region's leading multilateral organization in energy financing. The private sector has been present in the project portfolio since CAF's earliest years, in recognition of the importance of adding the efforts of State and markets to stimulate and accelerate the region's productive development.

The research agenda and forum for discussion of public policy issues provided by CAF has positioned it in a privileged position in its relations with important think tanks, policy makers, and academic communities. Thus, the Institution helps shape a development agenda while strengthening its own role in supporting Latin America's rightful place on the world stage.

In 2010, CAF commemorates its fortieth anniversary with eighteen countries and fourteen regional private banks as its shareholders. CAF continues committed to its mission of achieving sustainable development and regional integration in Latin America.

MAIN INITIATIVES FINANCED BY CAF

YEAR OF APPROVAL	COUNTRY	DESCRIPTION	AMOUNT (in USD million)	
1971	Bolivia	Loan to the Republic of Bolivia for the installation of a network of rice silos in the Department of Santa Cruz.	1.3	One of the first CAF's operations aimed at financing the execution of a project.
1971	Ecuador	Loan to Ecuatoriana de Atún, S.A. (ECUATÚN) to finance a fishing complex for catching, refrigerating and freezing tropical tuna.	0.5	One of the first loans granted to an Andean multinational private enterprise with capitals from Chile and Ecuador.
1972	Bolivia	Loan to Inversiones Generales, S.A. (INGESA) to finance an increase of working capital in a bicycle factory.	0.18	First loan granted to a private enterprise in Bolivia.
1972	Venezuela	Loan to the Puente sobre el Río Limón, C.A. to finance the construction of the bridge over the Limon River in order to improve the land connection between Colombia and Venezuela.	3.02	First loan for physical integration of two CAF shareholder countries.
1973	Chile	Financial leasing operation for the purchase of a B-707-320C aircraft for Lanchile	8.50-11.00	First financial leasing operation executed by CAF.
1973	Venezuela	Loan to Moldeados Andinos, C.A. (MOLANCA) for the installation of a factory producing molded pulp for eggs and food stuffs, both for the domestic market and for Export to CAF's shareholder countries..	1.82	First loan granted to a private enterprise in Venezuela aimed at financing installations for the production of exports to the Andean Group.
1974	Colombia	Loans to Monómeros Colombo-Venezolanos, S.A. to finance the installation and working capital for increasing the use of its installed capacity for the production of caprolactama and fertilizer.	5.42	First loan in a long and fruitful relationship between this bi-national Colombian and Venezuelan company and CAF.
1974	Chile	Loans to Viña Undurraga, S.A. to finance: the construction of an industrial building for the last stages of wine production; bottling machines; and working capital, all within an expansion project.	2	One of the first loans granted to a private enterprise in Chile, aimed at exports for the Andean Group.
1975	Bolivia	Loan to Empresa Nacional de Telecomunicaciones de Bolivia (ENTEL-Bolivia) for the installation of a terrestrial microwave station.	4.13	First loan for a telecommunications project. Later, CAF financed similar projects in Ecuador, Peru, and Venezuela.
1975	Ecuador	Loan to La Cemento Nacional to finance civil works and equipment for the construction of a new plant..	11	First loan to this private enterprise in Ecuador, with which CAF has maintained a long relationship.
1976	Ecuador	Loan to Palmeras de los Andes, S.A. to finance the development, planting, and maintenance of approximately 2,700 hectares of African palm.	2.35	The first of several loans granted to a number of companies in Ecuador and Peru to plant African Palm with the aim of producing edible oil.
1978	Peru	Loan to Petróleos del Perú (PETROPERÚ) to finance the construction of the Northern Peruvian oil pipeline.	20	First loan aimed at financing the construction of oil pipelines. Later, CAF financed similar projects in Bolivia and Ecuador.
1978	Colombia	Colombia Loan to Empresa Colombiana de Petróleos (ECOPETROL) to finance the expansion of its oil refinery located in Cartagena. The project included the design of a viscosity reducing unit to be built by the company's engineers.	38.51	This operation supported the company's technological development, which was favored by the Andean integration authorities. It would have been difficult for ECOPETROL to obtain financing from the commercial banking system or from multilateral banks since they would have required at least one favorable opinion from a reputable international engineering firm regarding the design developed by this company.
1983	Ecuador	Loan to the Instituto Ecuatoriano de Electrificación (INECEL) to finance complementary works of the Paute hydroelectric projects, Stage I, Phases A and B..	14	First CAF financing for an electricity generation project. Throughout its history, CAF has financed a multitude of similar projects, including some thermal generation projects in shareholder countries.
1984	Ecuador	Loan to the Republic of Ecuador to partially finance a Comprehensive Rural Development Program in Guamote, in the province of Chimborazo..	3.89	First operation aimed at financing a comprehensive rural development program, through coordinated credit and technical assistance for improving physical and social infrastructure, increasing production and agricultural productivity. Later, CAF financed similar programs in Colombia and Ecuador.

YEAR OF APPROVAL	COUNTRY	DESCRIPTION	AMOUNT (in USD million)	
1985	Bolivia	Loan to the Republic of Bolivia to finance the execution of the Central-Oriental Interconnection project to be executed by the National Electricity Enterprise (ENDE).	10.5	First loan aimed at financing an electric grid interconnection. Later, CAF financed similar projects in this Argentina, Bolivia, Brazil, Costa Rica, Ecuador and Venezuela.
1985	Colombia	PLoan to Monómeros Colombo-Venezolanos to finance a project for producing 20,000 tons annually of anhydrous sodium sulfate from residual gypsum (calcium sulfate) generated in the petrochemical complex, which until then had been discharged into the Magdalena River.	2.8	This project had two characteristics that made it noteworthy: i) it would eliminate a source of contamination of the Magdalena River: the continuous discharge of gypsum, and ii) company engineers had developed the production process which constituted an in-house technological development.
1985	Peru	Loan to LAR-CARBÓN C.A., a private company, to finance the installation of a coal treatment plant in order to replace fuel oil as a fuel in two cement plants.	8.9	Pulverized coal would be suspended in water to be injected into the clinker ovens, replacing fuel oil. When this plant was projected, the high cost of fossil fuels amply justified the investment. Later, when oil prices fell, the company faced difficulties in repaying the loan, but the difficulties were overcome when oil prices rose once more.
1986	Peru	Loan to Petróleos del Perú (PETROPERÚ) to increase oil production in the fields of Laguna and Zapotal.	28.9	First loan operation aimed at financing oil production projects. In later years, CAF financed similar operations in Argentina, Bolivia, Ecuador, and Peru.
1987	Bolivia	Bolivia Loan to Cooperativa de Teléfonos Automáticos de Santa Cruz de la Sierra Ltda. (COTAS) to partially finance a project for expanding the telephone service in the urban area of Santa Cruz de la Sierra. It included 28,000 new telephone lines and four digital plants.	29.15	First loan aimed at financing fixed telephone projects. Later, CAF financed similar projects in Ecuador and Peru..
1988	Ecuador	Ecuador Loan to the State of Ecuador to finance the construction of a concrete bridge over the San Miguel River, which would connect Colombia and Ecuador.	1	Loan to a physical integration project between two CAF shareholder countries, fulfilling one of the main objectives for which CAF was created.
1989	Colombia	Colombia Loan to Promotora de Interconexión de Gasoductos, S.A. (PROMIGÁS, S.A.) to finance the Regional Gas Pipelines project aimed at carrying natural gas to mid- and small-sized cities in the northern region of Colombia	9.5	First loan aimed at financing gas pipelines in CAF shareholder countries. In later years, CAF financed the construction of a gas pipeline between Bolivia and Brazil and another in Peru.
1991	Colombia	Colombia Loan to Establecimientos Comerciales, Ltda. to finance the expansion of the Hotel Casa Medina in Bogota.	1.9	First loan aimed at financing a specific hotel project. Before then, CAF had granted program loans to national development entities to finance tourism projects, but this was the first direct loan granted by CAF to finance a Project in the tourism sector. Later, the Institution financed similar projects in Bolivia, Ecuador, and Peru
1992	Venezuela	Venezuela Loan to CVG Electrificación del Caroní, C.A. (EDELCA) to partially finance the Macagua II Hydroelectric Plant, with a generating capacity of 2,548 MW	55	First loan granted to Venezuela for the construction of a hydroelectric plant, in this case, the second energy Project of the lower Caroni basin. Since then, CAF has participated in the financing of all the hydroelectric projects developed in the lower Caroni, such as Caruachi and Tocoma.
1992	Venezuela	Loan to Supermetanol, C.A. to partially finance the construction of a plant for the production of chemical grade methanol (Metanol II project) with a capacity of 2,000 metric tons per day.	47	First loan to finance a petrochemical project located in the General de División José Antonio Anzoátegui Petrochemical Complex, in the state of Anzoátegui.
1993	Venezuela	Loan to Aceites y Solventes Venezolanos, S.A. (VASSA) for the construction of a plant for producing medicinal grade white oils and aliphatic solvents, with an annual capacity of 15,000 tons and 25,000 tons, respectively.	12.9	First loan with limited guarantees completely structured by CAF, granted to a private enterprise with mixed capital.

YEAR OF APPROVAL	COUNTRY	DESCRIPTION	AMOUNT (in USD million)	
1994	Colombia	Loan to Proyectos de Infraestructura, S.A. (PISA), a private company, to partially finance the expansion Project of the Buga-La Paila highway, with the construction of a second 50 kilometer long roadway.	20	First loan to a private enterprise aimed a financing the construction of road infrastructure through the concession system.
1994	Venezuela	Loan granted to the Republic of Venezuela for the Environmental Cleanup of Lake Maracaibo, which included the construction of interceptors, collectors, and four treatment plants which would process 98% of the Domestic and industrial sewage discharged into the Lake.	22	First operation aimed at specifically financing a Project with a distinctive environmental scope.
1994	Venezuela	Guarantor of CVG Ferrominera del Orinoco, S.A. in a loan from COBRASMA of Brazil to finance the importation of 120 wagons for carrying iron ore.	6.8	First guarantee operation so that an enterprise could obtain a foreign loan.
1995	Bolivia	Bolivia Loan to Caja de Ahorro y Préstamo Los Andes, S.A. with resources from the Human Development Fund (FONDESHU, in Spanish) managed by CAF, to finance micro Credit operations in the city of El Alto and the rural areas of Cochabamba.	0.5	This operation was the first of a series of CAF loans to financial institutions that provide credit to urban and rural micro enterprises, which have proven records, in Bolivia, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru and Venezuela. In this way, CAF has become one of the main supporters of the micro finance sector in the region..
1995	Peru	Loan to the Republic of Peru to finance repairs and paving of 288 kilometers of the Ilo-Desaguadero Highway on the route through-Moquehua-Torata-Mazocruz-Pichupichuni-Desaguadero, as well as the maintenance of 65.5 kilometers of asphalt.	80	First financing granted to Peru for highways that are a part of the main axis of the Andean Highway System.
1996	Brasil	Loan to the Federative Republic of Brazil to finance a project for improving and paving segments of the BR-174 highway between Manaus and the border with Venezuela, with a length of 970.5 kilometers, a platform nine meters wide, and one meter wide shoulders.	86	First loan granted to Brazil to finance the Brazil-Venezuela Integration Corridor.
1996	Colombia	Loan to Financiera de Desarrollo Territorial (FINDETER) to finance a Private Education Program which included investments in civil works, studies, and technical assistance for the construction, expansion, and restructuring of the physical plant, furniture, and equipment in public and private educational institutions at the elementary, secondary, and tertiary levels.	25	First operation aimed at financing a specific education program. CAF has continued financing education programs in Colombia and Ecuador
1997	Bolivia	A/B loan to Boliviana de Energía Eléctrica, S.A. (COBEE), a private company, to finance the expansion of the Zongo Valley Hydroelectric System, located 50 kilometers from La Paz, with the aim of increasing generation capacity by 63.2 MW.	75	First structured co-financing operation using the A/B mechanism, where CAF participated with an A portion of USD 30 million to cover the political risk of the four banks that participated in the B segment with USD 45 million.
1997	Brasil	Loan to Transportadora Brasileira Gasoducto Bolivia-Brasil to finance the Brazilian stretch of the Bolivia-Brazil gas pipeline.	100	Financing of an important gas pipeline that would change the energy matrix of Bolivia and Brazil. This was the first loan to Brazil in support of its energy integration with Bolivia
1997	Brasil	Brazil Loan to Centrais Elétricas Brasileiras, S.A. (ELETROBRAS), to finance the electric grid interconnection between Venezuela and Brazil.	55	First loan in Brazil to finance its energy integration with Venezuela.
1997	Ecuador	Ecuador Loan to the Republic of Ecuador to partially finance the Social Program La Esperanza, which included 49 specific projects and an institutional strengthening component. The executing agency was the Ministry of Social Welfare through the Ecuadorean Episcopal Conference.	24.5	Although this was not the first loan granted by CAF to finance social programs, it deserves special mention since the plan included well-defined specific projects from the moment it was conceived.
1998	Panama	Loan to the Republic of Panama to finance a Road Infrastructure Program in the Inter-Oceanic Corridor which included the construction, improvement and expansión of several main highways in this corridor	60	First long-term loan granted to Panama to finance road infrastructure for connecting the Inter-Oceanic Corridor with ports and airports on the Panamanian coasts, with port service and ship maintenance centers, with industrial processing, urban service centers and with Panama City.

YEAR OF APPROVAL	COUNTRY	DESCRIPTION	AMOUNT (in USD million)	
2000	Colombia	A/B loan to La Sierra Leasing Co. to finance the Optimization and Expansion Project of La Sierra Thermolectric Plant, from 300 MW to 480 MW. Empresas Públicas de Medellín (EPM) owned this plant. The project included adapting the plant from a simple cycle system to a combined cycle.	95	In this A/B loan, CAF participated with an A portion of USD 28 million, covering the political risk to the banks participating in the B segment, which contributed USD 67 million. The change from a simple to a combined cycle would optimize the use of energy resources. Thus, this became the first regional level project to receive the approval of the evaluation panel of the United States Initiative of Joint Implementation (USIJI), which recognized it as reducer of carbon dioxide emissions since it complied with the criteria established in the Clean Development Mechanism (CDM) of the Kyoto Protocol. In this respect, CAF's Latin American Carbon Program played a key role in structuring and presenting this project to the USIJI.
2003	Costa Rica	Loan to Refinadora Costarricense de Petróleo (RECOPE) to partially finance the third stage of the Multipurpose Limon-La Garita Pipeline, which included the construction of 123 kilometers of multipurpose pipeline with five pumping stations. .	30	First long-term loan granted to Costa Rica to finance energy transportation infrastructure. It should be mentioned that the Banco Centroamericano de Integración Económica (BCIE), also participated in financing this project. This has strengthened working ties with this important development bank.
2004	Peru	Loan to Concesionaria Traslase Olmos, S.A. to partially finance the Olmos Project Stage I-Transfer Works, which included the utilization of the waters of the Olmos, Huancabamba, Tabaconas and Manchara rivers on the Atlantic basin, for expanding the agricultural zone by irrigating fallow lands on the Pacific basin.	50	First loan granted to a private enterprise to execute a project for transferring water from one basin to another. It was also the first non-sovereign risk loan granted by CAF in that country.
2005	Bolivia	Loan to the Republic of Bolivia to partially finance the Santa Cruz-Puerto Suarez Integration Road Corridor. This was approximately 600 kilometers long and was one of the missing segments of South American physical integration.	180	Although CAF began its program for financing physical integration projects in the region with another operation in Bolivia, in 1986, this loan is noteworthy due to the importance of the project which it supported. In fact, the road connection between Santa Cruz de la Sierra (Bolivia) and Corumba (Brazil) is the most direct. It also has the greatest economic and social potential for establishing trade between the two countries and between the Andean Community (CAN), Chile, and MERCOSUR. It will also facilitate Bolivia's access to the Paraguay-Parana Waterway and to the Atlantic Ocean.
2005	Colombia	Loan to the Republic of Colombia to support the Expanded Immunization Program for 2005-2008, which increased the populations' access to immunization services during that period.	24.77	First CAF's loan granted to a shareholder country aimed specifically at health services. This loan to the Republic of Colombia increased the quality and coverage of the immunization system, where CAF contributed to improving equity and opportunity in access a basic service.
2006	Argentina	Loan to the Republic of Argentina to partially finance a project for Repairs and Paving of the International Border Pass El Pehuenche, in order to develop the road infrastructure leading to a strategic pass in the Andean Mountains between Argentina and Chile.	80	Loan aimed at financing a road integration project between Argentina and Chile, in line with one of CAF's main objectives: to promote integration between the countries of the region.
2008	Panama	Loan to Panama Canal Authority (ACP, in Spanish) to partially finance the Comprehensive Expansion Project of the Panama Canal.	400	One of the largest non-sovereign risk loans granted by CAF. The project will have a significant economic impact on the country and the region.
2009	Brasil	Long-term corporate loan to Energimp, S.A. to finance aeolic generation projects in the country.	40	First operation to finance projects for electricity Generation which use wind power, and thus, generate clean energy.
2009	Peru	Long-term loan to Maple Etanol, S.R.L. to partially finance the development of an agro-industrial complex for the production of sugar cane with which to produce biofuel (anhydrous ethanol) for export, mainly to Europe.	65	PFfirst loan aimed at financing the production of biofuel. It is part of CAF's strategy to support the production of clean alternative energies. The project has other noteworthy aspects, such as the installation of a water transportation and storage system which will use the water resources of the Chira River to change arid land, not currently in use, into a sugar cane plantation with world class productivity.

ACKNOWLEDGEMENTS



In 1968, representatives of six countries subscribed CAF's Establishing Agreement. Gonzalo Apunte, Tomás Guillermo Elio, Jorge Valencia Jaramillo, Salvador Lluch, José de la Puente, and Hector Hurtado, signed in representation of the governments of the republics of Ecuador, Bolivia, Colombia, Chile, Peru, and Venezuela. In June of 2010, the Institution paid homage to those who are still with us during the anniversary events that took place in Caracas.

During these 40 years, five leaders have held CAF's Executive Presidency. The Institution recognized Julio Sanjinés Goytia and Galo Montaña Pérez, who led the Institution during the periods 1976-1981 and 1986-1991, respectively.



From top to bottom:
 Jorge Valencia Jaramillo
 Salvador Lluch
 José de la Puente Radbill
 Galo Montaña Pérez
 Julio Sanjinés Goytia



STRATEGIC DISCUSSION



As part of its contribution to the issues of development in the region, CAF organized an important strategic discussion meeting in Caracas, where members of the Board of Directors, academics, policy makers, and representatives from the public and private sectors of the region exchanged ideas on a vision of Latin America toward 2040.

In addition, CAF presented the fifth edition of its Economic and Development Report entitled *Local Development: Towards a new role of cities and regions*. The meeting, held in Caracas as part of the activities to commemorate the Institution's fortieth anniversary, gathered representatives from diverse interest groups.





GRAND ANNIVERSARY CONCERT

On July 8th, in the Ríos Reyna Hall of the Teresa Carreño Theater, CAF presented its Latin American Youth Symphonic Orchestra. Over 200 musicians from 18 countries were reunited in a concert directed by Maestro Gustavo Dudamel.

Young musicians are the result of CAF's Program for Social Inclusion through Music, that has promoted the comprehensive training of 40,000 children and youth, close to 400 maestros, and 50 luthiers in the continent.





IBERO AMERICAN ART EXHIBIT

On July 6th, CAF presented 40 pieces from renowned Ibero-American plastic artists. The event, which was part of the activities organized to commemorate the Institution's fortieth anniversary, was held at CAF's Art Gallery located at the Institution's head office in Caracas.





Carrera La Paz 3,600, second edition



SPORTS AND INTEGRATION



As part of the activities program of the fortieth anniversary, CAF organized the second edition of the Carrera La Paz 3,600 in Bolivia. In addition, the Institution organized the first CAF's marathon in Caracas, which counted with the participation of close to 3,500 athletes. Both events seek to promote integration through the practice of sports.

First CAF's marathon, Caracas





40 INITIATIVES FOR SUSTAINABLE DEVELOPMENT

At the end of the year, CAF presented its anniversary publication *40 Initiatives for Sustainable Development* to Board Members and representatives from the Diplomatic Corps in Caracas. The book contains the most relevant initiatives supported by the Institution in its 40-year history.





CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT

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156 SOCIAL DEVELOPMENT AGENDA

- 156** Comprehensive Water Program
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AN AGENDA
FOR COMPREHENSIVE
DEVELOPMENT THAT SEEKS
HIGH, SUSTAINED AND QUALITY
GROWTH



CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT

CAF's Agenda for Comprehensive Development seeks to achieve high, sustained, sustainable and quality growth in Latin America: *high*, to start bridging the development gap relative to high-income countries and to compensate for population growth; *sustained*, to avoid erratic and volatile growth and to ensure the continuity of economic progress and social improvement over time; *sustainable*, in its environmental and social dimensions, to ensure the inter-generational viability of the natural capital, respect cultural diversity, and sustain democratic governance in the region; and *quality*, implying that growth should be inclusive, thereby benefiting the largest possible percentage of the population in an asymmetrically equitable manner in favor of the least favored segments, so as to reduce inequality and poverty in the region.

Achieving the objective of quality growth should be based on the preservation of the progress made in macroeconomic stability, improvements of microeconomic efficiency, and a definite impulse to initiatives that promote equity, social inclusion, and the reduction of poverty.

Moreover, improvements in efficiency and microeconomic productivity must be supported by a transformation of the Latin American economies that improves their productivity and adds value to the national comparative advantages. Improvements in productivity require increases in all forms of capital investments: human, social, natural, physical, productive, and financial, since the only way to increase productivity and reduce social gaps is through a greater availability and quality of different forms of capital, especially including human capital.

Likewise, in order for economic growth to be less dependent on the changing conditions of the international economic environment, the multiple ongoing integration and regional and international insertion processes in Latin America are especially important. These processes are promoted, supported, and in some cases anticipated by CAF. In fact, since the beginning of the 1990s CAF anticipated the widest integration processes in South and Latin America by substantially expanding its shareholder base. Today, this base includes 18 countries, enabling the Institution to play an increasingly active integrationist role in the region.

Integration processes have political, social, and economic dimensions. In the economic dimension, the first objective is to achieve economies of scale that facilitate gains in efficiency and productivity and promote a competitive international insertion. The second objective is the development of integrated regional markets that could become large internal markets for

Latin American countries, contributing to a reduction of the correlation of economic cycles of the countries in the region with international cycles, to strengthen the economic agents, to create new business and investment opportunities, and to improve the negotiating capacity of the region in international fora.

CAF's action in subjects related to integration in Latin America is multidimensional and includes a diversity of areas such as:

- Regional physical integration
- Cross-border integration and development
- Economic and commercial integration
- Energy integration
- Financial integration
- Regulatory and logistics integration
- Cultural and social integration
- Environmental cooperation
- Promotion of concerted approaches in international negotiations

This comprehensive vision of sustainable development and integration is the result of an important program of research and knowledge dissemination on subjects related to development and public policies, built both on the intellectual efforts of the Institution and the dialogue with public, private, and academic sectors of Latin America. The strategic programs that follow respond to this vision.

HIGH, SUSTAINED AND QUALITY GROWTH

MACROECONOMIC
STABILITY

Investments
in all forms
of capital

MICROECONOMIC
EFFICIENCY

Productivity
increases

SOCIAL
EQUITY

Social
inclusion

ENVIRONMENTAL
SUSTAINABILITY

INFRASTRUCTURE AGENDA

CAF's activities in infrastructure have been aimed at improving access conditions and articulating territories in shareholder countries, as well as integrating and articulating the territories of Latin America. In addition, the Institution's actions seek to develop the platform of basic infrastructure in the cities of the region and support the energy sector. Through these dimensions, CAF's Infrastructure Agenda is part of the agenda for economic growth and international insertion of the countries, as well as of the social development and poverty reduction agenda.

In addition, CAF offers innovative financing mechanisms for public and private investment programs, providing support through specialized advisory and technical cooperation resources for the design, preparation, and structuring of new projects.

The following pages describe the main strategic programs of the Infrastructure Agenda.

ROAD INFRASTRUCTURE PROGRAM

Through this program, CAF promotes and supports the transfer of best practices in road infrastructure intervention in the countries of the region, seeking to optimize the use of resources and their efficient conservation. Its objectives include:

- ▶ Supporting knowledge management through the permanent transfer of experiences, by improving the technical and administrative capacity of public and private institutions in charge of implementing road projects.
- ▶ Disseminating best practices in matters regarding road infrastructure in the stages of planning, study, design, construction, supervision, maintenance, and operation through the publication of technical documents (notes, bulletins, articles, conferences) and by conducting events (courses, workshops, seminars).
- ▶ Incorporating recommendations and special conditions in the road programs and projects financed by the Institution in the countries of the region, related to issues established in the program to optimize the use of resources and the permanence, quality, and sustainability of the works.
- ▶ Identifying the different types of contract models for road projects by recognizing their positive aspects and advantages, and disseminating them among the governments of the region.

The program focuses on the following topics, recognized as having the greatest interest for the national and sub-national governments:

TECHNOLOGICAL INNOVATION, RESEARCH, AND PROMOTION OF BEST PRACTICES IN THE DESIGN AND CONSTRUCTION OF ROAD WORKS

Seeks to promote and facilitate dialogue and disseminate knowledge regarding issues related to research, innovation, and technological development for the intervention of road infrastructure through the use of new technologies, especially associated to concept of economic pavements and low-traffic roads.

▶ CAF PROMOTES THE TRANSFER OF BEST PRACTICES IN THE INTERVENTION OF ROAD INFRASTRUCTURE IN THE COUNTRIES OF THE REGION, IN ORDER TO OPTIMIZE THE USE OF RESOURCES AND THEIR EFFICIENT CONSERVATION.

As part of this effort, the Institution supports the development of practical guides for road construction and maintenance, updating technical specifications, and training courses aimed at public sector employees, consultants, builders, and suppliers.

In addition, the Institution has supported the creation of technological innovation centers.

ROAD MAINTENANCE

Based on the experience of the countries of the region, CAF promotes road infrastructure maintenance programs that enable the design of policies, strategies, and maintenance plans for the urban and inter-urban road network. With this objective, the Institution supports road agencies in the process of adjusting the existing institutional schemes at the national and sub-national governmental levels, emphasizing the design of innovation contract models that incorporate the concepts of levels of service, risk allocation, long-term view, management systems, information technology applications, and research and development.

Another aspect promoted by these initiatives is the generation of jobs associated with road infrastructure conservation activities.

ROAD SECURITY

As a component of the Urban Mobility Observatory, the Infrastructure Agenda seeks to establish actions to strengthen policies, programs, statistics, and projects related to road security.

At the same time, it promotes the inclusion of road security audits in the urban and inter-urban road projects financed by CAF, that enable the introduction of conditions to reduce accidents, both in the design phase and during the construction and operation of the road.

In addition, CAF holds international events to train staff, consultants, and contractors in issues such as road security audits for the projects, and supports governments in preparing technical documents regarding the components of road infrastructure that contribute to road security.

SUSTAINABLE ENERGY PROGRAM

CAF considers important that the resources allocated to support the energy sector add value to the comparative advantages of Latin America and, especially, that the investments that are urgently required contribute to the achievement of a comprehensive development where energy becomes a cross-cutting catalyst to these objectives.

Starting from the dialogue on sector problems with shareholder countries, the Sustainable Energy Program seeks to identify barriers and opportunities to promote the development of sustainable energy systems in the countries of the region, to establish and promote strategic lines of action related to energy.



LINES OF ACTION OF THE SUSTAINABLE ENERGY PROGRAM

► NETWORK ARTICULATION

Promotes a Shared Energy Agenda among regional organizations such as Olade, CIER, ECLAC, ARPEL, and Aladi, among others, to generate synergies and actions on common matters.

► PROMOTION OF INTEGRATION PROJECTS

Together with the Regional Energy Integration Commission (CIER), conducts a study and hold discussion fora to analyze electric interconnections in the region. Implementation of workshops in Bolivia, Colombia, Panama, Paraguay, and Uruguay.

At the request of the governments of Bolivia, Paraguay, and Uruguay, developed a pre-feasibility study to analyze the best way to send gas from Bolivia to the other two countries.

► SUPPORT TO RENEWABLE ENERGIES

With the Energy Secretariat of the State of Sao Pablo, implements a project to identify the potential of small hydroelectric plants. Supports other states and countries in this area.

► KNOWLEDGE GENERATION

Conducts studies on the state of renewable energy technologies which included aeolic, solar, ocean-generated, biofuels, nuclear, and geothermal sources.

► QUALITY AND COVERAGE OF ELECTRIC SERVICES

Together with the World Energy Council of Colombia, initiated the study on energy and poverty in that country to identify policies to incorporate urban areas not currently connected to the network.

► CONTRIBUTION TO INSTITUTIONAL DEVELOPMENT AND DEFINITION OF PUBLIC POLICIES IN THE REGION

Conducted the following studies and initiatives: analysis of the feasibility of including electric trains in Ecuador; inventory of small-scale hydroelectric projects in Peru; diagnosis of the current situation of nuclear energy in Argentina; current situation of renewable energies in Latin America; analysis of congestion income in the electric interconnection between Ecuador and Colombia; analysis of the technical-economical pre-feasibility of the electric interconnection between Bolivia, Chile, Colombia, Ecuador, and Peru, among others.

The specific objectives of the program include:

- Promoting the development of integration projects, acting as a catalyst of these types of projects, aimed at creating or strengthening development axes that will constitute the basis for establishing integrated markets in the future.
- Promoting the improvement in quality and coverage of electric services through the development of policies, regulatory actions, commercial strategies, and implementation mechanisms to expand the coverage of electric services and reduce losses, among others.

- ▶ Supporting the development of renewable energies and energy efficiency, especially of small hydroelectric, biofuel, and aeolic energy plants, among others, in addition to studies and evaluations of the generation potential. Likewise, promoting and supporting energy efficiency both from the demand and the supply sides, to mitigate global climate change.
- ▶ Contributing to the region's institutional development and the formulation of public policies, acting as a platform for the exchange of experiences and knowledge at a technical-political level that supports the development of pragmatic and cooperative energy policies. In addition, supporting the establishment of an indicative plan at national and sub-regional scales that consider the efficient use of resources and the development of the necessary infrastructure.
- ▶ Promoting national and regional networks related to the creation of knowledge, exchange of experiences, support in matters pertaining to corporate government, among others, to help achieve a competitive equilibrium in the sector and serve as a catalyst for actions and efforts in favor of collective actions that generate synergies among participating actors to benefit the countries and the sector. Likewise, the program seeks to promote the development of a network of industrial institutions to generate local technology.

URBAN TRANSPORTATION PROGRAM

To address the constantly increasing urbanization in the region and the demands on the transportation sector, CAF has recently developed an agenda of urban mobility and transportation that responds, on the one hand, to the analysis resulting from the work in the sector and, on the other, to the requests of national and sub-national governments for renewed urban transportation systems.

Given that the different components of mobility are a comprehensive portion of the urban dynamics, CAF seeks to support and finance initiatives that advance in the construction of sustainable cities in the environmental, institutional, infrastructure, economic, and financial dimensions.

The urban areas of Latin America concentrate a large portion of the social and environmental problems faced by the countries, and their improvement is one of the main challenges faced by the region. In this framework of intervention opportunities, CAF has directed its efforts at the reorganization and consolidation of public transportation networks, the modernization of systems, the renewal of institutional frameworks, and the reduction of negative externalities, seeking to strengthen the sustainability of urban-regional territories.

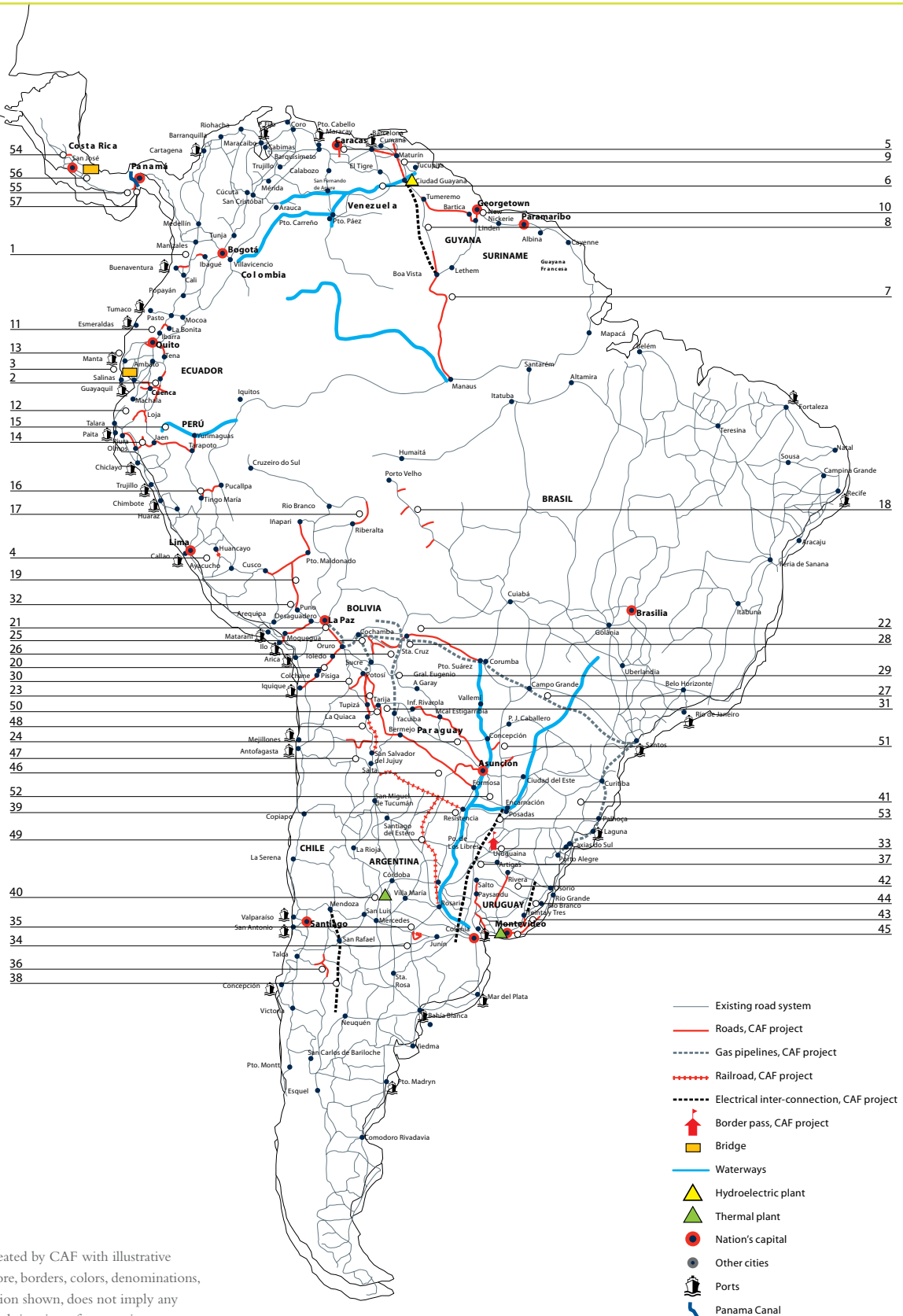
In addition, the Institution provides support and assistance in the planning and design of transport systems, as well as in renewed institutional initiatives.

Regarding financing, the demand is concentrated on the construction of mass transportation infrastructure (*Bus Rapid Transport* and subways). Resources are allocated mainly for the construction of civil works, acquire electromechanical equipment, and integrated systems.



PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF

	CAF's contribution (in USD million)	Total investment (in USD million)
ANDEAN AXIS		
1 Colombia: Buenaventura-Bogota Corridor	447.0	1,116.6
2 Ecuador: Amazonic connection with Colombia and Peru (Troncal del Oriente Road)	93.8	152.7
3 Ecuador: Segmented Bridge Project over the Babahoyo River	123.0	133.9
4 Peru: Rehabilitation of the Huancallo-Huancavelica Railroad	14.9	18.8
5 Venezuela: Railroad connection between Caracas and the National Network	360.0	1,932.0
6 Venezuela: Support for commercial navigation in the Orinoco-Apure River Axis	10.0	14.3
GUYANA SHIELD AXIS		
7 Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8 Brazil: Venezuela-Brazil Electric Interconnection	86.0	210.9
9 Venezuela: Railroad Studies Guyana City-Maturin-State of Sucre	2.6	2.6
10 Venezuela: Road Studies Guyana City (Venezuela)-Georgetown (Guyana)	0.8	0.8
AMAZON AXIS		
11 Ecuador: Central Trans-Andean Connection	33.7	54.5
12 Ecuador: South Trans-Andean Corridor	70.0	110.2
13 Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14 Peru: Northern Amazon Road Corridor	110.0	328.0
15 Peru: Pre-investment border region with Ecuador	5.3	8.7
16 Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa)	3.5	13.6
PERU-BRAZIL-BOLIVIA AXIS		
17 Bolivia: Guayaramerin-Riberalta Highway	42.0	45.5
18 Brazil: Road Integration Program in the State of Rondônia	56.4	134.2
19 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		
20 Bolivia: Bolivia-Chile Road Integration Corridor	138.9	246.0
21 Bolivia: Double Lane La Paz-Ururo	250.0	265.1
22 Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (tranches 3, 4, and 5)	280.0	585.5
23 Bolivia: Bolivia-Argentina Road Integration Corridor	314.0	642.0
24 Bolivia: Bolivia-Paraguay Road Integration Corridor	135.0	285.6
25 Bolivia: Integration "Y" Road Program	97.3	141.3
26 Bolivia: La Guardia-Comarapa Road Rehabilitation	21.0	34.7
27 Bolivia/Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
28 Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
29 Bolivia: Transredes Gas Pipeline	88.0	262.8
30 Bolivia: Complementary Road Works	70.0	73.0
31 Bolivia: Transport Program	150.0	221.2
32 Peru: Bolivia-Peru Road Integration Corridor	48.9	176.6
MERCOSUR-CHILE AXIS		
33 Argentina/Brazil: Paso los Libres-Uruguaiana Border Center	10.0	10.0
34 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa Alternate Route)	10.0	10.0
35 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa Alternate Railroad Route)	35.0	50.0
36 Argentina: Buenos Aires-Santiago Corridor (access to Paso Pehuenche, RN40 and RN145)	106.7	188.1
37 Argentina: Electrical Interconnection Rincón Santa María Rodríguez	400.0	635.0
38 Argentina: Electrical Interconnection Comahue-Cuyo	200.0	414.0
39 Argentina: Road Integration Program between Argentina and Paraguay	110.0	182.0
40 Brazil: Regional Integration Program-Phase I. State of Santa Catarina	240.0	1,026.7
41 Uruguay: Mega-lease of the Main Road Connections with Argentina and Brazil	32.6	65.5
42 Uruguay: Road Infrastructure Program Phase II and III	25.0	136.5
43 Uruguay: Public Investment in Road Infrastructure Program	240.0	757.1
44 Uruguay: Program to Strengthen the National Electrical System	150.0	621.0
45 Uruguay: Thermal Plant Project Punta del Tigre	28.0	165.4
CAPRICORN AXIS		
46 Argentina: RN81 Pavement	90.2	126.2
47 Argentina: Access to the Jama Pass (Argentina-Chile)	54.0	54.0
48 Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0	1.0
49 Recovery and rehabilitation of General Belgrano Railroad	326.0	408.0
50 Bolivia: Tarija-Bermejo Highway Program	74.8	200.0
51 Paraguay: Rehabilitation and pavement of the RN10 and RN11 Integration Corridors and complementary works	19.5	41.9
PARAGUAY-PARANA WATERWAY AXIS		
52 Studies to improve navigation, institutional management, and financial schemes for the operation of the Argentina, Bolivia, Brazil, Paraguay, and Uruguay Waterway	0.9	1.1
53 Argentina: Railroad works Program for the Integration of Argentina and Paraguay	100.0	166.0
MESOAMERICA		
54 Costa Rica: Investment Program in the Atlantic Corridor	60.0	80.2
55 Panama: Highway rehabilitation and improvements program	80.0	125.6
56 Panama: Binational Bridge over the Sixoala River	5.5	13.4
57 Panama: Panama Canal Authority, expansion program	300.0	5,250.0
OTHERS		
	210.0	812.0
TOTAL	7,324.2	23,623.1



This map has been created by CAF with illustrative purposes only. Therefore, borders, colors, denominations, or any other information shown, does not imply any judgment or the legal situation of any territory, or border recognition by the Institution.

One of the noteworthy initiatives of this program is the consolidation of the Urban Mobility Observatory (OMU) for Latin America, launched in 2008 with the inauguration of a public access Internet portal that seeks to improve the information available to authorities, the academia, and civil society. This initiative comprises the establishment of a network of authorities, specialists, and academics of 15 cities in Latin America to systematically observe the mobility of the cities with standardized scientific methods. The OMU provides the region with relevant, trustworthy, and updated information, and generates a periodic image of the mobility in the main cities. In this context, eight studies have been initiated in the areas of financing, political economy, institutional development, traffic management, road security, energy, and the environment.

This Observatory constitutes an instrument for the design of efficient public policies, the prioritization of projects, and the effective management of transportation systems. In addition, it complements the technical and financial support that CAF offers governments of the region for the conceptualization, design, and implementation of investment projects.

INFORMATION TECHNOLOGY PROGRAM

Globalization goes as far as Internet goes. The ability to create wealth at the base of the pyramid, at the local level, is possible when these communities, adequately organized and productive are able to connect with global markets, hungry for new products and specialized services. This is possible thanks to the new information and communications technologies (TICAF, for its Spanish acronym).

The purpose of the Information Technology Program is to accelerate the positive effects of the TICAF in shareholder countries. With adequate knowledge, today it is possible to connect the most distant communities with their markets, to develop online education, and improve health with telemedicine. It is not necessary to wait for technologies to mature in developed countries in order to adapt them since it is already possible to create more efficient and effective comprehensive development patterns.

Through the program, CAF has a regional of information and communication technologies. The Institution is able to identify the main dilemmas, and offer best practices in response to them. The findings are a result of a research conducted in ten countries in South and Central America, and the development of a technical-economic model called highways with fiber that presents the main barriers for the adoption of these technologies and facilitates their installation and availability. This highways-with-fiber policy has been implemented in Colombia and Peru as an official policy in the development of new infrastructure.

The study conducted identified multiple barriers for the implementation of these technologies. One of the main challenges for their development has been the disaggregation of the sectors. The study shows that where there has been a comprehensive development of telecommunications infrastructure,

that is, where the most remote urban or rural populations have been connected, where human capital is motivated and generates new ventures with knowledge-intensive companies, and where public policies and incentives for investment and growth have been established, this has resulted in a prosperous digital economy that creates jobs and exports products and services, and opened a space for social inclusion and citizen tolerance.

For this reason, TICAF directs its efforts to evolve simultaneously in four dimensions, that is, infrastructure, human capital, institutional initiatives, and the digital economy, including information technology products and services.

The Comprehensive Information Technology Development Index was developed in order to measure the progress made in these four dimensions, rating the South American countries according to the four aforementioned criteria.

As a result of the in-depth study of these dimensions, a series of strengths and weaknesses were identified in each country. In turn, the TICAF program has developed ad-hoc programs to address each dimension in a coordinated manner. This will result in customized solutions to shareholder countries to address their needs, with a comprehensive vision that combines these dimensions and maximizes the benefits of information technologies for sustainable development.

GEO SUR PROGRAM

The planning and development of physical infrastructure for the integration of Latin America requires adequate access to integrated, geo-referenced, and standardized spatial information. The information must be available for planners and decision-makers simply and quickly, enabling its adequate use and incorporation in the planning stage of the projects. To this end, CAF developed its CONDOR system in 2000, a first computer-based tool aimed at identifying and preventing the main environmental and social impacts associated with large infrastructure projects in the Andean region.

Continuing this line of action, in 2007 CAF initiated the development of the GeoSUR program. The initiative led by CAF and the Pan-American Institute of Geography and History, uses the network of Latin American geographic institutes to make geographic information available to the public for the planning and analysis of activities related to development. The Web services developed or sponsored by GeoSUR offer access to official maps, aerial photographs, and geographic data prepared by the geographic institutes of the countries on subjects such as topography, hydrology, population, cities, the environment, and infrastructure. GeoSUR gathers them for public use in a single website.

GeoSUR provides geographic services in a Web platform with tools to obtain, locate, consult, manipulate, and analyze spatial information on Latin American countries and the region. Access is free, and does not require

▶ CAF HAS DIRECTED ITS EFFORTS AT PROMOTING THE REORGANIZATION AND CONSOLIDATION OF PUBLIC TRANSPORTATION NETWORKS, MODERNIZING SYSTEMS, RENEWING INSTITUTIONAL FRAMEWORKS, AND REDUCING NEGATIVE EXTERNALITIES IN ORDER TO STRENGTHEN THE SUSTAINABILITY OF URBAN-REGIONAL TERRITORIES.

special software. All the services mentioned are available at www.geosur.info and have been developed with the support of the U.S. Geological Service and several geographic institutes of the region.

Among its achievements, the program has developed the first regional South American geographic site, and the operation of the first topographic processing service in the world, due to its geographic extension and high-resolution. Currently, more than 80 map services from 20 participating institutions are available for consultations in the GeoSUR site, including over 8,000 descriptive bibliographic records of the existing spatial data.

The available geographic data in these geo-services enable the development of new areas of action. In example, the availability of a high-resolution digital elevation model of Latin America, combined with the use of high-quality hydrological data, has enabled a detailed evaluation of the hydroelectric potential of some regions in South America, as in the case of the state of Sao Paulo, in Brazil.

With a consolidated presence in South America, the program has recently expanded to Central America, the Caribbean, and Mexico, to establish the technological base of the first infrastructure for spatial data in Latin America.

PORTS AND AIRPORTS LOGISTICS PROGRAM

CAF has a long-standing participation in ports and airports and has closely followed the conceptual evolution on the subject. Studies conducted in 2000 by Harvard University and the Universidad Politécnica de Valencia evidenced the importance of ports and logistic nodes in the national and international trade of Andean countries where they constitute platforms through which more than 80% of exported and imported goods are traded.

Later, CAF sponsored a study to evaluate the quality of port services in the 17 most important ports of South America. The study evidenced that the inefficiency of the logistic chains of the ports had the potential of offsetting the competitive advantages of the countries of the region, so it was necessary to create a program that would help improve port competitiveness. As a result, the First-Class Ports Program was implemented in Buenaventura and Cartagena (Colombia), Guayaquil (Ecuador), El Callao (Peru), and Puerto Cabello (Venezuela). Currently, the program has expanded to the ports of Altamira and Lázaro Cárdenas (Mexico), and Paita, Matarani, and Punta Lobitos (Peru).

The First-Class Ports Program seeks to improve port competitiveness, defining the composition of port communities, usually comprised of hundreds of companies and public entities. After this first recognition, a technical audit and a process evaluation are conducted so that the design and re-engineering proposal of the port logistic processes are undertaken in the following stage. Process improvements in the port community may produce dramatic results regarding time-frames and efficiency. In ports



where the community has achieved high levels of commitment to quality of service, the comprehensive quality system known as *Marca de Garantía* has been implemented. This system, which originated in the Port of Valencia, offers service guarantees to clients and provides economic compensation to clients whose expectations are not met. Starting in 2007, the institutional framework of this program is in charge of the Latin American Association of Port Quality (ALCP), which created chapters in Colombia, Ecuador, Peru, and more recently, in Mexico.

As the subject evolved, CAF started to support related subjects such as short-distance navigation (ocean highways), one-stop services for foreign trade (VUCE), the relationship between ports and cities, and the environmental impacts of these activities. The objective is to optimize the logistics and competitiveness of port clusters. CAF has also advised governments on the process of port infrastructure concessions (Ecuador), and financed the expansion or improvement of ports in several countries, including Argentina, Colombia, and Peru. In recent years, the Institution has accompanied the development of the Pacific Arch Initiative, comprising all the Latin American countries on the Pacific coast, enabling greater support to port logistics and competitiveness.

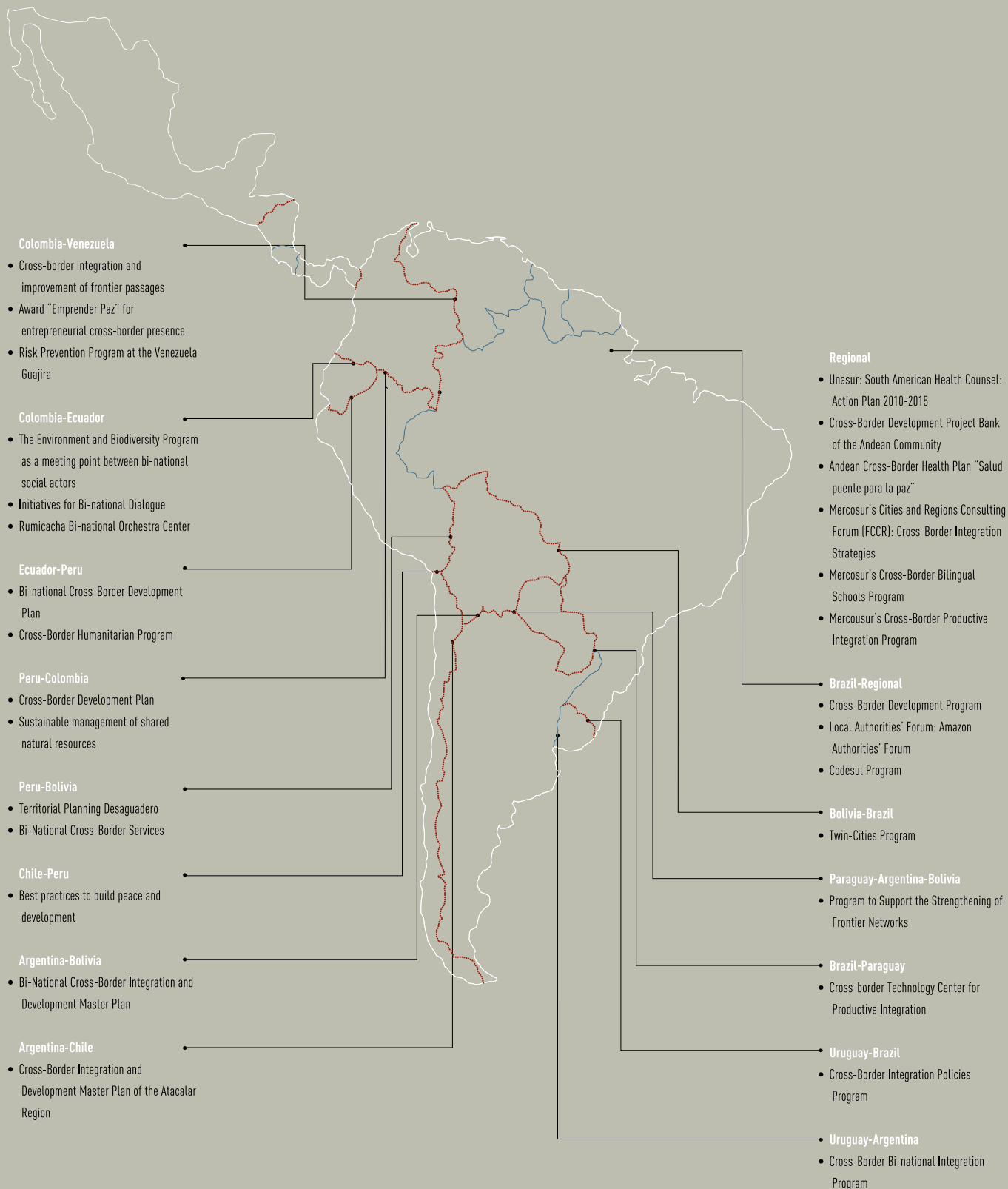
CAF has followed a similar strategy on the subject of airports. The Institution's involvement began half-way through the decade with a study of the Airports of the Andean Sub-region (ASAN, for its Spanish acronym) and sector studies conducted under the IIRSA Initiative. At first, the seven most important airports of the Andean countries were studied, including their legal and physical dimensions, and user satisfaction. Recommendations were delivered to each country and, as a result, several initiatives have been undertaken through technical cooperation and financing.

Within the framework of the IIRSA Initiative, an evaluation was conducted on the legal and institutional barriers to the flow of people and merchandise by air. At the same time, a dialogue was initiated with the aeronautic authorities of several countries, especially Peru, to explore the implementation of quality service programs in this sector. In addition, projects have been implemented to locate, award in concession, and finance airport infrastructure.

Regarding dissemination of knowledge, CAF has prepared studies on the economic impact of port development and has delivered texts for editing on South American port infrastructure and policies, and on the financing options for the purchase of ships and airplanes.

CAF also approved the execution of a program to evaluate the difficulties and advantages of the air connectivity of the Pacific Arch Initiative countries among them and with Asia. In addition, the Institution initiated conversations with the World Bank and the Economic Commission for Latin America and the Caribbean, based on the Institution's experience, to start a joint program to develop public-private associations by training and providing conceptual support to the countries and regions of Latin America.

PROJECTS OF THE CROSS-BORDER INTEGRATION AND DEVELOPMENT PROGRAM



This map has been created by CAF with illustrative purposes only. Therefore, borders, colors, denominations, or any other information shown, does not imply any judgment over the legal situation of any territory, or border recognition by the Institution.

CROSS-BORDER INTEGRATION AND DEVELOPMENT PROGRAM

CAF promotes a strategic vision of border integration among shareholder countries that seeks adequate planning and coordination of programs to benefit from the shared potential for development, the opportunities for cooperation, and for strengthening dialogue and mutual trust in cross-border regions.

Through the Program, the Institution sponsors more than 30 initiatives aimed at the design and implementation of bi-national cross-border development and integration master plans, and the creation of Border Integration Zones. Likewise, the Institution supports the community policies adopted by the countries within the framework of Unasur, the Andean Community, and Mercosur aimed at promoting joint territorial organization, planning, and prioritizing shared projects related to physical, economic and productive integration, promotion of sustainable human development, and institutional and community strengthening to encourage coexistence and cooperation in border regions

The initiatives are undertaken with non-reimbursable technical cooperation resources of the Cooperation and Border Integration Fund (COPIF), created by CAF in 2008. Its purpose is to support the timely identification, preparation, and implementation of high-impact projects that promote sustainable human development in the border regions of shareholder countries to strengthen cooperation, dialogue, mutual trust and cross-border integration at bilateral and multilateral levels. Opened with a USD 4 million initial contribution from CAF, COPIF is opened to contributions from shareholder countries and multilateral organizations and institutions, which expects to increase up to USD 25 million.



SOCIAL DEVELOPMENT AGENDA

CAF is committed to the sustainable development of the region, and promotes social and environmental sustainability as one of the strategic priorities of its interventions. Within this framework, the financing of projects, programs, and initiatives of high social impact also requires institutional strengthening, alliances and agreements among the various actors, and enhancing the understanding and solutions of social and environmental challenges.

This strategy for comprehensive sustainable development seeks to:

- ▶ Incorporate the social and environmental dimensions as cross-cutting issues to promote the supply of sustainable basic social services, mainly for the poorest and excluded sectors of society.
- ▶ Contribute to the development of human capital by promoting equitable access to quality education and health.
- ▶ Preserve and promote community and cultural development in the region.
- ▶ Promote the creation of opportunities for productive and quality employment for the most vulnerable groups of society.

Actions to support countries are structured through the following social development programs that stem from a comprehensive vision, aligned with the guidelines described above.

COMPREHENSIVE WATER PROGRAM

CAF supports the initiatives of the countries in the region aimed at increasing access and improving the quality and sustainable management of potable water and sanitation services. To achieve this objective, it is necessary to promote a comprehensive view of water resources and their administration, improve the quality and efficiency of investment plans, strengthen sector institutions, and accompany the political leadership of the governments.

In this context, CAF's strategy is focused on assisting shareholder countries in structuring financial and investment plans, programs, and projects with high social and environmental impacts, aimed at the following objectives: i) promote an adequate administration of water resources, from their generation and conservation to its use and return to water bodies; ii) facilitate the expansion of coverage and the adequate and continuous provision of potable water, sanitary sewage, and residual water treatment services, with emphasis on the most vulnerable populations; iii) promote the institutional and regulatory strengthening of the sector and improve management, transparency, and performance of the companies or entities that operate these services.

Through its Comprehensive Water Program, CAF promotes irrigation and rural development projects that enable small producers and rural inhabitants to improve their living conditions under a comprehensive territorial development approach.

To achieve the expected catalytic effect from the interventions, CAF promotes sector research, horizontal cooperation between companies, and

strategic alliances with other international organizations that operate in the region, working in close coordination and cooperation with them.

During 2010, CAF conducted a regional study on the status of potable water and sanitation services in the 50 main cities of 10 shareholder countries. The objective of the study was to promote the generation of knowledge for the sustainable management of urban water resources in shareholder countries and included: i) obtaining updated and consistent information on the coverage and quality of the supply of potable water and sanitation services in selected cities, and on the performance of the entities that operate these services; and ii) identifying projects with a high potential to advance social development interventions, prioritizing water supply projects or programs for human consumption, sanitary sewage, residual water treatment plants, and housing.

COMPREHENSIVE URBAN DEVELOPMENT PROGRAM

Through its Comprehensive Urban Development Program (PRIDU), CAF supports the countries in the region to improve the quality of life and living conditions of the populations in marginal urban areas. This program includes the development of investment projects, sector studies, and the generation and systematization of the knowledge related to the adaptation of informal settlements.

Investment projects within the Program seek to improve the habitat through housing designs that are consistent with the local urban planning and management. These include investments in housing, relocation of families located in high-risk areas, basic potable water and sanitary installations, rain water drainage, installation of public services such as energy and telephony, access road pavement, the design and construction of public areas, and the establishment of health and educational facilities.

In 2010, CAF published various studies containing best experiences and successful projects with a high potential for replicability. In addition, the Institution organized regional contests to choose initiatives for improving living conditions in informal settlements, and is developing a reference website that comprises best practices in housing rehabilitation and improvement.

QUALITY OF EDUCATION PROGRAM

Under the premise that quality education is one of the most effective instruments for the development of human capital, also resulting in increased competitiveness and social equity, CAF promotes programs and projects focused on technical and technological higher education, as well as programs to improve educational infrastructure.

The Institution offers shareholder countries a program to strengthen technical and technological education, improving its supply, quality, and relevance as a response to the new demands of the productive sector, in line with technological changes and globalization. Likewise, CAF promotes the



generation and recovery of infrastructure to meet the new educational requirements, and enable the full development of the abilities of educational actors, financing technical feasibility studies and supporting different financing schemes for educational infrastructure.

During 2010, the Institution held a workshop in Caracas to structure a project that will benefit from the information technologies of teaching-learning process of mathematics in Latin America. The workshop attracted researchers and representatives of teaching initiatives in the areas of mathematics, cognitive development, social networks, and use of information technologies to support education. The purpose of the workshop was to complete the conceptualization of the initiative by reviewing and enriching the preliminary working document produced by the project's team.

HEALTH PROGRAM

People's right to quality health care is the leading principle on which CAF has based its health care strategic program. The Institution accompanies shareholder countries in projects to expand and improve the supply of health services, facilitating access to financing mechanisms and instruments, and implementing systems that work in synergy with public and private sectors. In turn, as part of its commitment to strengthen the quality of supply, the Institution enables knowledge access and exchange with tools that guarantee the highest levels of efficiency and equity in the investments.

For CAF, strengthening health management involves both known and new practices and tools, such as information and communication technologies. Management seeks to close the access gap to quality services. The Institution also seeks to strengthen health management as an instrument for the regional integration of countries through joint work among health actors in border areas, and the representatives of regional health networks, such as Unasur's Health Council.

SOCIAL INVESTMENT PROGRAM

Investments made by countries in social sectors, such as water, health, education, habitat, and rural development are key to overcoming structural poverty and low-growth rates. Conscious of the needs of shareholder countries, and supporting their development plans, CAF grants long-term loans to the governments to ensure the timely execution of public investment projects. Initiatives are mainly aimed at these sectors to ensure compliance with the budget and facilitate increases, improvements, and adaptation of the levels of service, as well as coverage, productivity, access, and training, among others.

GOVERNANCE PROGRAM

During 2010, CAF continued strengthening democratic governance through actions that reinforce efficient institutions and participative societies. The Institution bases its strategy on four lines of action: i) promote the ethical behavior and democratic culture of social actors, ii) promote the



development of institutions with efficient and transparent rules and procedures, agile in their response to citizen demands, iii) support decentralization and citizens' participation processes, and iv) identify and train natural leaders. During 2010, the governance programs continued their implementation consolidating and expanding to other shareholder countries.

GOVERNANCE AND POLITICAL MANAGEMENT PROGRAM

Since 2001, its implementation in the Andean region is conducted in alliance with the George Washington University. At year-end 2010, Argentina, Mexico, and Panama were fully incorporated. The program's objective is to offer a comprehensive view of economic and social development problems, and enable the ability to transform this vision into an articulated framework for action that takes into account technical elements, negotiation issues and political feasibility, and economic and social issues. At the end of the year, graduates from Argentina, Bolivia, Colombia, Ecuador, Mexico, Panama, Peru, and Venezuela reached 10,700. The program has coverage in each country and is conducted with the support of local universities. Its content is developed in modules delivered over a six-month period.

LEADERSHIP FOR CHANGE PROGRAM

Initiated in Colombia in 2002, the program seeks to consolidate a national vision and civic-democratic values in natural leaders. Through a six-month training process that complements their knowledge with tools and instruments, it enables participants to exercise their citizenship and develop community actions with responsibility and integrity, while raising awareness about their country's reality. ▶

The Leadership for Change Program is a pioneering and innovative program that provides tools to analyze and exercise leadership. It is implemented at a national level in six countries in Latin America in alliance with educational institutions in each country. At year-end, 18,160 natural leaders had been trained in the program.

PROGRAM FOR REGIONAL UPDATING AND IMPROVEMENT OF LOCAL MANAGEMENT

This program's objective is to conduct a preliminary diagnosis in local public institutions to develop action plans for the improvement and modernization of the Territorial Information System, and the Municipal Planning System, with special emphasis on tools for territorial, strategic, and financial planning. The program seeks to improve efficiency in organizations, strengthening their capacity to plan, manage, increase revenues, and coordinate their actions, obtaining resources to ensure greater efficacy of services and addressing the needs of citizens.

At year-end 2010, the municipalities attended through this program included El Alto, El Torno, Montero, Oruro, Sucre, Tarija, Tiquipaya, Trinidad, and Warnes, in Bolivia; Armenia, Barrancabermeja, Floridablanca, Manizales, Popayan, Tabio, Tunja, and Zipaquirá, in Colombia; Ambato, Duran, Latacunga, Machala, Manta, Portoviejo, Riobamba, and Santa Rosa, in Ecuador; Arequipa, Breña, Chiclayo, Jesus Maria, Lince, Piura, Tacna, and Trujillo, in Peru; and Cedeño, El Hatillo, Girardot, Lecheria, Naguanagua, Piar, and Sucre, in Venezuela.

▶ DURING 2010, CAF CONTINUED STRENGTHENING DEMOCRATIC GOVERNANCE THROUGH ACTIONS THAT REINFORCE EFFICIENT INSTITUTIONS AND PARTICIPATIVE SOCIETIES.

SOCIAL SUSTAINABILITY AGENDA

CAF is committed to reducing poverty and diminishing inequities in the region, especially in its shareholder countries. To this end, the Institution contributes to the consolidation and implementation of a comprehensive development agenda strengthening socio-productive capacities and social fabric, and preserving and promoting culture and sports as a social inclusion tool. These activities acquire special relevance in excluded communities where, in alliance with partners, existing social capital networks are strengthened.

CAF promotes the following programs in the area of social sustainability: Program for Social Inclusion through Music, Program for Social Inclusion through Sports Program, and Comprehensive Community Development Program.

PROGRAM FOR SOCIAL INCLUSION THROUGH MUSIC

This program has been one of CAF's most relevant investments in social responsibility in the last 10 years, and has enjoyed great international recognition. Music, due to its capacity to enhance intellectual, physical, emotional, spiritual, and expressive abilities of individuals, is universally recognized as an ideal educational tool. Aimed mainly at low-income children and youth, the program is an excellent social rescue tool accompanied by a human training that praises the individual's most noble values and helps strengthen family and community bonds by articulating the social fabric.

The program is comprised of the Itinerant Latin Conservatory (instrument training), Voces Latinas a Coro (choral training), the Latin Luthier Itinerant Workshop, and in each one of them, the Teaching the Teachers aimed at training future local teachers with a multiplier and sustainable effect. The program operates in Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela.

The comprehensive training activities promoted through this initiative are complemented with credit support from the Institution to strengthen the orchestra systems for youth and children in Venezuela. In fact, CAF finances the construction of the Simon Bolivar Social Inclusion through Music Complex as a physical-spatial platform that enables an adequate expansion of the program.

It is worth noting that 24% of the social sustainability projects approved during 2010 that is, an investment of USD 1,600,000, were aimed at providing continuity to the Program for Social Inclusion through Music. During the period, the number of beneficiaries totaled 7,000 low-income and excluded children and youth.

Within the framework of the commemoration of the Institution's 40th anniversary, CAF gathered its Latin American Youth Orchestra. The group included 230 musicians from 18 shareholder countries that par-

▶ DUE TO ITS CAPACITY TO ENHANCE THE INTELLECTUAL, PHYSICAL, EMOTIONAL, SPIRITUAL, AND EXPRESSIVE ABILITIES OF INDIVIDUALS, MUSIC IS UNIVERSALLY RECOGNIZED AS AN IDEAL EDUCATIONAL TOOL.

ticipated in an eight-day preparation and a great concert directed by Maestro Gustavo Dudamel.

Likewise, CAF reinitiated the activities of the Itinerant Latin Conservatory with workshops for orchestra training in Argentina, Brazil, Bolivia, Colombia, Ecuador, Panama, Peru, and Uruguay. The workshops offered individual classes and lectures, and elements such as instrument positioning, auditory development, and scales. Close to 115 youth benefit from each workshop.

In addition, the Institution initiated the Voces Latinas a Coro workshops in Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay, and Venezuela. The initiative provides choral training, leadership skills, and works with a Latin American repertoire with children and youth choirs. Each choir training workshop benefits approximately 250 children and youth.

Through the Teaching the Teachers program, CAF gathered musical leaders from Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, and Uruguay. The April meeting was chaired by Maestro Jose Antonio Abreu and served to validate each country's needs of musical training.

A second meeting held in the facilities of the Center for Social Inclusion through Music provided training in sectional workshops in Caracas. The event counted with the participation of well-known musicians from Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, and Uruguay who, in addition to receiving technical lessons and lectures, visited some centers of the Venezuelan Orchestra System and Luthier workshops.

Through the Luthier component of the Program, CAF supports Fundacion Procura de la Paralisis in Venezuela in the implementation of the first workshop for people with motor control disabilities. This initiative is also supported by the Luthiers of Fundacion para el Estado de Sistemas de Orchestras Juveniles e Infantiles de Venezuela, aimed at training 15 individuals in this first stage of the pilot project, which would provide beneficiaries with an alternative source of income.

PROGRAM FOR SOCIAL INCLUSION THROUGH SPORTS

Since 2005, CAF supports the development of human training programs based on the use of sports to improve the quality of life of girls, boys, and youth in Latin America. Focusing on the 2014 Soccer World Cup in Brazil, in 2010 CAF renewed its commitment in this area with a program that will service 10 countries of the region and integrate important international allies that support the initiative.

The program seeks to harmonize physical development through sports with a comprehensive training in skills for life and work, as well as gender equity and health prevention and care.

In addition, the program seeks to strengthen and consolidate institutions that support this international effort in favor of children through train-



ing and internationally recognized practices. Its mission is to achieve the sustainability of the institutions enabling them to consolidate as organizations that achieve a balance between quality sports development and social development. The goal is to benefit 30,000 children and youth each year through Academia Tahuichi in Bolivia, Academia Colombianitos in Colombia, Fundacion Amiga in Ecuador, Academia Cantolao in Peru.

COMPREHENSIVE COMMUNITY DEVELOPMENT PROGRAM

This program, with three components, supports projects with a focus on sustainability that improve the quality of life of the beneficiaries creating opportunities for development through their productive inclusion and comprehensive development, while generating social capital to empower the beneficiaries. The main beneficiaries are communities excluded from the formal socio-economic model, with emphasis on those located close to CAF's infrastructure projects.

Productive component. Support is provided to low-income communities to improve their capacity to generate sustainable income through training and technical assistance, input supply (seeds, tools, equipment, among others), and strengthening their social capital.

Social component. This component includes: i) training at-risk youth on labor insertion; ii) supporting social infrastructure (construction and improvement of schools, medical facilities); and iii) developing health initiatives (disease prevention and family planning).

Cultural component. Focuses on supporting, strengthening, rescuing, and developing the cultural and physical heritage of the region. During 2010, 57% of the social sustainability projects approved were included in the Comprehensive Community Development Program. Projects with a productive component concentrated 33% of the total. Twenty-nine percent of the projects were related to youth training and labor insertion, and 14% seek to improve social infrastructure.

It is worth mentioning that the comprehensive community development projects have benefitted close to 58,000 individuals, especially those that provide access to comprehensive education through information and communication technologies, as well as technical training to improve and strengthen the productive capacities of small producers in rural areas.



ENVIRONMENTAL DEVELOPMENT AGENDA

Throughout its history, CAF has developed an environmental strategy with two main objectives: i) permanently generate and improve the frameworks, spaces and processes that guarantee the Institution a responsible environmental and social management; and ii) support shareholder countries in the conservation and sustainable use of their natural resources and their ecosystems.

To undertake its first objective, the Institution has defined an Institutional Environmental Management Plan which promotes environmental corporate responsibility activities with respect to administrative issues, its physical facilities at the Institution's headquarters, and country offices in shareholder countries.

Likewise, CAF has designed and implemented an Environmental and Social Management System for Operations to comprise policy guidelines, methodological approaches, procedures, instruments, and resources related to the environment to facilitate decision-making in each phase of the loan approval process and operation. CAF's Environmental and Social Management System for Operations aims at guaranteeing the physical and environmental sustainability as well as the social responsibility of the operations financed by the Institution. The System integrates, in a cross-cutting approach, all the technical, human and financial resources available within each phase of the credit process, to adequately internalize environmental and social considerations in all of the Institution's areas of action.

To this end, the system includes a series of procedures, instruments, and technical methodologies, especially designed by CAF, which provide decision-making elements in the different consultation instances, and definition within the credit process, while guaranteeing an adequate environmental and social management of operations.

With respect to the second objective of its environmental strategy, CAF has designed and implemented a series of environmental programs to promote and support national and regional initiatives for the conservation of nature and the sustainable use of the region's natural capital, as well as to strengthen the environmental sector in each shareholder country. These include the Biodiversity Program (BioCAF), the Latin American Carbon, Clean and Alternative Energies Program (PLAC⁺), the Natural Disaster Risk Management Program (PREVER), and the Program for Sustainable Development in Financial Institutions.

In addition, the Institution has strengthened the environmental sector in shareholder countries through an offer of innovative financial products to address emergencies resulting from natural disasters; significant investments in environmental and social control, remediation, and compensation in the areas of influence of the operations financed by the Institution, and through the financial support provided to a large number of technical cooperation projects within the framework of environmental strategic programs.



CAF HAS DESIGNED AND IMPLEMENTED A SERIES OF ENVIRONMENTAL PROGRAMS TO PROMOTE AND SUPPORT NATIONAL AND REGIONAL INITIATIVES FOR THE CONSERVATION OF NATURE AND THE SUSTAINABLE USE OF THE REGION'S NATURAL CAPITAL.

BIODIVERSITY PROGRAM

The objective of the Biodiversity Program is to promote the conservation and sustainable use of ecosystems, natural and genetic resources, and biodiversity. To this end, CAF focuses on three strategic lines of work:

- ▶ Promote initiatives to conserve ecosystems and species in the region.
- ▶ Promote environmental services as a strategy for the conservation of natural ecosystems and activities that improve the quality of life of the populations.
- ▶ Promote the development of mechanisms and tools for biodiversity products and services and other natural resources (green markets, bio-trade, and biotechnology).

LATIN AMERICAN CARBON, CLEAN AND ALTERNATIVE ENERGIES PROGRAM

During 2010, the Latin American Carbon, Clean and Alternative Energies Program (PLAC⁺) continued contributing to the mitigation and adaptation to climate change, and promoting the efficient use of clean and alternative energies.

Through PLAC⁺, CAF has established the following lines of work:

- ▶ Promote and actively participate in the development of emission reduction markets and the capture of Greenhouse Gases (GHG).
- ▶ Support the identification, development, and financing of projects related to GHG reduction, and clean and alternative energies, and energy efficiency in Latin America.
- ▶ Strengthen national institutions and mechanisms to stimulate and consolidate the various GHG emission reductions and clean, alternative energy markets.

Currently, PLAC⁺ manages and develops 32 GHG emission reduction programs in Latin America, in sectors such as sustainable transportation, renewable energies, energy efficiency, reforestation, and capture and use of biogas.

It is worth mentioning that in 2010 CAF signed a contract for the purchase-sale of emission reductions with Pizano, S.A., a Colombian company, to develop a reforestation project of 2,000 hectares in the Bajo Atrato, north of the Choco area. The contract represents businesses equivalent to USD 3.21 million.

The Program's project portfolio is equivalent to a volume of 6.8 million tons of GHG not emitted into the atmosphere. This is done through the carbon funds managed by CAF, such as the CAF-Netherlands CDM Facility (CNCF) with the Government of The Netherlands, and the Ibero-American Carbon Initiative (IIC) with the Government of Spain, in addition to other purchase-sale operations.



CAF and the Global Environmental Fund (GEF) signed a Project Cooperation Contract in February 2010, to provide financing to business initiatives based on the sustainable use of biodiversity, and support activities for the development of markets, in order to contribute to the environmental conservation of the Andean region. Beneficiary countries are Colombia, Ecuador, and Peru.

Once the GEF-CAF cooperation contract was signed, it was necessary to establish the instances that will manage the project. To this end, the institutions responsible for the implementation of the agreed activities were called in March to establish the Management Committee. The committee includes one representative from CAF, one from GEF-UNEP, one from each Environmental Secretariat in each participating country, and one from each of the National Executing Agencies (NEA), that is, the Biotrade Fund in Colombia, Corpei in Ecuador, and Promperu in Peru.

Likewise, to ensure the participation and commitment of local counterparts, in addition to performing a review of the monitoring and evaluation system, CAF hired two consultancies at the beginning of the year. Both have presented their results, which are being implemented in the NEAs.

Regarding the promotion and dissemination of the project, workshops have been conducted in Lima, in the framework of the Inception Workshop, and in Bogota, in a parallel event to the International Environmental Fair in Neiva, and another one with Bioexpo. This has led to the dissemination of details, objectives, and potential beneficiaries of the project, both directly and through the local press.

Although the project has just started, significant progress has been made, including the “satisfactory” rating granted by GEF on its first annual review. The main developments are perceived in the prioritization of biotrade in the current legal regulations that have been established as State Policy in Colombia and Peru; training provided to public and private employees; participation of some biotrade initiatives in specialized international fairs; the availability of information platforms related to biotrade in the three participating countries; and the presence of specialized financial institutions that support this activity in Colombia and Ecuador. It is estimated that in 2011 pilot projects will be selected and directly supported by GEF-CAF funds. These will contribute to increase the areas managed under environmental conservation criteria, through the sustainable use of biological diversity resources, and to the reduction of poverty of the actors involved in selected chains, based on the sales growth of their products.

Specifically, the project has contributed to the inclusion of biotrade in the national legal framework of Colombia and Peru; the training of approximately 50 public servants on subjects related to biotrade; the presentation of more than 10 new products in the market; the entry into five new markets; the strengthening of 15 value chains; and the financing of 25 Colombian SME's other than those belonging to the Biotrade Fund (FBC).

MAIN ACHIEVEMENTS OF THE PROJECT TO PROVIDE FUNDS FOR BIODIVERSITY BUSINESSES AND MARKET DEVELOPMENT SUPPORT IN THE ANDEAN REGION (GEF-CAF PROJECT)

The project has seven components: policy strengthening, access to markets, creation of competencies, construction of information regarding products and markets, leverage of financial resources, development of pilot projects for biodiversity businesses, and dissemination and exchange of experiences at a regional level.

COMPONENT 1: POLICY STRENGTHENING

- ▶ Inclusion of biotrade in the legal framework in Colombia and Peru.
- ▶ Training workshop for the staff of the Regional Autonomous Corporations in Colombia. Diploma in biotrade for public employees in Peru.

- ▶ Training of fifty public employees in Colombia and Peru in legal, regulatory, and technical aspects of biotrade.
- ▶ Preparation of two documents that identify the legal aspects of biotrade in Colombia and Peru.

COMPONENT 2: ACCESS TO MARKETS

- ▶ Two market studies for *Caesalpinia spinosa* and *Plukenetia Volubilis*, in addition to a methodology for identifying market niches.
- ▶ A study promoting ethnic tourism in the Chimborazo route and a Management Plan for Sustainable Tourism for the Calera Grande community in Ecuador.
- ▶ Participation of companies in 12 specialized international fairs.
- ▶ Evaluation of 64 business plans for compliance with biotrade principles and criteria (P&C) in Colombia, and 74 tourism plans regarding quality and processes in Ecuador.
- ▶ Publication of quality standards for the Sacha Inchi in Peru, and development of the geographical indications for La Maca.

COMPONENT 3: CREATION OF CAPACITIES AND COMPETENCIES

- ▶ In Colombia, developed an innovation event for 36 natural ingredients companies and a biotrade training course for entrepreneurs of Pitaliti-Huila.
- ▶ In Ecuador, implemented 72 training events (1,921 participants) and 150 programs to implement good practices for sustainable tourism.
- ▶ In Peru, developed two events on biotrade under the umbrella of the Exporter Wednesday (220 individuals) and two seminars on access to markets for biotrade products (120 participants).
- ▶ In Colombia, conducted a biotrade business forum, two parallel events in specialized fairs, and two P&C evaluation programs of biotrade.
- ▶ In Peru, published two editions of the PeruNatura forum and held two national biotrade contests.

COMPONENT 4: INFORMATION ON PRODUCTS AND MARKETS

- ▶ Three commercial, technical, and business information websites in the three countries.
- ▶ Twelve articles on biotrade in national circulation magazines, two reports on national television programs, and several press releases in Colombia.

COMPONENT 5: LEVERAGE OF FINANCIAL RESOURCES

- ▶ Raised awareness in six financial institutions on the subject of biotrade, training of 50 entrepreneurs on financial aspects, financial support to 25 biotrade enterprises from sources other than the FBC in Colombia.
- ▶ The Biotrade Fund has invested USD 1.1 million in 25 new companies in Colombia. In Ecuador, a trustee for entrepreneurial development has been developed and implemented for access by biotrade companies. In Peru, a study of supply and demand for financing for biotrade initiatives was conducted.

COMPONENT 6: PILOT PROJECTS

- ▶ Six support documents for the evaluation of natural ingredient value chains in Colombia. Five value chains analyzed in Peru.
- ▶ Five Peruvian companies have passed the verification process of compliance with the principles and criteria and have been incorporated as members of the Union for Ethical BioTrade.

COMPONENT 7: DISSEMINATION AND REPLICATION AT A REGIONAL LEVEL

- ▶ Management committee in operation.
- ▶ Project presented and disseminated in the framework of three specialized events, with a significant presence of local media.
- ▶ Publication of press releases in the Biodiversity Program site.

NATURAL DISASTER RISK MANAGEMENT PROGRAM

The Natural Disaster Risk Management Program supports the prevention, mitigation, and assistance to the socio-economic and environmental impacts related to natural disasters and changes in natural systems. The program supports projects and activities related to:

- ▶ Risk management and reduction of vulnerabilities associated with El Niño Phenomenon.
- ▶ Adaptation and vulnerability in the face of climate change.
- ▶ Contingent assistance in the case of disasters.
- ▶ Risk prevention from a municipal perspective.



AGENDA FOR COMPETITIVENESS, INTERNATIONAL INSERTION, AND PUBLIC POLICIES

CAF promotes the development of productive and human capital, strengthens the competitiveness of nations, promotes the development of microenterprises and other sectors with limited access to financial capital, supports the strengthening of governmental institutions, contributes to the achievement of public policies consensus, and supports processes of economic integration and insertion in the international economy.

COMPETITIVENESS PROGRAM

During 2010, CAF's Competitiveness Program (PAC) strengthened productivity and improved competitiveness in Latin American countries. To create competitive advantages, PAC promotes entrepreneurial abilities, helps improve the business environment and strengthens the development of productive and commercial clusters through technical and non-reimbursable financial assistance. The program promotes joint activities between governments, the private sector, and the academic community, and identifies factors that support and limit competitiveness in each country, selecting and supporting projects with high-impact on welfare and development. In addition, PAC seeks to become a reference in the generation of quality knowledge documenting case studies and technology transfer and initiatives with high replication potential in Latin America.

Through cluster development and strengthening productive capacities, PAC initiated the Program for Competitive Improvement and Internationalization of Argentinean Wine Cellars, and started a program with local authorities in the Province of Buenos Aires to implement a program for innovation and design in productive SME's located in the Autonomous City of Buenos Aires.

In Bolivia, the program supported the implementation of a continuous quality improvement system in 30 tourism enterprises located in the cities of Sucre and Potosi, and started the third phase of the structured change of the management systems. At the same time, PAC supported the strengthening of rural community-based tourism in the Mysteries of the Titikaka circuit and, in collaboration with FUNDES, started a plan to include the social responsibility component in the management of SME's.

To continue enhancing the geographic reach of the program in the region, PAC identified new cooperation opportunities in Brazil, where it supported the implementation of a Mediation Model for Agribusiness and a project for the Management of Knowledge in the Brazilian public administration. In addition, it undertook an initiative for the development of agribusiness in the area of influence of the Ruta del Sol in Colombia, and helped organize the value chains in the cocoa and lumber sectors in the province of Esmeraldas, in Ecuador, as well as to strengthen the productive transformation and commercial abilities of Ecuadorean grains and cereals chains. In alliance with Empretec, the program supported the strengthening and internationalization of productive chains in the farming sector in Uruguay.



PAC PROMOTES
ENTREPRENEURIAL
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In addition, PAC supported the strategy to improve the business environment in Colombia by sponsoring the Business and Investment Rounds for Exporting SME's (Latin Flavors Cartagena 2010), framed within the Mesoamerica Project. In the same direction, it also supported the International Arbitrage Forum in Colombia, the Annual Competitiveness Forum in Panama, and the XVI Annual Competitiveness Meeting in Venezuela.

Likewise, the Program focused its attention on initiatives that support entrepreneurship in Latin America, sponsoring a number of events such as the 2010 Competitiveness Index of the Argentinean Provinces. In Bolivia, it supported the Innova San Andres Innovative Ideas and Technological Base Contest, the 2010 Expoindustria, and the creation and design of the 2010-2011 Global Entrepreneurship Monitor. It also supported the 2010 Ventures Contest in Colombia and the Business Development Business Plans Contest in Peru in collaboration with Instituto Invertir. In Venezuela, it contributed to the XI Red Motiva International Seminar: University, Entrepreneurship, and Social Responsibility, and the 2010 Ideas Contest organized by the Fundacion Ideas. PAC also supported other regional projects such as the 2010 Competitiveness of the Americas Forum, organized by CIFAL, and the II Latin American Local Development Agencies Forum, as well as the Global Conference on Tourism Clusters, held in Punta Cana, Dominican Republic.

ACCESS TO FINANCING FOR MICRO, SMALL, AND MEDIUM-SIZED ENTERPRISES

Support for MSMEs is an indispensable activity to promote equitable economic development and maintain the equilibrium between the social, environmental, and economic dimensions of progress, as proposed in CAF's Agenda for Comprehensive Development. MSMEs represent the largest portion of the Latin American enterprise sector, and generate more than half of the region's employment. However, the growth of these enterprises is limited by, among other things, the difficulty in accessing financial services, particularly credit. For this reason, one of CAF's strategic objectives is to promote access to financing for these enterprises.

CAF's actions in this matter are conducted through a number of credit operations, capital investments, and cooperation resources tailored to the needs of the clients and in line with the norms and policies of each country. In order to maximize the effectiveness and efficiency of the Institution's efforts, certain conditions have been established to better channel the Institution's activities related to MSMEs:

- ▶ Operations are conducted in alliance with public and private institutions in support of MSMEs, such as microfinancing institutions, venture capital funds, credit guarantee systems, and development banks.
- ▶ The result of the operations must result in an increase in the financing flows toward sectors that are not adequately serviced by the financial systems.
- ▶ Operations should be innovative, have demonstration effect, and must be replicable.
- ▶ During 2010, CAF provided support to 64 institutions, including microfinancing entities and venture capital funds in 14 shareholder countries, while promoting 22 operations with cooperation resources.



LINES OF ACTION TO SUPPORT MSMEs

► COMPREHENSIVE FINANCING TO MICRO FINANCING INSTITUTIONS

Micro financing institutions (MFI) are excellent allies to channel credits and other financial services to micro and small entrepreneurs who are not adequately served by traditional banking systems. They are also effective agents in providing banking services to people excluded from regular banking institutions. CAF grants credit lines to MFIs so they transfer those resources to MSMEs in the form of loans to finance operations, inventories, and fixed assets. Through capital investments and subordinated loans to MFIs, their capital base is strengthened, enabling robust growth and increased capacity to offer savings, loans and payment processing services to the business sectors supported.

► INVESTMENT IN VENTURE CAPITAL FUNDS

Although venture capital for SMEs is a scarce resource in the region, its availability is an important factor for the development of entrepreneurship and innovation. Through investments in venture capital funds, CAF invests in the capital of SMEs. The investments of funds are used to create new companies and finance the development of innovative and value-added products and services.

► SUPPORT TO CREDIT GUARANTEE SYSTEMS

In the region there are different types of public and private institutions that facilitate access to credit to MSMEs through the issue of guarantees. CAF works with these institutions reinsuring the guarantees issued by them, thus expanding their capacity to grant guarantees, and increasing the flow of credit to MSMEs. Another form of support is through the creation of coinsurance mechanisms in association with the institutions, which also results in increased operations of the financial system with the MSMEs.

► DEVELOPMENT OF ALTERNATIVE FINANCING MECHANISMS

CAF invests in different types of initiatives that open non-banking financing possibilities for MSMEs, such as invoice discounts, guarantees to enable access to capital markets, and financing through productive chains.

► TECHNICAL COOPERATION

These non-reimbursable resources are used for the institutional and professional development of the micro financing and venture capital industries, as well as to generate knowledge and disseminate best practices. Within this line of action, CAF has financed programs to provide information technologies for MFIs, microfinance specialization courses, strengthening and expanding a Latin American venture capital association, and comparative studies on different aspects of the development of the micro financing industry.

CORPORATE GOVERNANCE PROGRAM

During 2010, the corporate governance program concentrated its efforts on consolidating its Latin America position, emphasizing the promotion of Good Corporate Governance Practices in sectors of strategic interest for the economies of the region. To this end, CAF published the Guidelines for an Andean Code of Good Corporate Governance for SMEs and lessons learned in Venezuela, in collaboration with the Venezuelan Association of Executives (AVE).

To conduct a number of initiatives related to the subject of corporate governance in the region, CAF approved an operation to support the Corporate Governance agenda of its shareholder countries. Since then, the Institution has financed numerous activities to promote and implement good governance practices in Peru, in which the participation of the Lima Stock Exchange and the high-degree of commitment of Secretaries and representatives of the Central Government are worth mentioning. Within the framework of this project, CAF will lead the Workshop for the promotion of Good Corporate Practices in Venezuela, with the participation of representatives of the country's most important enterprises as well as other relevant actors. In addition, the program expects to conduct a Corporate Governance Workshop for State Enterprises in Colombia, and support the Presidential Advisors on Good Governance and Transparency, and replicate this initiative in Argentina. In Bolivia, it seeks to promote Training for the Supervisory and Social Control of Enterprises Authority, and the development of a draft law on Good Corporate Governance in EPE.

ECONOMIC AND PUBLIC POLICY RESEARCH PROGRAM

CAF's Economic and Public Policy Research Program (PAI) supports researchers in the region both in their studies and projects and in their dissemination. The Institution benefits from the development of topics of interest for its agenda, and participates in the debate of relevant subjects related to the economic and social development of Latin America. An important component of this program is the hiring of expert studies. Topics vary each year based on the content of the Economic and Development Report, an annual publication through which the Institution contributes to the discussion on strategies for development in Latin America. The documents resulting from the research are discussed in workshops organized during the year and used as input for the Report. Some of them are published in the technical journal *Perspectives* edited by CAF. A second program within the PAI is the annual public call for studies to professors and researchers for the presentation of papers related to subjects of interest to CAF. The ninth edition of this call focused on the topic of Development and Fiscal Policy. The winning proposal is a study on credit restrictions in higher education in Chile.

It is worth mentioning that during 2010, CAF presented the main conclusions and lessons of its 2010 Economic and Development Report, "Local development: toward a new leading role of cities and regions", at events held in Rosario (Argentina), La Paz (Bolivia), Cuenca (Ecuador), Lima (Peru), and Caracas (Venezuela). In September, the Institution organized an

2011 ECONOMIC AND DEVELOPMENT REPORT
FINANCIAL SERVICES FOR DEVELOPMENT:
PROMOTING ACCESS IN LATIN AMERICA

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The objective of the 2011 Economic and Development Report (2011 RED) is to study the relationship between access to financial services and economic and social development. There are a number of reasons to expect that greater access to financial services should strengthen economic growth and welfare. Financial institutions have a key role in channeling the savings of families toward the investment projects presented by enterprises. To the extent that these savings are aimed at initiatives with higher private and social returns, the productivity of the economy is strengthened and so is economic growth. In addition, enterprises demand loans to finance working capital, payment services, and insurance to minimize the effects of unforeseen events on their cash flows and operations. In the case of families, the temporary distribution of expenditure and consumption may not coincide with the timing of their income flows. For this reason, they demand savings accounts and credit services to bridge this gap. The role of insurance is also relevant as it enables the distribution of the idiosyncratic risks faced by individual households. Financial services also have a direct relationship with welfare since they facilitate and reduce transaction costs.

The 2011 RED starts by diagnosing the evolution of financial markets in the region. In spite of some advances during the past decade, the depth of the financial services continues to be low, even lower than what can be explained by the levels of income and inequality. The aftermath of the banking crisis, macroeconomic instability, institutional barriers, and the business strategies of the banks may have weighed on the development of financial systems. In addition, access to financial services in Latin America is also limited: the percentage of families that use formal savings and loan services and mechanisms; and companies, particularly small and large, that use formal means of financing for investment and working capital is relatively small. The emergence of micro financing Institutions (MFIs) is a response to the inability of the traditional banking system to effectively provide services to the segments of the population historically excluded; among other reasons, due to their lack of flexibility. The great diversity of MFI structures is, in itself, a result of the need to scale up the supply, while maintaining relatively flexible structures that are able to innovate.

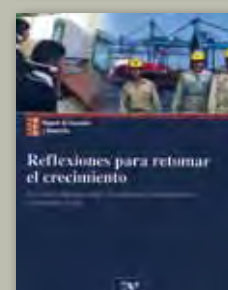
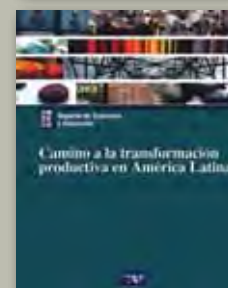
The report follows with a study of the main obstacles for the development of the financial system, evidencing that it is subject to market failures due to asymmetric information and agent problems that may generate inefficiencies in the allocation of loans to enterprises and families, and in the access to other financial services. In the case of enterprises, this is reflected in the self-exclusion and unwanted exclusion of enterprises from the credit market; in the wide cost gap between external and

internal financing; and in the provision of loans based on the observable characteristics of companies and, to a lesser degree, on the expected profitability of investment projects. In the case of families with no access to financial instruments, higher costs must be paid for not being able to access adequate payment systems. In addition, the lack of access to savings and loans instruments affects the incentives to save, and generates losses by not being able to smooth the unexpected changes in income and expenses over time, resulting in the extended use of informal smoothing instruments for consumption and risk protection.

On the other hand, microfinance studies in the region are encouraging and suggest that access and use of microcredit appears to change the behavior and productivity of entrepreneurs. These studies indicate that microcredit favors the more enterprising and not-so-poor families. In addition, a balanced growth of microcredit supply, which promotes the formalization of MFIs and boosts the development of NGOs seems to be ideal. Although it seems implausible that MFIs will fully substitute the informal sector, there is still room to gain for the institutional segment of microcredit providers. The development of credit products that are adjusted to the apparent need for flexibility seems to be one of the biggest challenges facing MFIs.

The report then evaluates the public policies that promote greater access to financial services. These interventions have been of different kinds. In general, policies that directly attack market failures are the ones that have the greatest probabilities of a priori success. This is the case of improvements in the flow of information through credit registries and the provision of an electronic infrastructure to develop secondary markets for debt instruments such as factoring. A reduction has also been observed in the granting of direct credits from the State, who now acts as a second-tier lender through rediscount facilities and guarantee schemes. In both cases, cooperation with the private banking system generates gains in efficiency due to the economies in the implementation and by sharing the risk of the operations. Regarding microcredit, in addition to designing appropriate legal frameworks, the State may co-finance training programs and promote innovation. In any case, the State's intervention must be comprehensive and long-term.

Finally, the 2011 RED evaluates the impact of the Public Banking System. The actions of this type of banking must be framed in a context characterized by the existence of specialized instruments that reinforce a complementary relationship with the private banking system and opens an array of possible interventions to increase access to financial services. A good structure of corporate governance, mandates, and regulatory framework facilitate a successful intervention. Consequently, strengthening the internal institutional elements of the Public Banking System must be a priority area of development.



international seminar in Cartagena de Indias, (Colombia) on the subject of local development and quality of life, gathering more than 50 mayors and policy makers of the region to discuss the main results of the Economic and Development Report and the subject of citizenship security.

The report was also presented in specialized seminars at the Inter-American Development Bank, in Washington, D.C.; at the XLV Annual Meeting of the Argentinean Association of Political Economy, in Buenos Aires; at the XI Summer Institute Pacific Regional Science Conference (PRSCO) of the Colombian Association of Regional Studies and of the Pacific Regional Science Council, in Cali; and at the Conference of the Agence Française de Développement: Latin American Cities and Quality of Life: Current Status and Prospects, in Paris.

During the year, CAF continued disseminating the 2009 Economic and Development Report, "Roads to the Future: Infrastructure Management in Latin America", in the Seminar "Financing Infrastructure in Latin America", held in Bogota, Colombia, and organized by the International Finance Corporation and the Organization for Economic Cooperation and Development.

Likewise, the Institution made progress on its 2011 Economic and Development Report, which addresses access to financial systems and economic and social development in Latin America. To that effect, on May 1st and 2nd a seminar was held in Lima on the subject of financial inclusion where a series of papers commissioned for the 2011 Economic and Development Report were presented. The subject was also discussed in a meeting organized by CAF during the XV Annual Meeting of the Latin American and Caribbean Economic Association (Lacea), in Medellin, held in November. This annual forum, in which CAF actively participates, gathers the main researchers and academics of the region. In addition, CAF participated in the conference Policy Innovations to Improve Access to Financial Services: Learning from Case Studies, organized by the Center for Global Development, and in the seminar sponsored by The Brookings Institution, Economic and Social Challenges in Latin America: Developing an Agenda for 2010, in Washington, D.C.

Other seminars and research activities promoted by CAF through the PAI include the second annual meeting of the International Trade and Growth Network held in San Jose, Costa Rica, in September. During the conference, organized by Universidad de Costa Rica, professors and researchers from Latin America presented papers on international trade and integration. CAF participated actively in designing the agenda and in the discussion of one of the research papers.

Another research activity conducted by CAF during 2010 was the annual survey on access, quality, and satisfaction with public services in Latin America, that this year included a section on access to financial services. The survey was applied to a representative sample of individuals in 17 cities of Latin America, and its results were used as input for the 2011 Economic and Development Report.







REGIONAL PROMOTION AND DISSEMINATION OF KNOWLEDGE

180 PRESENCE IN THE MAIN REGIONAL MEETINGS

181 SEMINARS AND EVENTS

185 DISSEMINATION OF KNOWLEDGE

FORTY YEARS
OF ACTIVE PRESENCE
IN THE MAIN REGIONAL
MEETINGS

REGIONAL PROMOTION AND DISSEMINATION OF KNOWLEDGE

During 2010, CAF continued supporting ongoing regional integration processes, while contributing to strengthening recent integration initiatives in the region. Through the definition and implementation of work programs with regional organizations and schemes, the Institution decisively contributed to the implementation of sub regional, regional, and hemispheric integration agendas. It is also worth mentioning CAF's consolidation as a liaison for the strengthening of the bi-regional integration agenda between Latin America and Europe.

The presence of CAF's Executive President in each of the regional and bi-regional Presidential Summits, as well as the permanent presence and technical support to the region's multilateral agenda, enabled the consolidation of priority projects in the integration agendas of shareholder countries. During 2010, CAF promoted specific actions mainly related to the integration of physical infrastructure in the region, and to energy markets, financial integration, diversification, productive integration, strengthening of MSMEs and cross-border productive chains, while supporting specific regional projects for the reduction of asymmetries, social, environmental, educational and cultural development, and many integration and cross-border cooperation programs.

It is worth mentioning CAF's active presence and participation in the II Latin American and the Caribbean Summit about integration and development in Cancún, Mexico; the VI Summit Latin America and the Caribbean-European Union in Madrid; the Joint Work Group to address the commitments made in the Summit of the Americas and the OAS General Meeting in Lima; the Mercosur Chief of State Summit meetings in San Juan, Argentina, and Foz de Iguazú, Brazil; in the Presidential Summit of the Mesoamerica Project in Cartagena, Colombia; the Secretariat's Meeting of the Latin American Pacific Arch Forum in Valle de Urubamba, Peru; the Summit Secretaries of Foreign Affairs and International Trade Roads to Prosperity in the Americas, in San José, Costa Rica; the Chief of State and Government Iberoamerican Summit in Mar de Plata, Argentina; the sector meetings of Unasur's members, and diverse work meetings with the Andean Community (CAN).

From a multidimensional and convergence perspective, during 2010 CAF conducted work and cooperation programs in a joint effort with regional integration organisms and secretariats. These included: the projects undertaken with Unasur, the OAS, CAN's General Secretariat, the Andean Parliament, the Andean Health Organism Hipólito Unaue Convention, the Common Market Group of Mercosur, the Permanent Representatives Commission of Mercosur, the Consulting Forum of



From top to bottom:

- ▶ VI Summit Latin America and the Caribbean-European Union. Madrid, Spain, May 17-18.
- ▶ XXXIX Mercosur's Presidential Summit. San Juan, Argentina, August 3.
- ▶ XX Ibero American Summit. Mar del Plata, Argentina, December 3-4.
- ▶ XL Mercosur's Presidential Summit. Foz de Iguazu, Brazil, December 17.

municipalities, federative states, provinces and departments of Mercosur, the Pro-Tempore Secretariats of the Summit of the Americas, the Iberoamerican Summit, Mercosur, Unasur, the Arch Countries Forum and the Mesoamerican Initiative, Aladi, the Amazon Cooperation Treaty, and the Iberoamerican General Secretariat, in addition to an important network of organizations and multilateral institutions that support regional integration programs and projects.

SEMINARS AND EVENTS

During 2010, CAF promoted an active agenda of external relations, and participated in many platforms related to priority issues of its Agenda for Comprehensive Development.

II INTERNATIONAL ECONOMIC FORUM ABOUT LATIN AMERICA AND THE CARIBBEAN. Organized by the OECD and the IADB, the forum evaluated post-crisis scenarios for Latin America and the Caribbean, with special attention to commercial and industrial policies and to the business models present in the region. Paris, France, January 24-26.

SEMINAR REVISITING AID IN THE 21st CENTURY: THE BIRTH OF THE GLOBAL PUBLIC POLICIES. Organized by the French Agency for Development, CAF participated in a high-level discussion to rethink global policies recently designed by the international community with the purpose of promoting global public goods. Paris, France, February 11-12.

CONFERENCE FUTURE PROSPECTS FOR LATIN AMERICA. Organized by Canning House. CAF's Executive President, Enrique García, offered an outstanding conference focused on the challenges faced by Latin America in the present decade and the role of the region in the changing scenario marked by the international economic crisis. London, United Kingdom, February 15.

BREAKFAST-DEBATE POLITICAL AND ECONOMIC CHALLENGES IN LATIN AMERICA. CAF, Latin Finance and BBVA organized a breakfast-debate to analyze the main political and economic challenges of the region, within the framework of the 51st Annual Governors' Meeting of the Inter American Development Bank. Cancún, Mexico, March 23.

CONFERENCE THE CHALLENGES OF DEVELOPMENT OF LATIN AMERICA AND THE CARIBBEAN. Organized by Funglode. During the event, participants analyzed the challenges for the sustainable development and integration of Latin America and the Caribbean with the highest political and academic authorities of Dominican Republic. Santo Domingo, Dominican Republic, April 9.

SECRETARY'S MEETING ENERGY AND CLIMATE PARTNERSHIP OF THE AMERICAS (ECPA). Launched by President Obama in the V Summit of the Americas, this initiative that acquired relevance this year in Washington, D.C. seeks to promote cooperation among countries in the hemisphere to fight against



International Economic Forum Latin America and the Caribbean 2010. Paris, France, January 24-26.



Breakfast-Debate Political and Economic Challenges in Latin America. BBVA-CAF-Latin Finance. Cancún, Mexico, March 23.

climate change, promote energy security, and reduce poverty. Washington, D.C., United States, April 15.

II FORUM EUROPE-LATIN AMERICA-UNITED STATES. Organized by SEGIB, the Inter American Dialogue and the Royal Elcano Institute. The meeting fostered an open dialogue about the main challenges faced by Latin America and the Caribbean, and the United States and European policies towards the region. Madrid, Spain, April 20-21.

VI SUMMIT EUROPEAN UNION-LATIN AMERICA AND THE CARIBBEAN. Consolidated the strategic bi-regional association, and opened the space for the subscription of important trade agreements. CAF participated in the III Entrepreneurial Summit European Union-Latin America and the Caribbean, and in the creation of the new financial instrument Latin American Investment Fund. Madrid, Spain, Mayo 18-19.

FORUM CHINA, UNITED STATES AND LATIN AMERICA: THE NEW TRIANGLE. Organized by the Institute of the Americas. Public event to debate over the growing importance of political and economic relations between Latin America, China and the United States, with emphasis on energy issues. Washington, D.C., United States, May 29.

THE LATIN AMERICA-EUROPE INVESTORS FORUM (LA-EIF). Organized by Latin Finance. The forum promoted investment opportunities in Latin America before important financial actors of the United Kingdom and other European countries. London, United Kingdom, June 2-3.

X LATIN AMERICAN SOCIAL FORUM. Organized by the magazine Foreign Policy, gathered important leaders from the public and private sectors of the Americas, non-profit organizations and the civil society, to promote discussions over the role of corporate social responsibility to strengthen the region's development. Washington, D.C., United States, June 8-9.

CONFERENCE MOBILIZING PRIVATE CAPITAL TO REDUCE CLIMATE CHANGE-INSTRUMENTS AND POLICIES TO MOBILIZE INTERNATIONAL GREEN ENERGY INVESTMENT. Organized by KfW. The German government invited CAF to take an active role in this conference that evaluated the instruments and framework necessary to optimize the interaction between public and private resources in order to finance the fight against climate change. Berlin, Germany, June 30.

ROUND TABLE LATIN AMERICA: CHALLENGES FOR NEW LEADERS. Organized by The Brookings Institution and CAF. Gathered a select group of Latin American young leaders to discuss the region's economic, social, and political challenges, with renowned academic and political leaders in the United States. Washington, D.C., United States, July 21.

INTERNATIONAL CONFERENCE ON ECONOMIC STUDIES, FINANCIAL BAILOUT MECHANISMS, REGIONAL FUNDS AND OTHER SUBSTITUTE OR COMPLEMENTARY SCHEMES. Organized by the FLAR. The conference promoted a rich ex-

change of opinions to optimize financial bailout mechanisms for the protection of the countries before balance of payments problems, and the role of international reserves, regional funds and other substitute or complementary schemes. Cartagena de Indias, Colombia, August 9-10.

SEMINARY-WORKSHOP LOCAL DEVELOPMENT AND QUALITY OF LIFE AND CITIES AND REGIONS IN LATIN AMERICA. Organized by CAF. Presented The Institution's 2010 Economic and Development Report, and debated with international experts and with a group of majors and policy makers about the main challenges of local administration in the countries of the region. Cartagena de Indias, Colombia, September 2-3.

XIV CAF'S ANNUAL CONFERENCE ON THE AMERICAS. Organized by CAF, the Inter American Dialogue and the OAS. Political leaders and experts from the hemisphere analyzed the state of Inter American relations, the main political and economic trends in the region, and the global projection of Latin America. Washington, D.C., United States, September 8-9.

THE LATIN AMERICA-CHINA INVESTORS FORUM (LA-CIF). Organized by Latin Finance. Investors and other actors from the financial sector attended this meeting that presented the advantages of closer ties among the Latin American and Chinese emerging economies. Beijing, China, September 15-16.

LATIN ASIA BUSINESS FORUM. Renowned as the main meeting space among Latin American and Asian entrepreneurial leaders, the forum offered an important platform for dialogue and the promotion of business opportunities that benefit both regions. Singapur, September 18-22.

ANNUAL MEETING OF THE WORLD BANK AND THE INTERNATIONAL MONETARY FUND. CAF was present at the main multilateral banking summit that addressed the key problems of the international financial system. Washington, D.C., United States, October 5-10.

GLOBAL MEETING OF THE EMERGING MARKETS FORUM. Organized by Emerging Markets. Space for dialogue among public and private sector leaders from emerging markets to exchange ideas to reach sustained and more inclusive economic growth. Virginia, United States, October 11-13.

CONFERENCE FROM COPENHAGEN TO CANCUN: NEW CHALLENGES, NEW ALTERNATIVES AND NEW OPPORTUNITIES. Organized by the Institute of the Americas at the head office of the Institute for Latin American Studies of the Social Sciences Chinese Academy, the conference offered a platform to discuss the strategies and priorities of Latin America and China in the fight against climate change. Beijing, China, October 19.

EURO-LATIN AMERICAN MEETING. Organized by CAF and the Royal Elcano Institute. This new space for discussion addressed issues of the highest relevance for both regions, such as the new agenda of Euro-Latin American in the global context, the main challenges on citizen-



LXXXI Iberoamerican Entrepreneurial Meeting. Madrid, Spain.



The Americas Competitiveness Forum. Atlanta, United States. November 14-16.



Euro-Latin American Meeting. CAF and the Royal Elcano Institute. October 28-29.



III Entrepreneurial Summit-Innovation and Technology, Sharing Challenges. Madrid, Spain. May 18-19.

ship security, and the global problem of drugs and organized crime. Sevilla, Spain, October 28-29.

V NATIONAL COMPETITIVENESS FORUM. The main national event in Panama where public and private sector actors set the goals and priorities to improve the country's competitiveness. This year CAF's Executive President participated as key note speaker. Panama City, October 15-16.

CONFERENCE LATIN AMERICA'S CHALLENGES TOWARD THE FUTURE. Organized by Sciences Po. CAF's Executive President was the guest of honor at the commencement ceremony of the Euro Latin American Campus of this house of studies. During the event, CAF signed an inter institutional collaboration agreement, and gave an outstanding speech. Paris, France, November 2.

XI BIARRITZ FORUM. The XI edition of the Biarritz Forum evaluated the current state and outlook of the Latin American-European Union relations, particularly in the political, economic and social contexts. Biarritz, France, November 4-5.

THE SIR BANY YAS FORUM. This high-level forum focused on the new challenges for peace and security in the Middle East, as well as the global and regional demand of energy and its impact on international peace and security. Abu Dhabi, United Arab Emirates, November 5-8.

SECRETARIAL FORUM JAPAN-LATIN AMERICA: SUSTAINABLE INDUSTRIAL POLICIES. Organized by CAF and Unasur. A new platform for the exchange of knowledge and best practices among public and private sector leaders of Latin America and Japan. In its first edition, the forum analyzed the economic, social and environmental opportunities related to sustainable industrial policies, production and clean energies and carbon markets. Tokyo, Japan, November 18-20.

DISSEMINATION OF KNOWLEDGE

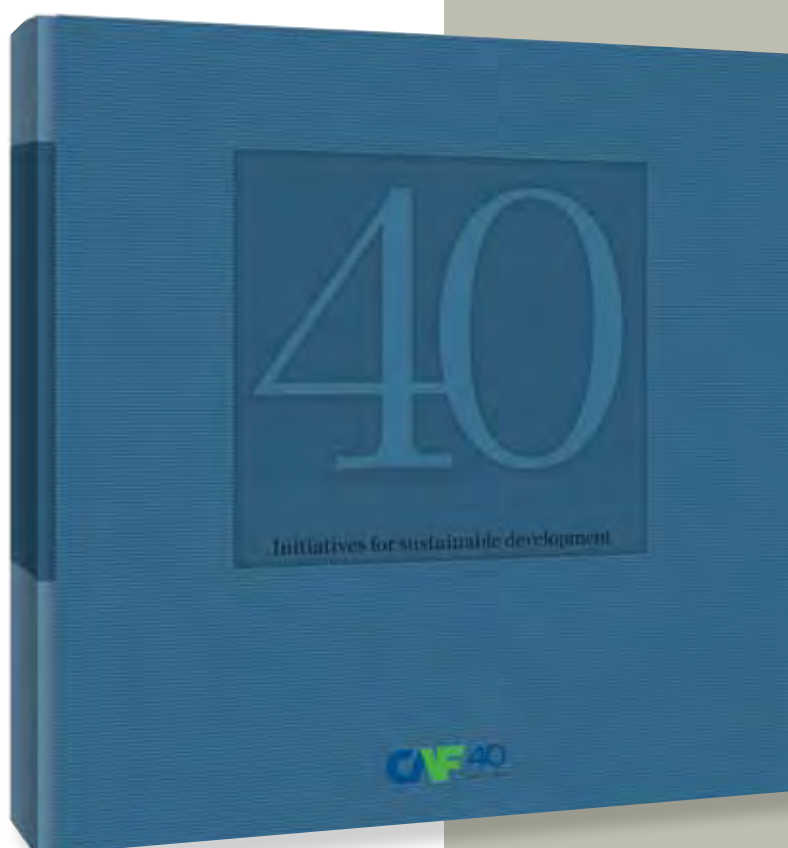
CAF publications support the implementation of its Agenda for Comprehensive Development. The titles listed below were published during 2010.

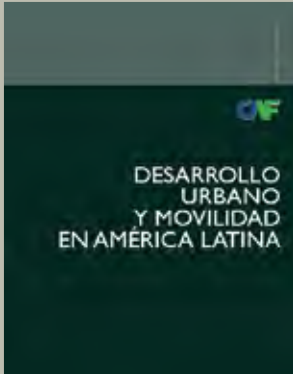


40 INITIATIVES FOR SUSTAINABLE DEVELOPMENT

► Edited as part of the events and activities of CAF's 40th anniversary, the publication describes the main projects and initiatives in an effort to promote sustainable development and regional integration. Throughout its pages, the institution shows some of the achievements made possible through the efforts and contributions of many individuals and institutions, and particularly through the support of CAF's shareholder countries. Through these initiatives, CAF shares a vision of Latin America's potential and invites the reader to contribute to this history-in-the-making, until Latin America can assume its rightful place on the world stage.

Published October 2010
ISBN: 978-980-6810-56-3
Format: 25x27 cm
Printed and digitalized
Spanish, English, and Portuguese versions
224 pages





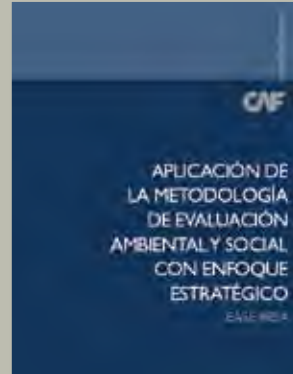
URBAN DEVELOPMENT AND MOBILITY IN LATIN AMERICA
Documents the history of urban development and transportation systems in 15 metropolitan areas of Latin America included in CAF's Urban Mobility Observatory (OMU). Throughout the document, a group of experts describes the history and current conditions of mobility in the territories with OMU data, enabling a comprehensive analysis with comparisons among current processes taking place in the region.

Published December 2010
ISBN: 978-980-6810-55-6
Format: 27x21 cm
Printed and digitalized
336 pages



ENVIRONMENTAL AND SOCIAL EVALUATION METHODOLOGY WITH EASE-IIRSA STRATEGIC FOCUS
Offers a methodological approach containing the concepts, reach, and steps of an environmental and social evaluation procedure. The methodology seeks to instrument the actions of the IIRSA initiative to prevent and manage the risks and opportunities that groups of projects might generate in a territory. Validated by the countries that participate in the IIRSA Initiative, the work has been developed in a joint effort between CAF and the Inter-American Development Bank through workshops held in Argentina, Brazil, Ecuador, Guyana, and Peru.

Published December 2010
ISBN: 978-980-6810-46-4
Format: 27x21 cm
Printed and digitalized
192 pages



APPLICATION OF THE ENVIRONMENTAL AND SOCIAL EVALUATION METHODOLOGY WITH EASE-IIRSA STRATEGIC FOCUS
Presents the first case study applying the conceptual development formulated in the Environmental and social evaluation methodology with EASE-IIRSA strategic focus. Documents the results of the EASE applied to Group 6 of the Andean Axis Projects: Colombia-Ecuador II Connection (Bogota-Mocoa-Tena-Zamora-Palanda-Loja).

Published December 2010
ISBN: 978-980-6810-45-7
Format: 27x21 cm
Printed and digitalized
338 pages



BUILDING COMMUNITY. SOCIAL INNOVATION MANUAL
Documents the experiences to adequate informal settlements, as a guide to replicate them in similar contexts. The document identifies a series of steps and conditions which describe the theory of how to “build community”, based on practices that guarantee success in the physical and social development of a community.

Published December 2010
ISBN: 978-980-6810-61-7
Format: 27x21 cm
Printed and digitalized
92 pages



SOLUTIONS AND TECHNOLOGICAL INNOVATIONS TO IMPROVE LOW TRAFFIC ROADS. SECTOR REPORTS SERIES

Proposes techniques and strategies to improve roads with low traffic volume, which comprise about 80% of the total road network in the region. Improving these gravel roads with modern tools, methods, techniques, and engineering strategies would result in access routes to rural settlements.

Published October 2010
ISBN: 978-980-6810-49-5
Format: 27x21 cm
Printed and digitalized
100 pages



ANALYSIS OF URBAN MOBILITY. SPACE, THE ENVIRONMENT, AND EQUITY
Develops a methodology to analyze the mobility of individuals in cities considering the social and economic aspects of mobility. The objective is to investigate how people move, as well as their motivation and conditions for such mobility. The methodology seeks to verify how the negative impacts of mobility originate and who suffers the consequences. It also compares key indicators in different cities, and provides a platform for decision-making better suited for the implementation of public policies.

Published September 2010
ISBN: 978-980-6810-60-0
Format: 27x21 cm
Printed and digitalized
204 pages



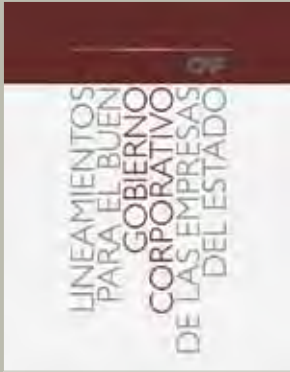
CAF'S ENVIRONMENTAL STRATEGY. SECOND EDITION
States the principles that guide CAF's environmental management and specifies the lines of action and strategic programs in its permanent search for responsible institutional management, and an effective support to strengthen the environmental sector of countries.

Published September 2010
ISBN: 978-980-6810-57-0
Format: 30x20 cm
Printed and digitalized
Spanish and English
versions
36 pages



SOCIAL POLICIES TO PROMOTE CITIZENSHIP AND SOCIAL COHESION. REFLECTIONS ON SOCIAL AND ENVIRONMENTAL POLICIES SERIES
Presents a series of documents about Latin America's social scenario. The essays contain the demands of society in topics such as the reconstruction of the State for its democratization, the new ways of policy-making in social movements, rights and citizenship in polarized societies, and social exclusion. The publication is the first number of this series.

Published September 2010
ISBN: 978-980-6810-59-4
Format: 23x16 cm
Printed and digitalized
64 pages



GUIDELINES FOR GOOD CORPORATE GOVERNANCE IN GOVERNMENT-OWNED ENTERPRISES

Presents the way in which the relationship between shareholders (The Government), the Board of Directors, and management is structured. Based on the OECD Guidelines for Corporate Governance of State Enterprises and CAF's Guidelines for an Andean Code of Corporate Governance, the document presents the direction that the State must have as a shareholder, where the main interest must be to maximize the value of the company according to its social purpose, without getting directly involved in day-to-day operations.

Published September 2010
ISBN: 978-980-6810-62-4
Format: CD
Digital
48 pages



CORPORATE GOVERNANCE MANUAL FOR CLOSELY-HELD ENTERPRISES. EFFICIENT AND TRANSPARENT ENTREPRENEURIAL

MANAGEMENT. SECOND EDITION
Presents recommendations for good practices in corporate governance and their implementation in closely-held enterprises in the region which are characterized, in most cases, by their family orientation and the coincidence of property and management. The manual complements the Guidelines for an Andean Code of Corporate Governance and focuses on the recommendations for this kind of enterprises. The case studies included in the publication facilitate its comprehension.

Published December 2010
ISBN: 980-6810-18-X
Format: CD
Digital
58 pages



GUIDELINES FOR AN ANDEAN CODE OF CORPORATE GOVERNANCE. THIRD EDITION

Includes a set of norms that are the basis of good corporate governance made available to companies in the region. The guidelines seek to guarantee entrepreneurial transparency by promoting best practices at a regional level.

Published December 2010
Co-edited with:
Consultoría IAAG & Corporate Finance
Format: CD
Digital
55 pages



CORPORATE GOVERNANCE: WHAT EVERY ENTREPRENEUR SHOULD KNOW. SECOND EDITION

Addresses a series of guidelines to support companies in the creation of a true culture of efficiency, equity, and transparency in entrepreneurial management.

Published December 2010
Format: CD
Digital
24 pages



LOCAL DEVELOPMENT: TOWARD A NEW PROTAGONISM OF CITIES AND REGIONS. RED 2010
Presents the local and regional development patterns in addition to identifying public policy options that, together with a strong participation of governments and sub-national institutions in the design and implementation phases, will make economic growth compatible with a balanced development of the territories within the economies.

Published June 2010
ISBN: 980-6810-01-5
Format: 27x21 cm
Printed and digitalized
242 pages



URBAN MOBILITY OBSERVATORY FOR LATIN AMERICA
Presents the first Latin American Urban Mobility Observatory (OMU) of 15 of the main cities in the region. Provides relevant information to design effective public policies and manage public transportation systems in the cities. The publication complements the technical and financial support that CAF offers the governments of the region to conceptualize, design, and implement investment projects for the development of urban transportation systems.

Published June 2010
ISBN: 978-980-6810-54-9
Format: 27x21 cm
Printed and digitalized
118 pages



ROAD MAINTENANCE. SECTOR REPORTS SERIES
Addresses critical aspects in the implementation of effective practices related to the design, planning, development, and implementation of road maintenance through the presentation and evaluation of technical, institutional, and economic considerations related to an effective practice.

Published June 2010
ISBN: 978-980-6810-49-5
Format: 27x21 cm
Printed and digitalized
68 pages



PERSPECTIVES. ANALYSIS OF CRITICAL ISSUES FOR SUSTAINABLE DEVELOPMENT VOL. 8, N° 1
Addresses the exploitation and management of natural resources, a topic of particular importance for Latin America, whose economies depend on the production and export of raw materials. The contributions presented in the publication explore key elements such as the so-called curse of natural resources, the volatility of raw material prices and its impact on the economic cycle, and the importance of institutional aspects to shape the impact of the presence of natural resources on development.

Published June 2010
ISBN: 1690-6268
Format: 23x16 cm
Printed and digitalized
118 pages

INTERNAL ORGANIZATIONAL MANAGEMENT

With the incorporation of Panama as a full member and the progress achieved with Argentina and Paraguay, the Institution continued with its process of Latin American consolidation, and with the corresponding revision of its organizational structure and processes. The changes that were implemented include the opening of a country office in Uruguay, the creation of regional operating centers in Panama and Montevideo, and new job descriptions and titles. In addition, work was begun on exploring the transformation of the various of CAF's own off-balance sheet funds into entities with separate legal status.

Internal corporate communications were improved with the release of a new Intranet, and with various communications campaigns on relevant organizational issues. CAF also began to reposition its identity as Latin America's development bank; it changed its logo, improved the corporate Web page and reflected the renewed corporate image in its various digital and printed products.

The Institution continued its efforts to position the region beyond its borders by building bridges between Latin America and the rest of the world, through strategic programs implemented with key institutions and countries. In particular CAF intensified its contacts with the Asia Pacific region, as well as with the countries of the Arabian Gulf and Central America.

The risk management process was improved, especially as regards the evaluation of risks associated with CAF's liquid assets, and with the implementation of a methodology for evaluating operational risks (MGRO). In addition, the control system for detecting and preventing money laundering was applied to all CAF's products and services, and the business continuity process was further strengthened through corporate-wide training and communications activities.

Personnel management focused on strengthening CAF's service-oriented culture by facilitating the process of consensus among its organizational units. The offer of training courses was increased through cooperation with UNITAR and with a workshop on corporate governance. CAF's Online University (UVCAF), developed in alliance with the Instituto Tecnológico de Monterrey, held its first graduation, and a course on Advanced Latin American Studies began in alliance with the Universidad Metropolitana de Caracas.

Other human capital activities aimed at improving the internship programs and attracting talented young professionals (PRODES). The fourth generation of PRODES was recruited and its second generation was successfully

incorporated into the business areas. CAF obtained a response of 88% in the Best Employer internal diagnostic survey, a historic-high, and a 74% commitment level, which positions the Institution among the best high-performance employers.

Various business IT support solutions continued to be developed or were implemented, including the business platform, letters of credit, management of norms, editorial distribution, comprehensive accounting solutions (ERP), and the evaluation of a new treasury system. Several technological projects were completed, including the updating to Office 2007©, the consolidation of the SharePoint© platform, and the system for storage and protection of data in country offices. Efforts were aimed at centralizing information security processes associated with business applications and international banking services.

Finally, the following office infrastructure projects were completed during the year: the regional office in Montevideo, the acquisition of office space for an office in Brasilia, and the completion of a second emergency stairway at CAF's headquarters.





DECEMBER 2010
USD 50 MM

MATURITY 2017



NOVEMBER 2010
EUR 400 MM

MATURITY 2018



NOVEMBER 2010
CHF 250 MM

MATURITY 2015



OCTOBER 2010
JPY 4,600 MM

MATURITY 2015



JULY 2010
USD 600 MM

MATURITY 2016



MAY 2010
USD 74 MM

MATURITY 2014



MARCH 2010
USD 50 MM

MATURITY 2017



MARCH 2010
EUR 100 MM

MATURITY 2015



OCTOBER 2009
PEN 144 MM

MATURITY 2014



APRIL 2009
COP 127,500 MM

MATURITY 2019



APRIL 2009
COP 111,980 MM

MATURITY 2014



FEBRUARY 2009
JPY 10,000 MM

MATURITY 2019



DECEMBER 2008
COP 94,250 MM

MATURITY 2018



AUGUST 2008
CHF 200 MM

MATURITY 2013



MAY 2008
MXN 800 MM

MATURITY 2010



NOVEMBER 2007
JPY 5,000 MM

MATURITY 2010



NOVEMBER 2007
MXN 750 MM

MATURITY 2012



JUNE 2007
JPY 10,000 MM

MATURITY 2014



MARCH 2007
VEB 127,500 MM

MATURITY 2012



FEBRUARY 2007
VEB 107,500 MM

MATURITY 2012



JANUARY 2007
USD 250 MM

MATURITY 2017



SEPTEMBER 2006
USD 250 MM

MATURITY 2017



JUNE 2006
VEB 215,000 MM

MATURITY 2011



MAY 2006
PEN 248 MM

MATURITY 2018



JULY 2005
JPY 5,000 MM

MATURITY 2012



JULY 2005
JPY 15,000 MM

MATURITY 2008



MAY 2005
USD 250 MM

MATURITY 2015



OCTOBER 2010
JPY 9,800 MM

MATURITY 2014



MARCH 2010
USD 100 MM

MATURITY 2014



JUNE 2009
USD 1,000 MM

MATURITY 2019



DECEMBER 2008
COP 150,250 MM

MATURITY 2013



JANUARY 2008
USD 250 MM

MATURITY 2017



JUNE 2007
JPY 20,000 MM

MATURITY 2010



NOVEMBER 2006
EUR 300 MM

MATURITY 2011



JULY 2005
USD 150 MM

MATURITY 2009

FORTY YEARS
OF FINANCIAL SOLVENCY
AND STRENGTH

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During 2010, rating agencies recognized CAF's credit quality. Standard & Poor's improved the Institution's outlook of its long-term debt from stable to positive. Likewise, Fitch Ratings, Japan Credit Rating Agency, and Moody's Investors Service ratified the ratings assigned to CAF's short- and long-term debt, as shown in Table 1.

The decisions of these agencies reaffirm CAF as the Latin American frequent issuer with the highest credit ratings. This responds to the strength and stability of its operational results, the conservative management of its credit policies, the independence with which it undertakes its operations, and the continuous support of its shareholders.

Table 1. CREDIT RATINGS

	Long-term	Short-term
Fitch Ratings	A+	F1
Japan Credit Rating Agency	AA-	-
Moody's Investors Service	A1	P-1
Standard & Poor's	A+	A-1

Once again, CAF was reaffirmed as the most important source of multilateral financing for its founding countries, while it has become an important provider of financing to its Latin American and Caribbean shareholder countries. During the year, the Institution approved a record amount of operations for USD 10.5 billion, and disbursed USD 7.7 billion, mainly directed at financing medium- and long-term projects.

During the year, it is worth noting the conversion of Brazil, Panama, and Uruguay into full members. Also, shareholder countries continued to meet timely payments that have been committed for a total of USD 405 million, mainly derived from the USD 2.5 billion capital increase approved in 2009 in order to strengthen the Institution's capital base. In the same line, Spain subscribed an additional USD 327 million.

Net income reached USD 166 million, representing USD 69 million less than the 2009 result. This was mainly due to a decrease of the LIBOR interest rate evidenced in recent years and which reached a record low in 2010. As a result, the main profitability ratio, Return on Equity (ROE), was 3.0%.

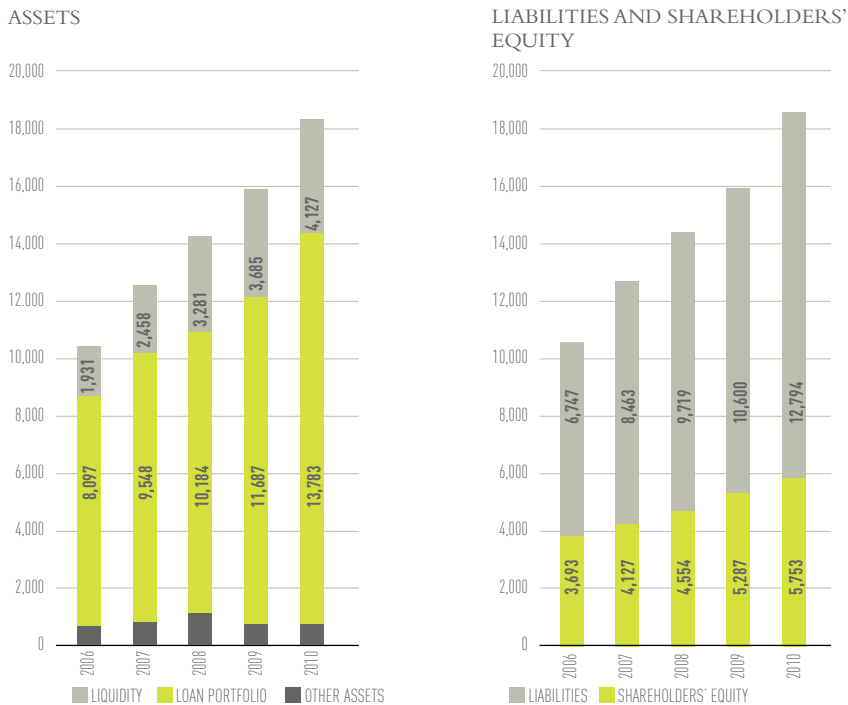
Regarding bond issues in international markets, 2010 became the year of greatest activity in CAF's history, both in the number of transactions as well as in the amount placed. The Institution issued bonds for approximately USD 2.0 billion in the US, Swiss, Japanese, and European markets, includ-

ing CAF's first placement in the Uridashi Japanese market, aimed at private investors where traditionally only issuers with very high credit ratings participate. Likewise, CAF also entered the Uruguayan market with two issues of USD 50 million each.

Regarding short-term financing, the commercial paper programs in the US and Europe increased to accommodate a larger demand that resulted in placements of approximately USD 3.4 billion during 2010.

Graph 1. **BALANCE SHEET**

As of December 31st, each year (in millions of USD)



Graph 2. **NET INCOME AND PROFITABILITY**

For the years ended December 31st



SUMMARY FINANCIAL STATEMENTS

As of December 31st, 2010, total assets reached USD 18.5 billion, a 17% increase with respect to the amount registered at year-end 2009 (Graph 1). This was mostly due to increases in both the loan and liquidity portfolios. Loan portfolio closed at USD 13.8 billion, representing an 18% increase over the previous year. The other major component of assets, liquidity, totaled USD 4.1 billion, and represented 22% of total assets and 33% of total financial liabilities.

As of December 31st, 2010, shareholders' equity reached USD 5,8 billion, with paid-in capital of USD 2.8 billion and additional paid-in capital of USD 616 million. At the close of 2010, total shareholders' equity represented 31% of total assets and 37.2% of risk-weighted assets, according to the methodology established in the Basle Agreement. Net income reached USD 166 million in 2010, mainly reflecting the growth of the credit portfolio. However, this result was lower than in 2009 due to the decrease in interest income derived from the decline of the LIBOR interest rate, which in 2010 reached historically low levels.

Return on Equity (ROE) declined to 3.0% in 2010 compared to the 4.7% registered in 2009, a level close to the average return on US 10-year Treasury bonds (3.2%) and well above the average 6-month LIBOR rate (0.5%). At the same time, Return on Assets (ROA) for the year was 1.0% (Graph 2).

LOAN PORTFOLIO

At year-end 2010, CAF's loan portfolio reached USD 13.8 billion, representing an 18% increase over the USD 11.7 billion registered the previous year.

The distribution of the loan portfolio maintained a larger concentration in public sector projects, which represented 80% of the total portfolio at December 31st, 2010. From the perspective of portfolio distribution by country, Ecuador showed the largest exposure with 17.7% of the total, followed by Venezuela, with 16.2%; Peru, with 15.8%; Colombia, with 14.3%; Argentina, with 10.1%; Bolivia, with 9.4%; Brazil, with 8.1%; Uruguay, with 4.8%; and Panama, with 1.0%. The increasing participation of shareholders which recently became full members favors the growing diversification of the portfolio in the short- and medium-term. In this regard, the new full members, together with those in the process of becoming full members, represented 25% of the loan portfolio at the end of 2010. CAF's policies limit exposure to any individual country to a maximum of 30% of the total portfolio.

Financing of infrastructure and social and environmental development projects continued to be one of CAF's main activities, representing 73% of the total loan portfolio at the end of 2010.

Likewise, the loan portfolio maintained its excellent credit quality (Table 2). At year-end 2010, there were no Non-performing loans, and loan loss provisions amounted to USD 141 million or 1.0% of the total loan portfolio. During the year, there were no write-offs.

Table 2. **ASSET QUALITY**

As of December 31 st , each year (in millions of USD)	2006	2007	2008	2009	2010
Overdues	0.0	0.0	0.1	0.0	0.0
Loans in non-accrual status	0.0	0.0	0.0	0.0	0.0
Allowance for loan losses	188.6	168.3	143.2	143.9	141.4
Overdues as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Non-accrual loans as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Allowances as a percentage of loan portfolio	2.33%	1.76%	1.41%	1.23%	1.03%

LIQUID ASSETS

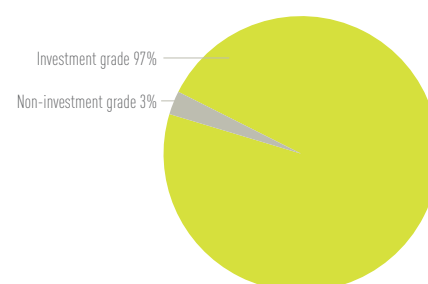
At December 31st, 2010, liquid assets totaled USD 4.1 billion, representing 22% of total assets and 33% of financial liabilities. The investment portfolio was characterized by its short duration –an average of 0.40 years– and excellent credit quality (Graph 3): 97.4% of liquid assets had an average rating of AA/Aa2; and only 2.6% had non investment grade. CAF policies require that at least 80% of liquid assets be held in investment grade instruments with credit ratings of at least A-/A3.

FUNDING

In 2010, CAF registered the largest bond issue activity in capital markets in its history, successfully placing almost USD 2 billion in 10 transactions. It is worth mentioning the following: USD 600 million issued in the US market, EUR 400 million (approximately USD 538 million) issued in the European market, the second issue in the Swiss market for CHF 250 million (approximately USD 262 million), and JPY 14,400 million (approximately USD 178 million) issued in the Japanese market. In addition, CAF placed two issues of USD 50 million each in Uruguay's market, continuing with its strategy of making placements in the local markets of its shareholder countries. Also, it is worth noting the first placement in the Japanese Uridashi market for USD 74 million, aimed at retail investors. This market is traditionally opened only to issuers with very high credit ratings.

Furthermore, CAF maintains an important presence in short-term markets through commercial paper programs in the US and Europe markets, which were increased to USD 1.5 billion and US 2 billion, respectively, to accommodate higher demand. This resulted in a placement of approximately USD 4 billion, maintaining competitive levels. In addition, time deposits maintained their importance as a stable and competitive source of funding, exceeding USD 2.6 billion at year-end.

Graph 3. **LIQUID ASSETS**
As of December 31st, 2010



Regarding medium- and long-term loans, CAF obtained a USD 100 million syndicated loan in Asia (specifically in Japan and Taiwan), a credit line from ICO, and continued with the local currency loan program for micro-finance institutions, among others.

At December 31st, 2010, 70% of CAF's funding came from international capital markets. Bonds represented the main source of funds with 58% of total funding (Graph 4). In addition, deposits from institutional investors in the region represented 22% of total debt, followed by commercial paper with 12%, and by other short-term loans and medium- and long-term lines of credit with 8%. CAF has long-standing relations with the most important international banks, with official institutions from around the world, and with other multilateral financial institutions.

For details on the issues placed by CAF in 2010 please refer to Table 3.

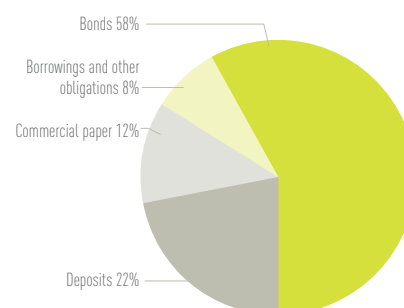
Table 3. 2010 DEBT ISSUES IN THE INTERNATIONAL MARKETS

Date	Market	Amount in original currency of issuance (in millions)	Equivalent in USD million
Bond issuance			
March	Private placement	EUR 100	136
March	Uruguay	USD 50	50
March	Private placement	USD 100	100
May	Uridashi	USD 74	74
July	Yankee	USD 600	600
October	Samurai	JPY 14,400	178
November	Swiss	CHF 250	262
November	Euro	EUR 400	538
December	Uruguay	USD 50	50
	Sub-total 2010		1,988
	Total 1993-2010		12,507
Short-term issuance programs			
	Commercial paper (USA)	USD 1,500	1,500
	Commercial paper (Europe)	USD 2,000	2,000

CAPITAL

During 2010, CAF received new capital contributions from its shareholder countries for USD 405 million. This amount was mostly related to capital suscriptions from the five Series C shareholder countries that were in the process of becoming full members (Argentina, Brazil, Panama, Paraguay, and Uruguay), for a total of USD 1.5 billion. Of these countries, Brazil, Panama, and Uruguay became full members during the 2010 fiscal year. The remaining contributions corresponded to the capital increase approved in 2009 for USD 2.5 billion, and were paid as scheduled. At the end of the year, the Institution's capital amounted to USD 5.8 billion, 9% higher than the amount registered at the end of 2009, strengthened by the inflow of contributions from shareholder countries, and by retained earnings.

Graph 4. LIABILITIES
As of December 31st, 2010



As a result of the increase in shareholders' equity, capitalization ratios remained within the levels established in CAF's policies on this matter (Table 4).

Table 4. CAPITALIZATION RATIOS
As of December 31st, each year

	2006	2007	2008	2009	2010
Gearing (times) ¹	2.4	2.4	2.3	2.3	2.5
Leverage (times) ²	1.8	2.0	2.1	2.0	2.2
Capital/risk weighted assets (BIS) ³	41.1%	36.3%*	38.4%*	41.7%*	37.2%*

¹ According to internal financial management policies, this exposure measure should be less than or equal to 4.0.

² According to internal financial management policies, this measure of indebtedness should be less or equal than 3.5.

³ According to internal financial management policies, the level of capitalization should be greater or equal than 30%.

* Since 2007 the capitalization ratio was calculated based on the new methodology according to Basle II.

ASSET-LIABILITY MANAGEMENT

In order to reduce foreign exchange and interest rate risks, CAF's lending and borrowing activities are primarily conducted in floating-rate USD. At December 31st, 2010, more than 99.6% of assets and 98.8% of liabilities were denominated in USD after swaps, and 99.7% of the loans and 98.8% of the financial liabilities were based on the 6-month USD LIBOR. Transactions that are not denominated in USD nor based on the 6-month LIBOR are swapped into these terms. The swaps book totaled USD 7.1 billion at the end of 2010. CAF's policies require that swap counterparts be rated at least A+/A1 or have a collateral agreement. In addition, CAF has Collateral Security Agreements (CSA) with its main counterparts. This reduces credit risk since valuations are made on a mark-to-market basis, and the debtor party must place the corresponding collateral in accordance with certain pre-established parameters. The Institution does not engage in the trading of derivatives. These instruments are used for hedging purposes only.

CAF seeks to maintain a conservative relationship between the average life of its assets and liabilities. At December 31st, 2010, the average life of its assets was 4.7 years and the average life of its liabilities was 3.6 years. The latter value does not include shareholders' equity, which represents a high percentage of CAF's financing and favors the maturity profile of liabilities.





LATIN AMERICAN DEVELOPMENT BANK

AUDITED FINANCIAL STATEMENTS

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



The Management of Corporación Andina de Fomento (CAF) is responsible for establishing and maintaining effective internal control over financial reporting in CAF. Management has evaluated CAF's internal control over financial reporting as of December 31, 2010, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

CAF's internal control over financial reporting is a process effected by those in charged of governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. 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 U.S. generally accepted accounting principles, 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.

Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2010. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2010.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the deception or overriding of controls. Accordingly, even an effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

CAF's financial statements as of December 31, 2010, have been audited by an independent accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unqualified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2010.

L. Enrique García
Executive President
and Chief Executive Officer

Hugo Sarmiento K.
Corporate Vice President,
Chief Financial Officer

Marcos Subía G.
Director, Accounting and Budget

INDEPENDENT ACCOUNTANTS' REPORT ON MANAGEMENT'S ASSERTION ON EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Board of Directors and Stockholders of Corporación Andina de Fomento (CAF):

We have examined management's assertion, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*, that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. CAF's management is responsible for maintaining effective internal control over financial reporting and for its assertion on the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

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 U.S. generally accepted accounting principles. 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 United States of America generally accepted accounting principles, 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 evaluation 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.

In our opinion, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2010 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of CAF as of December 31, 2010 and 2009, and the related statements of income, stockholders' equity and cash flows for the years then ended, and our report dated February 11, 2011 expressed an unqualified opinion of those financial statements.



February 11, 2011
Caracas – Venezuela



Lara Marambio & Asociados

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REPORT OF INDEPENDENT AUDITORS

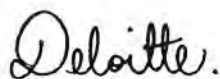
To the Board of Directors and Stockholders of **Corporación Andina de Fomento (CAF)**:

We have audited the accompanying balance sheets of Corporación Andina de Fomento (CAF) as of December 31, 2010 and 2009 and the related statements of income, stockholders' equity and cash flows for the years ended. These financial statements are the responsibility of CAF's management. Our responsibility is to express an opinion on these financial statements 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 the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Andina de Fomento (CAF) as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the management's assertion that CAF maintained effective internal control over financial reporting at December 31, 2010, based on criteria established in *Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*, and our report dated February 11, 2011 expressed an unqualified opinion thereon.



February 11, 2011
Caracas – Venezuela



Lara Marambio & Asociados

A member firm of Deloitte Touche Tohmatsu Limited.

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

BALANCE SHEETS

December 31, 2010 and 2009

(In thousands of U.S. dollars)

	NOTES	2010	2009
ASSETS			
Cash and due from banks		119,834	29,906
Deposits with banks	2	1,403,443	1,237,863
Marketable securities:			
Trading	3 and 18	2,456,745	2,214,254
Other investments	2	146,852	203,361
Loans (US\$ 67,678 and US\$ 61,458 at fair value as of december 31, 2010 and 2009)	4 and 18	13,783,043	11,686,689
Less loan commissions, net of origination costs		70,129	56,125
Less allowance for losses	4	141,364	143,911
Loans, net		13,571,550	11,486,653
Equity investments	5	94,721	85,482
Accrued interest and commissions receivable		159,559	135,705
Derivative instruments	17 and 18	524,989	436,745
Property and equipment, net	6	29,901	28,074
Other assets	7	39,281	29,026
Total assets		<u>18,546,875</u>	<u>15,887,069</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	8	2,739,497	2,650,706
Commercial papers	9	1,524,285	1,265,417
Bonds (US\$ 7,089,124 and US\$ 5,588,862 at fair value as of december 31, 2010 and 2009)	10 and 18	7,212,812	5,699,219
Borrowings and other obligations (US\$ 347,310 and US\$ 137,555 (at fair vale as of december 31, 2010 and 2009)	11 and 18	998,089	788,467
Accrued interest payable		120,001	98,093
Derivative instruments	17 and 18	132,887	45,136
Accrued expenses and other liabilities		1,266,117	53,227
Total liabilities		<u>12,793,688</u>	<u>10,600,265</u>
STOCKHOLDERS' EQUITY			
Subscribed and paid-in capital (authorized capital US\$10,000 million)	14	2,813,940	2,485,645
Additional paid-in capital		616,171	539,222
Reserves		2,156,937	2,027,228
Retained earnings		166,139	234,709
Total stockholders' equity		<u>5,753,187</u>	<u>5,286,804</u>
Total liabilities and stockholders' equity		<u>18,546,875</u>	<u>15,887,069</u>

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF INCOME

Years ended December 31, 2010 and 2009

(In thousands of U.S. dollars)

	NOTES	2010	2009
Interest income			
Loans	1(f)	320,068	398,737
Investments and deposits with banks	1(e) and 3	33,965	67,318
Loan commissions	1(f)	31,522	17,798
Total interest income		<u>385,555</u>	<u>483,853</u>
Interest expense			
Deposits		9,255	14,413
Commercial papers		9,771	7,187
Advances and short-term borrowings		-	1,011
Bonds		136,651	139,614
Borrowings and other obligations		10,057	16,094
Commissions		7,481	10,406
Total interest expense		<u>173,215</u>	<u>188,725</u>
Net interest income		<u>212,340</u>	<u>295,128</u>
Credit to allowance for loan losses	4	<u>(2,990)</u>	<u>(1,656)</u>
Net interest income, after credit to allowance for loan losses		<u>215,330</u>	<u>296,784</u>
Non-interest income			
Other commissions		3,798	3,319
Dividends and equity in earnings of investees		3,301	9,596
Other income		801	1,082
Total non-interest income		<u>7,900</u>	<u>13,997</u>
Non-interest expenses			
Administrative expenses		69,735	62,562
Other expenses		1,069	147
Total non-interest expenses		<u>70,804</u>	<u>62,709</u>
Net income before unrealized changes in fair value related to financial instruments		<u>152,426</u>	<u>248,072</u>
Unrealized changes in fair value related to financial instruments		<u>13,713</u>	<u>(13,363)</u>
Net income		<u><u>166,139</u></u>	<u><u>234,709</u></u>

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2010 and 2009

(In thousands of U.S. dollars)

	NOTES	Subscribed and paid- in capital	Additional paid- in capital	Reserve pursuant to			Retained earnings	Total stockholders' equity
				General reserve	Article N° 42 of by-laws	Total reserves		
Balances at December 31, 2008		2,176,430	280,255	1,458,180	327,574	1,785,754	311,474	4,553,913
Capital increase	14	209,135	359,047	-	-	-	-	568,182
Stock dividends	14	100,080	(100,080)	-	-	-	-	-
Net income	14	-	-	-	-	-	234,709	234,709
Appropriated for general reserve	14	-	-	210,335	-	210,335	(210,335)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	31,139	31,139	(31,139)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(70,000)	(70,000)
Balances at December 31, 2009		2,485,645	539,222	1,668,515	358,713	2,027,228	234,709	5,286,804
Capital increase	14	150,835	254,409	-	-	-	-	405,244
Stock dividends	14	177,460	(177,460)	-	-	-	-	-
Net income	14	-	-	-	-	-	166,139	166,139
Appropriated for general reserve	14	-	-	106,238	-	106,238	(106,238)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	23,471	23,471	(23,471)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(105,000)	(105,000)
Balances at December 31, 2010		<u>2,813,940</u>	<u>616,171</u>	<u>1,774,753</u>	<u>382,184</u>	<u>2,156,937</u>	<u>166,139</u>	<u>5,753,187</u>

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

(In thousands of U.S. dollars)

	NOTES	2010	2009
Cash flows from operating activities			
Net income		166,139	234,709
Adjustments to reconcile net income to net cash used in operating activities -			
Unrealized loss on trading securities	3	4,209	2,924
Amortization of loan commissions, net of origination costs		(11,943)	(8,148)
Credit to allowance for loan losses	4	(2,990)	(1,656)
Equity in earnings of investees		(678)	(9,129)
Amortization of deferred charges		2,297	1,864
Depreciation of property and equipment	6	2,224	1,659
Provision for employees' severance indemnities and benefits		7,812	7,162
Provision for employees' savings plan		1,334	1,366
Unrealized changes in fair value related to financial instruments		(13,713)	13,363
Net changes in operating assets and liabilities -			
Severance indemnities paid or advanced		(3,973)	(5,352)
Employees' savings plan paid or advanced		(31)	(717)
Trading securities, net	3	(246,700)	(518,558)
Interest and commissions receivable		(23,854)	59,532
Other assets		(12,552)	1,667
Accrued interest payable		21,908	(39,911)
Accrued expenses and other liabilities		7,748	(3,929)
Total adjustments and net changes in operating assets and liabilities		(268,902)	(497,863)
Net cash used in operating activities		(102,763)	(263,154)
Cash flows from investing activities			
Purchases of other investments	2	(273,927)	(903,182)
Maturities of other investments	2	330,436	856,201
Loan origination and principal collections, net	4	(2,070,844)	(1,480,678)
Equity investments	5	(8,561)	(1,287)
Purchases of property and equipment	6	(4,051)	(5,684)
Net cash used in investing activities		(2,026,947)	(1,534,630)
Carried forward,		(2,129,710)	(1,797,784)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

Years ended December 31, 2010 and 2009

(In thousands of U.S. dollars)

	NOTES	2010	2009
Brought forward,		(2,129,710)	(1,797,784)
Cash flows from financing activities			
Net increase in deposits		88,791	(122,413)
Net increase in commercial paper		2,588,868	6,070,23
Proceeds from advances and short-term borrowings		-	9,129,5
Repayment of advances and short-term borrowings		-	(240,168)
Proceeds from issuance of bonds	10	1,986,056	1,256,876
Repayment of bonds	10	(448,608)	(618,567)
Proceeds from borrowings and other obligations	11	3,37,008	2,54,637
Repayment of borrowings and other obligations	11	(137,141)	(147,748)
Distributions to stockholders' funds	15	(105,000)	(70,000)
Proceeds from issuance of shares	14	4,05,244	5,68,182
Net cash provided by financing activities		2,385,218	1,579,117
Net increase (decrease) in cash and cash equivalents		2,55,508	(218,667)
Cash and cash equivalents at beginning of year		1,267,769	1,486,436
Cash and cash equivalents at end of year		1,523,277	1,267,769
Consisting of			
Cash and due from banks		119,834	29,906
Deposits with banks		1,403,443	1,237,863
		1,523,277	1,267,769
Supplemental disclosure			
Interest paid during the year		1,43,237	216,958
Noncash financing activities			
Change in derivative instruments assets		88,244	(239,441)
Change in derivative instruments liabilities		87,751	(13,886)

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

NOTES TO THE FINANCIAL STATEMENTS

For the years ended December 31, 2010 and 2009

(In thousands of US Dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

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a. Description of Business – Corporación Andina de Fomento (“CAF”) commenced operations on June 8, 1970 established under public international law which abides by the provisions of its by-laws. Series “A” and “B” Shareholder countries are: Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay and Venezuela. Series “C” Shareholder countries are: Argentina, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Paraguay, Spain and Trinidad and Tobago. In addition, there are 14 banks which are Series “B” shareholders. CAF has its headquarters in Caracas, Venezuela.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping the shareholder countries make their economies diversified, competitive and more responsive to social needs.

CAF offers financial and related services to the governments of, and public and private institutions, corporations and joint ventures in, its shareholder countries. Primarily, CAF’s principal activity is to provide short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in its Shareholder countries. Furthermore, CAF manages and supervises third-party cooperation funds of other countries and organizations, generally non-reimbursable, destined to finance programs agreed with donor organizations which are in line with CAF policies and strategies.

CAF raises funds for operations both within and outside its shareholder countries.

b. Financial Statement Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the functional currency is the U.S. dollar.

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period.

c. Transactions in other currencies – Transactions in currencies other than U.S. dollars are translated at exchange rates prevailing on the international markets at the dates of the transactions. Other currency balances are translated at year-end exchange rates. Any gains or losses on foreign exchange including related hedge effects are included in the statement of income.

d. Cash and Cash Equivalents – Cash and cash equivalents are defined as cash, due from banks and short-term deposits with an original maturity of three months or less.

e. Marketable Securities – CAF classifies its investments, according with management intention, in debt securities in one of two categories: trading or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which CAF has the ability and intent to hold until maturity.

Trading securities are recorded at fair value. Gains and losses on trading securities are included in interest income of investments and deposits with banks in the statements of income.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount. The impairment is charged to income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method.

Dividend and interest income are recognized when received and earned, respectively.

f. Loans – CAF grants short, medium and long-term loans to finance projects, working capital, trade activities and undertake feasibility studies for investment opportunities in its shareholder countries. Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, less the allowance for loan losses and loan commissions net of origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as loan commissions in the statement of income.

The accrual for interest on loans is discontinued at the time a private sector loan is 90 days (180 days for public sector loans) delinquent unless the credit is well-secured and in process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The nonaccrual loans are considered impaired. Factors considered by management in determining impairment include payments status and the probability of collecting scheduled principal and interest payments when due.

In compliance with its objective and financial policies, CAF grants loans both to public and private entities for development and integration programmes and projects in stockholder countries. Accordingly, CAF maintains risk exposure policies to avoid concentrating its loan portfolio in one country or specific economic groups, which might be affected by market situations or other circumstances. Due to that, CAF uses certain measurement parameters, such as: CAF's net stockholders' equity, Total loan portfolio, Economic groups from public and private sectors, among others.

Equity Investments – CAF participates with equity investments in companies and investment funds in strategic sectors, with a view to promoting the development of such companies and their participation in the securities markets and to serve as a catalytic agent in attracting resources into the Shareholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist at a 20% of equity ownership level, the equity investments are accounted for using the equity method. Under the equity method, the carrying value of the equity investment is adjusted for CAF's proportionate share of earnings or losses, dividends received and certain other transactions of the investee company. These investments do not have readily determinable fair values.

A decline in the value of any equity investment accounted at cost that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated and any impairment is charged to income and a new cost basis for the investment is established.

h. Allowance for Loan Losses – The allowance for loan losses is maintained at a level CAF believes is adequate but not excessive to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. The general allowance for loan losses is established by CAF based on the individual risk rating for the long-term other currency debt of the borrower countries which is assigned by the international risk rating agencies as of the date of the financial statements preparation. This country risk rating considers a default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred into it by its shareholder countries, which are established in CAF's by-laws and other similar agreements, a factor reflecting a lower default probability – usually equivalent to a better risk rating – is used.

A specific allowance is established by CAF for those loans that are considered impaired. A loan is considered as impaired when, based on currently available information and events, there exists the probability that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the loan's effective interest rate.

Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

i. Property and Equipment -net – Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged directly to the statements of income for the year as incurred, and improvements and renewals are capitalized. Depreciation, is computed on the straight-line method, and charged to the statements of income over the estimated useful life of assets.

During 2009, based on the expansion plans of operations involving operating assets, CAF's management conducted an analysis on the useful life assigned to such assets. In connection with this review, it decided a prospective updating of the useful life of certain assets, which caused an immaterial increase in profits for the period.

The assets in conformity with their estimated useful life are as follows:

Buildings	30 years
Buildings improvements	15 years
Furniture and equipment	2 to 10 years
Vehicles	5 years

j. Intangible assets – Intangible assets are reported at cost less accumulated amortization. The amortization is computed in accordance with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

k. Bonds and borrowings – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF's operations, are recorded in bonds. The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at amortized cost.

Bonds are recorded as follows:

- Bonds denominated in other currencies are recognized at their fair value, as provided by ASC 825-10-25 "Fair Value Option". Gains or losses resulting from changes in the fair value of these bonds are recognized in the statement of income as they occur. CAF enters into cross currency interest rate swaps as an economic hedge of the interest rate and foreign exchange risks related to these bonds.
- Bonds denominated in US\$ are hedged for interest rate risk using interest rate swaps, and are put into fair value hedge accounting relationships assuming no hedge ineffectiveness (the "short cut method"), as established in ASC 815-20-25-102.

Transactions related to partial repurchases of bond issuances result in the derecognition of the related liabilities. The difference between the repurchase price and the debt's settlement net cost is recognized as income/loss for the year.

l. Employees' Severance Indemnities – Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the Labor Law of the Bolivarian Republic of Venezuela.

Under the current Labor Law, employees earn a severance indemnity equal to five days of salary per month, up to a total of 60 days per year of service. Labor indemnities are earned once an employee has completed three (3) months of continuous service. From the second year of service, the employees earn an additional two-day salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary. Severance benefits are recorded in the accounting records of CAF and interest on the amounts owed to employees are paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service up to a maximum of 150 days.

m. Pension Plan – CAF established in March 2005 a defined benefit pension plan which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The plan is contributory and the benefits are based on years of service and the employee's average salary for the three consecutive years of service with the highest salary. These contributions are reviewed on a periodic basis by CAF based on actuarial assumptions.

n. Derivative Instruments and Hedging Activities – All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, for which hedge accounting would to be applied, CAF designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"). CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, until income is affected by the variability in cash flows of the designated hedged item.

CAF discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires or is sold, terminated, or exercised; the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur; a hedged firm commitment no longer meets the definition of a firm commitment; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, CAF continues to carry the derivative on

the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, CAF continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, CAF continues to carry the derivative on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in income. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in income.

o. Guarantees – CAF provides guarantees for loans issued in support of projects located within a shareholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention that private lenders or holders of securities share the risk along with it. CAF's responsibility is limited to payment up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the life of the transaction.

p. Recent Accounting Pronouncements Applicables –

- *Accounting Standards Update (ASU or Update) 2010-6, Improving Disclosures about Fair Value Measurements*; ASU 2010-6 amends the disclosure requirements for fair value measurements. Companies are now required to disclose significant transfers in and out of Levels 1 and 2 of the fair value hierarchy, whereas the previous rules only required the disclosure of transfers in and out of Level 3. Additionally, in the roll forward of Level 3 activity, companies must present information on purchases, sales, issuances, and settlements on a gross basis rather than on a net basis. The Update also clarifies that fair value measurement disclosures should be presented for each class of assets and liabilities. A class is typically a subset of a line item in the statement of financial position. Companies should also provide information about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring instruments classified as either Level 2 or Level 3. We adopted this guidance in the first quarter of 2010, except for the new requirement related to the Level 3 roll forward. Gross presentation in the Level 3 roll forward is effective for us in first quarter 2011 with prospective application.
- Disclosures about the credit quality of financing receivables and the allowance for credit losses – In July 2010, the FASB issued guidance that will require enhanced disclosures surrounding the credit characteristics of CAF's loan portfolio. Under the new guidance, CAF will be required to disclose its accounting policies, the methods it uses to determine the components of the allowance for credit losses, and qualitative and quantitative information about the credit risk inherent in the loan portfolio, including additional information on certain types of loan modifications. This statement has not affected CAF's financial results.

2. DEPOSITS WITH BANKS

Deposits with banks mature in three months or less and include the following:

	December 31,	
	2010	2009
U.S. dollars	1,403,230	1,236,045
Other currencies	213	1,818
	<u>1,403,443</u>	<u>1,237,863</u>

As of December 31, 2010 and 2009, deposits due in 90 days or more are reported in the balance sheets as other investments.

3. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31,			
	2010		2009	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	45,011	1.77	36,046	0.89
Bonds of non-U.S. governments and government entities	258,673	2.23	43,382	3.47
Financial institutions and corporate securities:	2,153,061	0.46	2,134,826	0.73
Commercial paper	882,529		1,049,059	
Certificates of deposit	340,711		351,959	
Bonds	666,388		499,595	
Others	263,433		234,213	
	<u>2,456,745</u>	<u>0.68</u>	<u>2,214,254</u>	<u>0.78</u>

Trading securities include net unrealized losses of US\$ 4,209 and US\$ 2,924 at December 31, 2010 and 2009, respectively.

Net realized gains from trading securities of US\$ 11,781 and of US\$ 26,542 at December 31, 2010 and 2009, respectively, are included in the statement of income in the line Investment and deposits with banks.

CAF places its short-term investments in several financial institutions and limits the amount of credit risk. As of December 31, 2010 and 2009, CAF does not have any significant concentrations of credit risk. Total marketable securities include US\$ 95,485 and US\$ 17,165, at December 31, 2010 and 2009, respectively, in other currencies.

4. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loan contracts have been subscribed with the Series "A" and "B" Shareholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

Shareholder country	December 31,	
	2010	2009
Argentina	1,395,137	1,156,848
Bolivia	1,301,123	1,157,668
Brazil	1,115,992	1,033,705
Colombia	1,965,880	1,688,710
Costa Rica	152,388	151,513
Dominican Republic	119,722	75,000
Ecuador	2,436,631	2,051,732
Mexico	19,466	-
Panama	139,604	126,121
Paraguay	66,049	27,687
Peru	2,181,681	1,864,529
Uruguay	656,678	581,510
Venezuela	2,227,613	1,765,088
Loans	13,777,964	11,680,111
Fair value adjustments	5,079	6,578
Carrying value of loans	<u>13,783,043</u>	<u>11,686,689</u>

Fair value adjustments to the carrying value of loans represent adjustments to the carrying value of transactions in designated fair value.

At December 31, 2010 and 2009, loans in other currencies were granted for an equivalent of US\$ 34,506 and US\$ 35,771, respectively, principally in Peruvian nuevos soles and Colombian pesos. At December 31, 2010 and 2009, loans include fixed interest rate loans of US\$ 38,286 and US\$ 72,097, respectively.

Loans classified by public sector and private sector borrowers, are as follows:

	December 31,	
	2010	2009
Public Sector	11,050,387	9,324,379
Private Sector	2,727,577	2,355,732
Loans	13,777,964	11,680,111
Fair value adjustments	5,079	6,578
Carrying value of loans	13,783,043	11,686,689

The loan portfolio composition and average yield of loans disbursed and outstanding are summarized below:

	December 31,			
	2010		2009	
	Amount	Average maturity (years)	Amount	Average maturity (years)
Loans	13,777,964	2.44	11,680,111	2.59

Loans by industry segments are as follows:

	December 31			
	2010	%	2009	%
Agriculture, hunting and forestry	40,454	-	7 8,116	1
Exploitation of mines and quarries	66,000	1	4 3,000	1
Manufacturing industry	199,896	1	2 61,378	2
Supply of electricity, gas and water	4,089,458	30	2,960,953	25
Transport, warehousing and communications	4,362,460	32	3,660,135	31
Commercial banks	1,698,488	12	1,500,080	13
Development banks	253,993	2	1 38,465	1
Social and other infrastructure programs	3,067,215	22	3,031,127	26
Other activities	-	-	6 857	-
	13,777,964	100	11,680,111	100

Loans mature as follows:

	December 31,	
	2010	2009
Remaining maturities -		
Less than one year	2,328,806	2,277,403
Between one and two years	1,635,890	1,088,676
Between two and three years	1,377,283	1,126,905
Between three and four years	1,240,399	1,078,578
Between four and five years	1,102,446	943,399
Over five years	6,093,140	5,165,150
	13,777,964	11,680,111

Loans portfolio quality

The loan portfolio quality indicators for both years are presented below:

	December 31,	
	2010	2009
Remaining maturities -		
Overdue loans	0	0
Nonaccrual loans	0	0
Impair Loans	0	0
Overdue loan principal as a percentage of loan portfolio	0%	0%
Nonaccrual loans as a percentage of loan portfolio	0%	0%
Allowance for losses as a percentage of loan portfolio	1.03%	1.23%

Purchase of loan portfolio

During 2009, CAF carried out operations related to the purchase of loans for the amount of US\$65,000. During 2010, CAF did not conduct this type of operations.

A/B Loans

CAF administers loan participations provided to clients, and assumes the credit risk only for the portion of the loan owned by CAF. At the end of the years 2010 and 2009, CAF administered loans of this nature whereby other financial institutions provided funds amounting to US\$ 1,002,034 and US\$ 898,910, respectively.

Allowance for Loan Losses

A movement of the allowance for loan losses follows:

	December 31,	
	2010	2009
Balances at beginning of year	143,911	143,167
Credit to results of operations	(2,990)	(1,656)
Recoveries	443	2,400
Loans charged-off	-	-
Balances at end of year	<u>141,364</u>	<u>143,911</u>

5. EQUITY INVESTMENTS

Equity investments, which have no market value, are as follows:

	December 31,	
	2010	2009
Direct investments in companies accounted under equity method	30,466	31,077
Investment funds accounted under equity method	23,034	27,566
Direct investments in companies at cost	9,674	9,674
Investment funds at cost	31,547	17,165
	<u>94,721</u>	<u>85,482</u>

6. PROPERTY AND EQUIPMENT - NET

A summary of property and equipment follows:

	December 31,	
	2010	2009
Land	16,650	16,650
Buildings	20,412	20,412
Buildings improvements	17,058	5,010
Furniture and equipment	13,641	11,842
Vehicles	752	472
	68,513	64,386
Less accumulated depreciation	38,612	36,312
	<u>29,901</u>	<u>28,074</u>

The depreciation expenses of US\$ 2,224 and of US\$ 1,659 for property and equipment at December 31, 2010 and 2009, respectively, are included in the statement of income.

7. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2010	2009
Intangible assests, net	7,858	6,024
Deferred charges, net	26,820	19,701
Other assets	4,603	3,301
	<u>39,281</u>	<u>29,026</u>

8. DEPOSITS

CAF's deposits of US\$ 2,739,497 at December 31, 2010 mature in 2011 (US \$2,650,706 at December 31, 2009 - matured in 2010). At December 31, 2010 and 2009, the interest rates on deposits ranged from 0.01% to 1.35% and from 0.10% to 2.06%, respectively. Total deposits include US\$ 136,180 and US\$ 27,460, at December 31, 2010 and 2009, respectively in other currencies.

9. COMMERCIAL PAPER

CAF's commercial paper of US\$ 1,524,285 at December 31, 2010 mature in 2011 (US\$ 1,265,417 at December 31, 2009 - matured in 2010). At December 31, 2010 and 2009, the interest rates on commercial paper ranged from 0.26% to 1.16% and from 0.12% to 1.89%, respectively.

10. BONDS

An analysis of bonds follows:

	December 31,					
	2010			2009		
	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)
At original exchange rate	At spot exchange rate	At original exchange rate		At spot exchange rate		
U.S. dollars	4,300,007	4,300,007	2.42	3,427,798	3,427,798	2.79
Euros	1,043,647	1,046,260	1.86	369,357	412,268	0.92
Yen	417,384	483,554	2.40	448,359	540,272	1.73
Colombian Pesos	205,352	243,221	3.38	305,353	369,563	2.37
Venezuelan Bolivars	209,302	104,651	(0.63)	209,302	209,302	(0.53)
Swiss francs	455,616	478,062	2.30	193,836	192,456	2.64
Mexican Pesos	68,807	60,618	1.14	145,223	119,002	1.16
Peruvian Nuevos Soles	125,748	139,882	1.21	125,748	135,795	1.43
Pounds Sterling	-	-	-	63,440	64,993	3.07
	<u>6,825,863</u>	<u>6,856,255</u>		<u>5,288,416</u>	<u>5,471,449</u>	
Fair value adjustments		<u>356,557</u>			<u>227,770</u>	
Carrying value of bonds		<u>7,212,812</u>			<u>5,699,219</u>	

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2010	2009
Remaining maturities -		
Less than one year	578,590	447,047
Between one and two years	485,986	767,904
Between two and three years	922,969	739,021
Between three and four years	1,027,072	749,421
Between four and five years	1,014,381	204,074
Over five years	2,796,865	2,380,949
	<u>6,825,863</u>	<u>5,288,416</u>

At December 31, 2010 and 2009, fixed interest rate bonds amounted to US\$ 5,906,811 and US\$ 4,426,606, respectively, of which US\$ 1,742,141 and US\$ 935,936, respectively, are denominated in yen, euros, pounds sterling, Swiss francs, Colombian pesos and Peruvian nuevos soles.

11. BORROWINGS AND OTHER OBLIGATIONS

An analysis of borrowings and other obligations and their weighted average cost, follows:

	December 31,					
	2010			2009		
	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)
At original exchange rate	At spot exchange rate	At original exchange rate		At spot exchange rate		
U.S. dollars	977,147	977,147	1.06	775,360	775,360	0.98
Peruvian Nuevos Soles (at spot rate)	10,575	10,575	-	13,891	13,891	-
Other currencies (at spot rate)	3,057	3,057	-	1,661	1,661	-
	<u>990,779</u>	<u>990,779</u>		<u>790,912</u>	<u>790,912</u>	
Fair value adjustments		7,310			(2,445)	
Carrying value of borrowings and other obligations		<u>998,089</u>			<u>788,467</u>	

At December 31, 2010 and 2009, there are fixed interest-bearing borrowings and other obligations amounting to US\$ 155,113 and US\$ 20,582, respectively

Borrowings and other obligations, by remaining maturities, are summarized below:

	December 31,	
	2010	2009
Remaining maturities -		
Less than one year	143,618	128,936
Between one and two years	130,822	142,046
Between two and three years	148,869	108,598
Between three and four years	233,505	90,593
Between four and five years	107,590	56,832
Over five years	226,375	263,907
	<u>990,779</u>	<u>790,912</u>

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

At December 31, 2010 and 2009 there were unused term credit facilities amounting to US\$ 172,000 and US\$ 117,300, respectively.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2010	2009
Employees' severance indemnities, benefits and savings	54,317	48,139
Other liabilities	11,800	5,088
	<u>66,117</u>	<u>53,227</u>

13. PENSION PLAN

CAF established in March 2005 a defined benefit pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan is contributory and the benefits are based on years of service and the average employee's salary for the three consecutive years of service with the highest salary. The employees make monthly contributions to the Plan equal to 7% of their salary. All contributions are made in cash. Voluntary participants must contribute to the Plan certain withheld benefits. At December 31, 2010 the Plan has 218 participants.

The measurement date used to determine pension plan benefits is December 31.

The Plan's benefit obligation (PBO) and assets as of December 31, 2010 and 2009 follows:

	December 31,	
	2010	2009
Plan's benefit obligation (PBO)	3,388	2,060
Plan Assets	3,121	2,060
Unrecognized actuarial losses, net	267	-

As of December 31, 2010 and 2009, the PBO's net assets are as follows:

	December 31,	
	2010	2009
Net assets:		
Cash	-	85
Deposit with banks	3,121	1,973
Accrued interest	-	2
	3,121	2,060

The table below summarizes the evolution of the periodic cost of projected benefits related to the PBO for the periods ended December 31, 2010 and 2009:

	December 31,	
	2010	2009
Service cost	574	447
Interest cost	35	33
Expected return on plan assets	(35)	(33)
	574	447

A summary of the net projected cost for the year 2011 follows:

Service cost:	
Contributions to the plan	642
Guaranteed benefit	76
	718
Interest cost	148
Expected return on plan assets	(137)
	729

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2010 and 2009 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	4%
Salary increase rate	3%

14. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2010 and 2009, amounts to US\$10,000,000, respectively, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of CAF, when internal resources are inadequate.

Shares

CAF's shares are classified as follows:

- Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay and Venezuela. These shares grant the right of representation on CAF's Board of Directors of one principal director and one alternate director per share. Series "A" shares have a par value of US\$1,200.
- Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay and Venezuela. These shares grant the right of representation on CAF's Board of Directors of one principal director and one alternate director for

each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Also, the commercial banks that currently hold shares of CAF are entitled altogether to one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$5.

- Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay and Venezuela. These shares provide for representation on the Board of Directors of CAF of two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$5.

	Number of Shares			Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2008	5	366,271	67,815	6,000	1,831,355	339,075	2,176,430
Dividends in shares	-	15,972	4,044	-	79,860	20,220	100,080
Issued for cash	-	583	41,244	-	2,915	206,220	209,135
At December 31, 2009	5	382,826	113,103	6,000	1,914,130	565,515	2,485,645
Dividends in shares	-	30,403	5,089	-	152,015	25,445	177,460
Exchanged shares	-	50,695	(50,695)	-	253,475	(253,475)	-
Issued for cash	3	12,858	16,589	3,600	64,290	82,945	150,835
At December 31, 2010	8	476,782	84,086	9,600	2,383,910	420,430	2,813,940

Subscribed and paid-in capital is presented as follows at December 31, 2010:

Stockholder	Number of Shares			Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Bolivia	1	32,652	-	1,200	163,260	-	164,460
Brazil	1	39,888	-	1,200	199,440	-	200,640
Colombia	1	116,123	-	1,200	580,615	-	581,815
Ecuador	1	32,914	-	1,200	164,570	-	165,770
Panama	1	8,912	-	1,200	44,560	-	45,760
Peru	1	116,367	-	1,200	581,835	-	583,035
Uruguay	1	13,232	-	1,200	66,160	-	67,360
Venezuela	1	116,365	-	1,200	581,825	-	583,025
Argentina	-	-	44,542	-	-	222,710	222,710
Chile	-	-	4,779	-	-	23,895	23,895
Costa Rica	-	-	2,838	-	-	14,190	14,190
Dominican Republic	-	-	5,034	-	-	25,170	25,170
Jamaica	-	-	157	-	-	785	785
Mexico	-	-	4,067	-	-	20,335	20,335
Paraguay	-	-	4,124	-	-	20,620	20,620
Spain	-	-	18,076	-	-	90,380	90,380
Trinidad & Tobago	-	-	469	-	-	2,345	2,345
Commercial banks	-	329	-	-	1,645	-	1,645
	8	476,782	84,086	9,600	2,383,910	420,430	2,813,940

At December 31, 2010, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Stockholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	7,042	35,210	-	-	14,400	72,000	-	-
Brazil	11,314	56,570	-	-	25,200	126,000	-	-
Colombia	10,421	52,105	-	-	50,400	252,000	-	-
Ecuador	7,042	35,210	-	-	14,400	72,000	-	-
Panama	9,880	49,400	-	-	7,200	36,000	-	-
Peru	25,352	126,760	-	-	50,400	252,000	-	-
Uruguay	6,070	30,350	-	-	7,200	36,000	-	-
Venezuela	25,352	126,760	-	-	50,400	252,000	-	-
Argentina	-	-	9,318	46,590	-	-	25,200	126,000
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Paraguay	-	-	10,883	54,415	-	-	-	-
Spain	-	-	18,422	92,110	-	-	40,000	200,000
Trinidad & Tobago	-	-	142	710	-	-	-	-
Commercial banks	4	20	-	-	-	-	-	-
	102,477	512,385	38,765	193,825	219,600	1,098,000	67,600	338,000

Subscribed and paid-in capital is presented as follows at December 31, 2009:

Stockholder	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Bolivia	1	30,131	-	1,200	150,655	-	151,855
Colombia	1	107,453	-	1,200	537,265	-	538,465
Ecuador	1	30,377	-	1,200	151,885	-	153,085
Peru	1	107,280	-	1,200	536,400	-	537,600
Venezuela	1	107,278	-	1,200	536,390	-	537,590
Argentina	-	-	34,149	-	-	170,745	170,745
Brazil	-	-	31,341	-	-	156,705	156,705
Chile	-	-	4,461	-	-	22,305	22,305
Costa Rica	-	-	2,649	-	-	13,245	13,245
Dominican Republic	-	-	4,699	-	-	23,495	23,495
Jamaica	-	-	147	-	-	735	735
Mexico	-	-	3,796	-	-	18,980	18,980
Panama	-	-	6,009	-	-	30,045	30,045
Paraguay	-	-	2,531	-	-	12,655	12,655
Spain	-	-	12,572	-	-	62,860	62,860
Trinidad & Tobago	-	-	307	-	-	1,535	1,535
Uruguay	-	-	10,442	-	-	52,210	52,210
Commercial banks	-	307	-	-	1,535	-	1,535
	5	382,826	113,103	6,000	1,914,130	565,515	2,485,645

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At December 31, 2009, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Stockholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	-	-	-	-	14,400	72,000	-	-
Colombia	838	4,190	-	-	50,400	252,000	-	-
Ecuador	-	-	-	-	14,400	72,000	-	-
Peru	-	-	-	-	50,400	252,000	-	-
Venezuela	-	-	-	-	50,400	252,000	-	-
Argentina	-	-	17,273	86,365	-	-	-	-
Brazil	-	-	17,623	88,115	-	-	25,200	126,000
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Panama	-	-	8,481	42,405	-	-	-	-
Paraguay	-	-	12,296	61,480	-	-	-	-
Spain	-	-	-	-	-	-	40,000	200,000
Trinidad & Tobago	-	-	283	1,415	-	-	-	-
Uruguay	-	-	8,115	40,575	-	-	7,200	36,000
	838	4,190	64,071	320,355	180,000	900,000	74,800	374,000

General Reserve

The general reserve was set-up to cover possible contingencies. The stockholders decided to increase the reserve by US\$106,238 and US\$210,335 during the years ended December 31, 2010 and 2009, by appropriations from net income for the years ended December 31, 2009 and 2008, respectively.

Reserve Pursuant To Article N° 42 Of The By-Laws

CAF's by-laws establish that at least 10% of annual net income is to be allocated to a reserve fund until that fund amounts to 50% of the subscribed capital. Additional allocations may be approved by the stockholders. At the stockholders' meetings in March 2010 and 2009, it was authorized to increase the reserve by US\$23,471 and US\$31,139, from net income for the years ended December 31, 2009 and 2008, respectively.

15. DISTRIBUTIONS TO STOCKHOLDERS' FUNDS

The Stockholders may distribute a portion of retained earnings to special funds, created to promote technical cooperation, sustainable human development and management of poverty relief funds in the Shareholder countries.

In March 2010 and 2009, the stockholders agreed to distribute US\$105,000 and US\$70,000, from retained earnings at December 31, 2009 and 2008, respectively, to the stockholders' funds.

16. TAX EXEMPTIONS

CAF is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

17. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rate and foreign exchange rates, CAF exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes CAF, which creates credit risk for CAF. When the fair value of a derivative contract is negative, CAF owes the counterparty and, therefore, it does not possess credit risk. CAF minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by CAF consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

CAF monitors the credit risk associated with derivative transactions. Credit risk is managed by establishing exposure limits based on the credit rating and size of the individual counterparty, among other factors. To further reduce the credit risk in derivatives, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly marked-to-market and the party being the net obligor is requested to post collateral when net mark to-market exposure exceeds certain predetermined thresholds, which decrease as counterparty's credit rating deteriorates. This collateral is in the form of cash or highly rated and liquid government securities. CAF offsets the fair value amount recognized for derivative instruments and the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty, in accordance with ASC 815-10-45-5.

The amount recognized for the right to receive collateral or the obligation to post collateral that have been offset at year-end 2010, was US\$ 17,530 and US\$ 29,401, respectively.

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2010 and 2009:

	Notional amount		Fair value	
	Interest rate swap	Cross currency swap	Derivative assets	Derivative liabilities
At December 31, 2010 -				
Loans	-	22,499	-	7,532
Loans	40,100	-	907	-
Borrowings	340,000	-	5,970	(1,340)
Bonds	4,176,318	-	260,030	-
Bonds	-	2,525,857	258,082	126,695
	<u>4,556,418</u>	<u>2,548,356</u>	<u>524,989</u>	<u>132,887</u>
At December 31, 2009 -				
Loans	-	21,880	-	4,107
Loans	33,000	-	-	213
Borrowings	140,000	-	-	2,445
Bonds	3,302,318	-	169,932	-
Bonds	-	1,860,619	266,813	38,371
	<u>3,475,318</u>	<u>1,882,499</u>	<u>436,745</u>	<u>45,136</u>

For the years ended December 31, 2010 and 2009 all of CAFs' derivatives which have been designated as hedging relationship were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of income.

18. FAIR VALUE MEASUREMENTS

Asc 820 "Fair Value Measurements and disclosures", defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions to determine the best price of these instruments. These two types of inputs create the following fair value hierarchy:

- Level 1 - Quoted prices for identical instruments in active markets
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Determination of Fair Value

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

When available, CAF generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, CAF will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, CAF may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

- *Marketable securities:* CAF uses quoted market prices to determine the fair value of trading securities and those transactions are classified in Level 1 of the fair-value hierarchy.
- *Loans:* the fair value of fixed rate loans, which are hedged using derivative transactions, is determined using the current variable interest rate for similar loans. loans transactions are classified in level 2 of the fair value hierarchy.
- *Derivative assets and liabilities:* Derivative transactions contracted and designated by CAF as hedges of risks related to interest rates, currency rates or both for transactions recorded as financial assets or liabilities are also presented at fair value. in those cases the fair value is calculated utilizing market prices given by the counterparties. Derivative transactions are classified in level 2 of the fair-value hierarchy.
- *Bonds and borrowings:* For bonds issued and medium and long term borrowings of CAF the fair value are determined utilizing internal valuation techniques, such as, discounting expected cash flows using the appropriate discount rates for the applicable maturity, reflecting the fluctuation of the variables such as interest and exchange rates. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels CAF's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2010 and 2009:

	Level 1	Level 2	Level 3	Net balance
At December 31, 2010 -				
Assets -				
Marketable Securities:				
U.S. Treasury Notes	45,011	-	-	45,011
Bonds of non-U.S. governments and government entities	258,673	-	-	258,673
Financial institutions and corporate securities:				
Commercial papers	882,529	-	-	882,529
Certificate of deposits	340,711	-	-	340,711
Bonds	666,388	-	-	666,388
Others	263,433	-	-	263,433
	<u>2,153,061</u>	<u>-</u>	<u>-</u>	<u>2,153,061</u>
	<u>2,456,745</u>	<u>-</u>	<u>-</u>	<u>2,456,745</u>
Loans	-	67,678	-	67,678
Derivative instruments:				
Interest rate swap	-	266,907	-	266,907
Cross-currency swap	-	258,082	-	258,082
	<u>-</u>	<u>524,989</u>	<u>-</u>	<u>524,989</u>
	<u>2,456,745</u>	<u>592,667</u>	<u>-</u>	<u>3,049,412</u>
Liabilities -				
Bonds	-	7,089,124	-	7,089,124
Borrowings and other obligations	-	347,310	-	347,310
Derivative instruments:				
Interest rate swap	-	-	-	-
Cross-currency swap	-	132,887	-	132,887
	<u>-</u>	<u>132,887</u>	<u>-</u>	<u>132,887</u>
	<u>-</u>	<u>7,569,321</u>	<u>-</u>	<u>7,569,321</u>

	Level 1	Level 2	Level 3	Net balance
At December 31, 2009 -				
Assets-				
Marketable securities:				
U.S. Treasury Notes	36,046	-	-	36,046
Bonds of non-U.S. governments and government entities	43,382	-	-	43,382
Financial institutions and corporate securities:				
Commercial paper	1,049,059	-	-	1,049,059
Certificates of deposit	351,959	-	-	351,959
Bonds	499,595	-	-	499,595
Others	234,213	-	-	234,213
	<u>2,134,826</u>	<u>-</u>	<u>-</u>	<u>2,134,826</u>
	<u>2,214,254</u>	<u>-</u>	<u>-</u>	<u>2,214,254</u>
Loans	-	61,458	-	61,458
Derivative instruments:				
Interest rate swap	-	169,932	-	169,932
Cross-currency swap	-	266,813	-	266,813
	<u>-</u>	<u>436,745</u>	<u>-</u>	<u>436,745</u>
	<u>2,214,254</u>	<u>498,203</u>	<u>-</u>	<u>2,712,457</u>
Liabilities -				
Bonds	-	5,588,862	-	5,588,862
Borrowings and other obligations	-	137,555	-	137,555
Derivative instruments:				
Interest rate swap	-	2,658	-	2,658
Cross-currency swap	-	42,478	-	42,478
	<u>-</u>	<u>45,136</u>	<u>-</u>	<u>45,136</u>
	<u>-</u>	<u>5,771,553</u>	<u>-</u>	<u>5,771,553</u>

Items Measured At Fair Value on a Nonrecurring Basis

Equity investments initially recorded at cost are measured at fair value on a non-recurring basis and therefore are not included in the tables above. Such equity investments are classified in Level 3 of the fair-value hierarchy.

The fair value of those equity investments is determined based on financial analysis of the investees.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with *Asc 825 Financial Instruments*, CAF also estimated the fair value of all financial instruments in CAF's balance sheet, including those financial instruments carried at cost, as presented in the table below. The fair value estimates, methods and assumptions set forth below for CAF's financial instruments are made solely to comply with the requirements in *ASC 820 Fair Value Measurements and Disclosures* and should be read in conjunction with the financial statements.

The following is a summary of the carrying value and estimated fair value of CAF's financial instruments at December 31, 2010 and 2009:

	December 31,			
	2010		2009	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and due from banks	119,834	119,834	29,906	29,906
Deposits with banks	1,403,443	1,403,443	1,237,863	1,237,863
Marketable securities	2,456,745	2,456,745	2,214,254	2,214,254
Other investments	146,852	146,852	203,361	203,361
Loans, net	13,571,550	13,574,966	11,486,653	11,492,618
Equity investments (Cost method)	41,221	41,221	26,839	26,839
Accrued interest and commissions receivable	159,559	159,559	135,705	135,705
Derivative instruments	524,989	524,989	436,745	436,745
Financial liabilities				
Deposits	2,739,497	2,739,497	2,650,706	2,650,706
Commercial paper	1,524,285	1,524,285	1,265,417	1,265,417
Bonds	7,212,812	7,215,181	5,699,219	5,701,764
Borrowings and other obligations	998,089	998,469	788,467	789,463
Derivative instruments	132,887	132,887	45,136	45,136
Accrued interest payable	120,001	120,001	98,093	98,093

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value under ASC 820 *Fair Value Measurements and Disclosures*:

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, advances and short-term borrowings and accrued interest payable*: The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Loans*: CAF is one of the few institutions that offer loans for development in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans and loan commitments are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined using the current variable interest rate for similar loans.
- *Equity Investments*: The fair value of equity investments recorded at cost is determined based on a financial analysis of the investees.

For additional information regarding CAF's determination of fair value, included items accounted for at fair value under ASC 820 Fair Value Measurements and disclosures, see note 18.

20. FAIR VALUE OPTION

ASC 825-10-25 "Fair value option" permits to choose to measure eligible financial assets and financial liabilities at fair value. Once the fair value option has been chosen for an instrument, this choice cannot be reversed. Fair value changes on these financial assets and financial liabilities must be recorded in the statement of income.

CAF's management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted a derivative as an economic hedge for other currency and interest rate risks.

The results recorded in the statement of income as a result of periodic cash flows and unrealized changes in fair value as of December 31, 2010 and 2009 for instruments that fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2010	2009
Bonds	16,897	(16,757)
Loans	(3,184)	3,593
Commercial Papers	-	(100)
Other Investments	-	(99)
	<u>13,713</u>	<u>(13,363)</u>

21. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2010	2009
Credit agreements subscribed	6,371,035	3,056,384
Lines of credit	2,735,226	2,535,552
Letters of credit	195,327	2,241
Guarantees	<u>225,973</u>	<u>183,211</u>

These commitments and contingencies result from the normal course of CAF's business and are related principally to loans and loan equivalents that have been approved or committed for disbursement.

In the ordinary course of business CAF has entered into commitments to extend credits, such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Guarantees mature as follows:

	December 31,	
	2010	2009
Less than one year	54,715	51,000
Between one and two years	62	-
Over five years	171,196	132,211
	<u>225,973</u>	<u>183,211</u>

To the best of the knowledge of CAF's management, CAF is not engaged in any litigation that is material to CAF's business or that is likely to have an adverse effect on its business, financial condition or results of operations.

22. FUNDS ADMINISTRATION

CAF, as a multilateral financial institution, acts as administrator of several funds funded by third parties and CAF's own shareholders. These shareholders funds are funded through distributions made each year by the shareholders from CAF's prior year's net income. The financial statements of the funds are annually audited by independent auditors firms.

In connection with the operations carried out by the Funds, CAF's financial responsibility is limited to the fund's balance, less commitments contracted. Since CAF does not maintain residual interests in these funds, it does not expect the generation of economic benefits for future distribution. These funds are not part of CAF's accounts.

As of December 31, 2010 and 2009, managed funds net assets are US\$ 426,500 and US\$ 374,170, respectively.

23. SUBSEQUENT EVENTS

Management has evaluated subsequent events through February 11, 2011, financial statements issue date. As a result of this evaluation, there are no subsequent events, as defined, that require a disclosure in CAF's financial statements at the year ended December 31, 2010, except for:

- On January 19, 2011, the Portuguese Republic paid EUR 3.75 million corresponding to the first installment under the share subscription agreement between the Republic and CAF, thus becoming a Series "C" shareholder of the Institution.
- On February 2, 2011, CAF issued Euros 250 million, 4.625%, under its Medium Term Notes Programme due 2018.
- On February 10, 2011, CAF issued CHF 130 million, 2.625%, under its Medium Term Notes Programme due 2015.

GOVERNING BODIES

CORPORACIÓN ANDINA DE FOMENTO

SHAREHOLDERS' ASSEMBLY¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. In both cases, it is convened by the Executive President. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income.

In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

BOARD OF DIRECTORS²

The Board of Directors is comprised of thirteen principal members and their alternates. Ten of its members are elected by Series A and B shareholders, for a three-year period, and may be re-elected. Series C shareholders have two principal directors and their alternates, while banks and private financial institutions within the Andean region, which are Series B shareholders, have one director and his/her alternate. The Board establishes the Corporation's policies, appoints the Executive President, approves credit operations, the annual budget, and approves guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated to the Executive Committee or the Executive President, according to criteria set forth by the Board. The Executive Committee meets with a quórum of at least six of its members.

EXECUTIVE COMMITTEE

The Executive Committee was established by the Board of Directors in 1971. It is comprised of six directors designated by Series A, B and C shareholders, and is chaired by the Executive President. It approves financial operations within the limits established by the Board.

AUDIT COMMITTEE³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of six members: the Chairman of the Board, four directors elected by the Board for a two-year period, and CAF's Executive President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly, the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report of its implementation.

EXECUTIVE PRESIDENT

The Executive President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors.

The Executive President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The Executive President is appointed for a five year period, and may be re-elected.

¹ The XLI Ordinary Shareholders' meeting as well as the XLI Extraordinary Shareholders' Meeting were held on March 8th, 2010.

² During 2010, four Board of Directors meetings were held on March 8th, July 9th, October 1st, and November 30th, respectively.

³ The XVII Audit Committee was held on March 8th, 2010.

BOARD OF DIRECTORS

(as of December 31st, 2010)

Chairman of the Board (2010-2011)

Luis Alberto Arce

Secretary of Economy and Public Finance

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SERIES A SHAREHOLDERS

BOLIVIA

Principal: Elba Viviana Caro Hinojosa

Secretary of Development Planning

Alternate: Harley Rodríguez Téllez

Vice-Minister for Public Sector Investment and External Financing

BRAZIL

Principal: Paulo Bernardo Silva

Secretary of Planning, Budget and Administration

Alternate: Carlos Augusto Vidotto

Secretary of International Affairs

Planning, Budget and Administration

Secretariat

COLOMBIA

Principal: Juan Carlos Echeverry

Secretary of Finance and Public Credit

Alternate: Sergio Díaz-Granados Guida

Secretary of Trade, Industry and Tourism

ECUADOR

Principal: Camilo Samán Salem

Chairman of the Board

National Finance Corporation

Alternate: Verónica Sión de Josse

Secretary of Industry and Competitiveness

PANAMA

Principal: Alberto Vallarino

Secretary of Economy and Finance

Alternate: Dulcideo de la Guardia

Vice-Minister of Finance

PERU

Principal: Ismael Benavides Ferreyros

Secretary of Economy and Finance

Alternate: Luis Miguel Castilla

Vice-Minister of Finance

URUGUAY

Principal: Fernando Lorenzo

Secretary of Economy and Finance

Alternate: Mario Bergara

President Uruguay Central Bank

VENEZUELA

Principal: Jorge Giordani

The Power of the People's Planning and Finance Secretary

Alternate: Eyilde Margarita Gracia

Planning and Finance Secretary

SERIES B SHAREHOLDERS

BOLIVIA

Principal: Luis Alberto Arce

Secretary of Economy and Public Finance

Alternate: Roger Edwin Rojas Ulo

Vice-Minister Treasury and Public Credit

COLOMBIA

Principal: José Darío Uribe

General Manager Banco de la República

Alternate: Hernando José Gómez

Director National Planning Department

ECUADOR

Principal: Patricio Rivera

Secretary of Finance

Alternate: Diego Borja Cornejo

Chairman of the Board

Ecuador Central Bank

PERU

Principal: Alfonso Zárate Rivas

Chairman of the Board

Corporación Financiera de Desarrollo (Cofide)

Alternate: Carlos Casas Tragodara

Vice-Minister of Economy

VENEZUELA

Principal: Edmée Betancourt de García

President Banco de Desarrollo

Económico y Social de Venezuela

(BANDES)

PRIVATE BANKS

Principal: Guillermo Lasso Mendoza

Executive President

Banco de Guayaquil

Alternate: Carlos González-Taboada

Vice Chairman of the Board and General

Manager

Scotiabank Perú

SERIES C SHAREHOLDERS

ARGENTINA

Principal: Roberto José Feletti

Secretary of Economic Policy

Secretariat of Economy and Public Finance

SPAIN

Principal: Elena Salgado Méndez

Second Vice-President of the Government and Economy and Finance Secretary

CHILE

Alternate: Matías Acevedo

Corporate Manager CORFO

TRINIDAD & TOBAGO

Alternate: Winston Dookeran

Secretary of Finance

EXECUTIVE MANAGEMENT

(as of December 31st, 2010)

President and Chief Executive Officer L. Enrique García

Executive Vicepresident Luis Enrique Berrizbeitia

General Advisor Luis Sánchez Masi

Chief Legal Counsel Ricardo Sigwald

Corporate Comptroller Marcelo Zalles

Director, Risk Management Marcia Arliani

Director, Internal Audit Martha Diez

Corporate Director, Credit Management Stephen Foley

Director, Special Assets Renny López

Corporate Director, Human Capital José Bellido

Director, Human Capital Operations Corina Arroyo

Director, Human Capital Planning Leopoldo Gómez

Corporate Director, Technology and Operations Luiz Amato

Director, Operations Control Germán Alzate

Director, Information Technology Diego Grillo

Director, Secretariat and External Relations Andrés Rugeles

Director, Strategic Communication Marfa Rubiños

Corporate Vicepresident, Public Policy and Strategic Development Leonardo Villar

Director, Public Policy and Competitiveness Michael Penfold

Director, Research Pablo Sanguinetti

Director, SMEs and Microfinance Manuel Malaret

Corporate Vicepresident, Country Programs Lilliana Canale

Director, Regional Programs Alexis Gómez

Director, Governance and Technical Cooperation Elvira Lupo

Director, Argentina Álvaro García

Director, Bolivia Emilio Uquillas

Director, Brazil Moira Paz Estenssoro

Director, Colombia Víctor Traverso

Director, Ecuador Hermann Krützfeldt

Director, Panama Rubén Ramírez

Director, Peru Eleonora Silva

Director, Spain Germán Jaramillo

Corporate Vicepresident, Infrastructure Antonio Juan Sosa

Senior Director, Infrastructure Manuel Llosa

Director, Sectorial Analysis and Programming

Director, Northern Region Projects Lucía Meza

Director, Southern Region Projects Rolando Terrazas

Corporate Vicepresident, Corporate Finance and Investment Banking Peter Vonk

Corporate Director, Productive and Financial Sectors Carlos Sanz

Director, Productive and Financial Sectors Northern Region Víctor Loero

Director, Productive and Financial Sectors Southern Region Félix Bergel

Director, Structured Financing Carmen Elena Carbonell

Director, Financial Advisory Services Ignacio Fombona

Corporate Vicepresident, Social and Environmental Development José Carrera

Director, Social Development Bernardo Requena

Director, Environment María Teresa Szauer

Corporate Vicepresident and Chief Financial Officer Hugo Sarmiento

Director, Financial Policies and Internacional Issues Gabriel Felpeto

Director, Multilateral and Bank Financing Carolina España

Director, Treasury Alfonso Machado

Director, Accounting and Budget Marcos Subía

Director, Logistics and Administrative Services Jaime Caycedo

PRODUCTS AND SERVICES

CAF's activities are aimed at supporting sustainable development and regional integration among its shareholder countries. As a multilateral source of financial resources, the Institution attracts funds from international markets to Latin America, with the objective of promoting investment and trade opportunities in the region.

Likewise, CAF provides resources generally non-reimbursable, for a series of special programs that support its mission within the framework of its Agenda for Comprehensive Development.

These funds are devoted to socioeconomic development in shareholder countries, through the Financing of operations that contribute to improving the competitiveness of their economies, the development of infrastructure, physical integration, the promotion of micro-, small- and medium-sized businesses, the strengthening of financial markets, the development of human capital and the reform and modernization of states.

The Institution offers financial products and services to shareholder states and public, private and mixed capital companies based in shareholder countries.

The products and services offered by CAF are mainly aimed at supporting the implementation of its Agenda for Comprehensive Development and its special programs. They include a series of financial tools designed to meet clients' requirements and market opportunities, under the following headings:

LOANS

Loans represent CAF's main financing tool. They are employed in investment projects and activities related to the Institution's corporate mission.

PROJECT FINANCING

Project Financing loans are allocated to develop and execute projects in road transportation, telecommunications, water and environment, border development and the physical integration of shareholder countries. CAF also provides financing to corporate projects in the industrial field, to enhance and renovate productive capacity and to insert businesses into regional and global markets.

CREDIT LINES

Credit lines allow the Institution to offer maximum resources for a given period without an express commitment to the client.

PROJECT STRUCTURING AND FINANCING

CAF actively participates in the financing of projects structured with limited guarantees (limited recourse lending). This category is mainly utilized for the financing of BOO (Build, Operate and Own) operations in the infrastructure sector, generally arising from concessions granted by governments, or to finance oil and gas, mining and other extractive projects.

CO-FINANCING

Co-financing is a type of loan that complements the financial resources provided by CAF and attracts external capital to the region. Through these instruments, the Institution grants the A portion of the loan using its own resources, while distributing the B portion among international banks and institutional investors. In addition, CAF co-finances operations with other multilateral organizations, such as the Inter-American Development Bank, the World Bank, the International Investment Corporation, the Nordic Investment Bank, the International Finance Corporation and the International Fund for Agricultural Development, as well as with official bodies and local and international private banks

SUPPORT TO THE PRIVATE SECTOR

The private sector has a direct impact as a wealth creator, a generator of employment and a promoter of trade and markets. Companies also have a key multiplier role in education and technology transfer.

CAF promotes the participation of the private sector in investment projects in the productive sectors of shareholder countries. In addition, the Institution offers advice on governance, corporate governance and the promotion of corporate social responsibility, which also requires the active participation of the sector, and structures physical integration projects to include private sector participation, on account of the large capital investments involved in infrastructural developments.

It offers direct assistance through traditional term loans and indirect assistance through partial credit guarantees for government obligations in the underlying transactions or part-financing.

An example of CAF's activities in this regard is the advice given on the structuring of concessions in the framework of Peru's Inter-Oceanic Roads project, which was successfully financed by the private sector.

GUARANTEES

Guarantees are used by the Institution to back up credit operations approved by other sources for governments, businesses and financial institutions.

PARTIAL CREDIT GUARANTEES

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed to a third party. Through this mechanism, CAF attracts fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

FINANCIAL ADVICE

The Institution provides financial advice to public and private sector clients. Among other services, CAF offers advice in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors offers to participate in public bid processes; iv) mergers and acquisitions; and v) valuations.

PUBLIC-PRIVATE PARTICIPATIONS

CAF actively participates in the structuring of financing operations with the private sector, in order to overcome the shortage of funds available to finance infrastructural projects. Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets.

TREASURY SERVICES

Treasury services include deposits via the money desk, from overnight to 12 months, offered by CAF to its shareholder countries.

EQUITY INVESTMENTS

Equity investments are capital investments utilized by CAF to support business development in shareholder countries and their access to capital, as well as to attract resources to the region.

COOPERATION FUNDS

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or of conditional recovery, depending on the nature and purpose of the operation.

Cooperation funds are primarily intended to support reforms related to state modernization processes, such as privatization, administrative decentralization and institutional strengthening.

They also contribute to export and investment plans, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and the promotion of cultural values.

CAF also administrates and supervises funds, mostly non-reimbursable, from other countries and bodies, which are devoted to financing programs agreed with donor organizations and according to the policies and strategies of the Institution.

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