

2013

ANNUAL REPORT






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

The Institution serves the public and private sectors, providing a variety of products and services to a broad portfolio of clients, including shareholder states, private companies and financial institutions. Social and environmental benefits are at the core of the Institution's management policies, and it strives for eco-efficiency and sustainability in all its operations. As a financial intermediary, CAF channels resources from international markets to parties in Latin America, promoting investments and business opportunities.

Shareholder Countries 2013



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



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Message from the Executive President

After 10 years of solid economic growth, Latin America and other emerging markets are entering a period of slight deceleration in a global scenario that is underpinned by a moderate recovery in the industrialized economies. In 2013, the region registered 2.6% growth, down 0.3% from the 2012 growth rate.

In this global economic context, CAF strives to support its shareholder countries to achieve both robust and sustained growth rates in order to narrow income gaps with industrialized countries and, at the same time, make progress towards achieving genuine inclusion and social equality. Such efforts have positioned CAF as one of the main sources of multilateral financing for the region's development.

In 2013, the institution approved USD 12.1 billion in financing, a 31% increase over 2012, with resources strategically distributed by country and across different sectors. Additionally, CAF reinforced its catalytic role by attracting funding to Latin America from various international sources to promote investment and business opportunities in the region.

In terms of its financial performance, it is worth highlighting CAF's highly satisfactory results in earnings, profitability, efficiency and the quality of its loan portfolio, as well as the upgrades to CAF's credit ratings, the diversification of its funding sources and the support from our shareholders, all of which contribute to CAF's solid financial standing.

With respect to credit ratings, Japan Credit Rating (JCR) upgraded CAF's rating to AA from AA-, while Fitch Ratings raised its rating to AA- from A+. Furthermore, both Moody's and Standard & Poor's reiterated their ratings and maintained stable outlooks.

The institution continued to move forward with its diversification strategy regarding funding sources through its active participation in international capital markets via 14 bond issues during the course of the year, raising a total USD 2.7 billion, which places the institution among an elite club of global issuers.

I would like to emphasize the positive impact that the continued support by our shareholders and their unwavering commitment to the institution has had on our results. Evidence of this support are the capital contributions exceeding USD 900 million, as part of the plan agreed on by our shareholders to raise a total of USD 6.3 billion in three capital increases during the 2007-2017 period.

As a development bank that represents Latin America, CAF is engaged in a broad and busy agenda of institutional relations at both a regional and a global level. By building important relationships with prestigious think tanks and academic institutions around the world, the institution has positioned itself as a regional and international platform for debate and a generator of knowledge and research on Latin American development issues.

Beyond these important milestones, today's constantly changing global realities motivate CAF to evolve in order to provide our shareholder countries with the support they need.

Toward that end, we made great strides in 2013 in strengthening the organization and its

processes, and in engaging in strategic thinking about developing new initiatives and programs to increase the flow of knowledge, research and technical support to our shareholder countries. CAF also moved forward in its efforts to develop and implement innovative and catalytic tools to generate greater added value, particularly in our support of the private sector, as part of our institutional strategy of promoting the productive transformation of Latin America.

As I present this annual report and our audited financial statements for the fiscal year 2013, I would like to emphasize that the results we achieved were made possible thanks to the support of the governments of our shareholder countries and CAF's Board of Directors, as well as the commitment of our staff to the institution and to Latin America.



A handwritten signature in black ink, consisting of stylized cursive letters that appear to read 'E. García'.

Enrique García
Executive President

HIGHLIGHTS 2013



- **Record level of financing approvals for strategic sectors:** The total was USD 12.1 billion, up 31% from 2012.
- **Sustained growth and a broad geographic distribution of loans:** With the bank's loan portfolio expanding 78% over the last five years.
- **Financial strength:** Shareholder countries contributed more than USD 900 million in paid-in capital, as part of a planned program of three capital increases to raise USD 6.3 billion during the period 2007-2017. CAF completed 14 bond issues in six countries, raising a total of USD 2.7 billion. In 2013, CAF became the first Latin American issuer to raise capital in the Australian market.
- **Credit ratings upgrades:** Japan Credit Rating Agency raised its CAF rating to AA from AA-, while Fitch Ratings hiked its rating to AA- from A+. Both Moody's and Standard & Poor's reiterated their ratings.
- **Institutional strengthening:** CAF pressed ahead with its decentralization strategy to be closer, and provide better service, to both public and private sector clients. Within the framework of institutional strengthening, CAF also merged the divisions of Credit and Risk Management and Specialized Financial Services. In addition, the bank launched its Social Innovation Initiative, a Compliance and Portfolio Rating Unit, and opened new offices in Mexico and Trinidad and Tobago.
- **Strengthening public private partnerships:** CAF developed new innovative tools and products to leverage mixed-capital ventures to benefit the entire region.
- **Awards:** Latin Finance magazine named CAF the "Best Multilateral Development Bank of The Year." The institution also took home awards for "Best Multi-Currency Private Placement Issuer" (Global and European category) and "Best Landmark Deal" (Asia Pacific category) at the 2013 MTN-i Awards.
- **Platform for regional reflection with a global vision:** As the region's representative on the global stage, CAF hosted forums in the United States, Asia and Europe to debate Latin American development issues and the region's relations with the rest of the world.

TOTAL ASSETS

2013
USD 27.4
billion

2012
USD 24.8
billion



LIQUID ASSETS

2013
USD 8.3
billion

2012
USD 7.2
billion

LOAN PORTFOLIO AND EQUITY INVESTMENTS

2013
USD 18.2
billion

2012
USD 16.5
billion



EQUITY

2013
USD 7.8
billion

2012
USD 6.9
billion

PAID-IN CAPITAL

2013
USD 3.9
billion

2012
USD 3.6
billion

NET EARNINGS

2013
USD 207
million

2012
USD 160
million



LATIN AMERICA'S ECONOMIC AND SOCIAL ENVIRONMENT



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LATIN AMERICA'S ECONOMIC AND SOCIAL ENVIRONMENT

In 2014, world
growth is estimated
to recover in

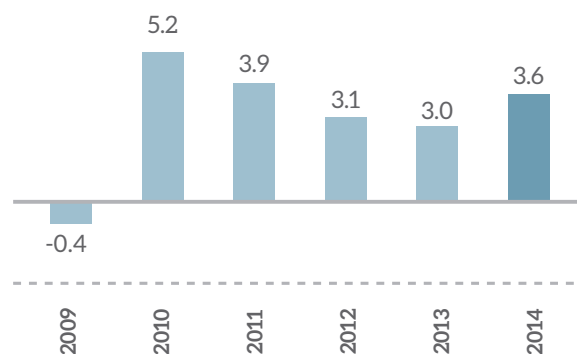
3.6%

International Environment: Recent Evolution and Prospects

During 2013, the world economy showed a moderate growth pace. This is mainly due to the deceleration in emerging economies, the weakness in the Euro Zone, and a more moderate growth in the United States. Indicators at the beginning of the fourth quarter show an improvement in global activity and more optimistic expectations. In this context, it is expected that world growth will reach 3 percent in 2013 and show a slight recovery to 3.6 percent in 2014. Despite the reduction in tensions, downward risks still predominate, and are mainly associated to new problems in the Euro Zone, the fiscal consolidation in the United States, and a greater deceleration in emerging economies.

In 2013, the economy of the United States registered a moderate growth resulting from the so called "fiscal sequester" which entered into operation in March. GDP grew by 1.9 percent, below the 2.8 percent of 2012. This was a result of the expansion of private consumption and the significant dynamism of residential investments. This compensated for the negative contribution of public expenditures, of net exports, and the fall of non-residential investments. It should be noted that the private

Graph 1. Growth of World GDP (%)



Source: IMF

sector in the United States continues to gain dynamism as the driver of the economy's recovery.

In addition, the real estate market continued providing strength to the US economy. During 2013. The sale of one-family homes increased by 26 percent annually, while the sale of used homes increased by 15 percent. At the same time, housing prices increased close to 12 percent annually, the largest increase since 2006. The real estate sector recovery is expected to continue, although recent data have created uncertainty regarding its sustainability. Mortgage interest rates have increased since May, generating concerns as the demand for houses could decrease and slow down the increase in prices. However, these interest rates remain close to their historical minimums, and access to housing is still high.

In addition, the two digit increases in housing prices in past months have also brought concerns regarding the fact that the recovery of the real estate sector may be progressing too fast and aiming toward a new bubble. However, in general, housing prices have increased more in the regions where the decrease was more pronounced, which may mean that they are still recovering the lost ground after the collapse.

With respect to the labor market, salaries showed a significant recovery (2 percent annual), while the unemployment rate fell in December to 6.7 percent, its lowest level since 2008, after registering its highest level in October of 2009, when it reached 10 percent. In addition, the economy of the United States created a total of 2.2 million jobs during the year, a similar figure to the one reached in 2012 during the same period. It should be noted that part of the fall in the unemployment rate was due to a decline in the size of the labor force. Which only includes people who have jobs or who are looking for employment. A

general glance at the labor market shows that the United States has recovered more than 80 percent of the 8.8 million jobs that disappeared during the crisis. However, the creation of employment is lagging with respect to prior recoveries. At least another year would be needed with the current rate of employment creation to reach the levels prior to the recession. Some analysts point out that although the private sector is the main engine of employment growth, half of it is generated through temporary agencies, which does not translate into full time jobs.

At the same time, there are no inflationary pressures. In 2013, inflation closed at 1.5 percent annual, while the underlying inflation reached 1.7 percent annual, showing that inflationary pressures remain stable.

In this context of moderate but more solid growth, the Federal Reserve Board announced in mid-May that depending on the evolution of the economy and the labor market, it could start reducing the pace of asset purchases during the second half of the year, to finish the acquisitions in mid-2014. This announcement led to a massive

In 2013, inflation closed at 1.5 percent annual, while the underlying inflation reached 1.7 percent annual, showing that inflationary pressures remain stable.

sale of risky assets in financial markets, resulting in an increase in the yield of long term treasury papers and generalized falls in the stock market, an expansion of the spreads, and depreciation of currencies in emerging countries. In this respect, during the last meeting in mid-December, the Federal Reserve Board announced that starting in January, it will reduce the pace of bond purchases, from USD 85 billion per month to USD 75 billion.

It is expected that growth in 2014 will reach 2.8 percent. These estimates assume that the so called budget sequester was concentrated in 2013, although the pace of the fiscal consolidation will continue to be slow. Private demand should maintain its dynamism as a result of the improvement in labor conditions, the wealth effect, and the favorable financial conditions. However, this scenario is not free of risks. The main challenges for the United States are related, on the one hand, with the synchronization of the end of the quantitative expansion, and on the other hand, with the priority of developing a comprehensive framework to reduce the fiscal deficit in the medium term.

In general, the economy of the Euro Zone experienced a slight recovery in 2013; however, growth was very different between countries. GDP in the Euro Zone grew 0.1 percent quarterly, below the 0.3 percent of the second quarter. Compared with the third quarter of 2012, the economy contracted by 0.4 percent. This deceleration was related mainly to the behavior of France and Germany. France registered a contraction of 0.1 percent after growing 0.5 percent during the second quarter. This was due to a weakness in consumption and a drop of exports.

At the same time, Germany continued to grow during the third quarter (0.3 percent), but four tenths less than during the previous quarter. This was due to the weakening of exports, which was not fully compensated by the increase in domestic consumption. Italy (-0.1 percent) and Cyprus (-0.8 percent), as well as Slovenia and Greece, continued in recession during the third quarter. At the same time, Spain (0.1 percent), Estonia (0.4 percent), and the Netherlands (0.1 percent), restarted positive growth rates. These data confirm that the Euro Zone is in a very fragile zone, despite having two positive quarters after leaving behind a year and a half in recession.

During 2013, inflation in the Euro Zone moderated, to reach an annual 0.8 percent in December, below the 2.2 percent registered in December of 2012. The increase in food prices, boosted by the effect of the floods in Central Europe, was compensated by the deceleration of the prices of services and non-energy industrial goods. The underlying inflation during this period was reduced to 0.7 percent.

At the same time, the unemployment rate which had increased continuously since 2008, stabilized during past months, and even fell in July for the first time in two years. In December, unemployment remained at 12.1 percent, still at record levels. Spain and Greece were the two countries with the highest levels of unemployment, above 25 percent.

Estimates anticipate a gradual recovery of GDP toward the end of 2013, to close with a contraction of close to 0.4 percent. This recovery would intensify in 2014, as a modest increase of credit, less restrictive fiscal policies, and an upturn of exports would contribute to a growth of approximately 1 percent in the Euro Zone. However, there are vulnerability elements that persist, and this scenario carries significant downward risks. Among these are those related with a potential intensification of the financial crisis, the process to reduce the high levels of public and private indebtedness, the weakness of the labor market, and a possible unfavorable evolution of external demand. In addition, the review of banking assets to identify problem assets and quantify the capital needs, is still pending.

In 2013, Japan recovered from the recession. GDP registered a growth of 4.1 percent, 3.8 percent, and 1.1 percent during the first, second, and third quarter of the year, respectively. This growth was boosted both by domestic demand, despite the weakness of investments, and by external demand, as a result of the dynamism of exports. This result is related to the group of stimulus measures carried out by the authorities at the beginning of the year so that the country could recover from deflation and low growth. This plan, known as Abenomics, is based on three pillars: monetary expansion, increase of public expenditures, and structural reforms.

However, during 2013 the stimuli were mainly monetary and a few fiscal. In the labor market the unemployment rate remained close to 4

percent, and salaries stopped falling in inter-annual terms. At the same time, the price index reached positive terrain for six consecutive months. In December, prices increased by an annual 1.5 percent, after the 1.1 percent registered in November.

A 1.7 percent growth is expected for the Japanese economy in 2014. However, Japan faces important challenges related to the sustainability of the public debt with high fiscal deficits, and the entry into operations of the structural reforms in the labor market.

During 2013, the emerging economies continued to decelerate. A growth of close to 5 percent is expected for 2014, similar to the one registered in 2013 and 2012, but well below the rates reached in 2010 and 2011. This is due to the weakness of external demand and to structural deficiencies which, in some countries, will continue to affect growth.

The Chinese economy continued to grow at a slower pace after registering growths above 9 percent until 2011. GDP grew by 7.7 percent in 2013, the same as the previous year and above the official target of 7.5 percent. This is due to the lower dynamism of consumption, investment, and above all, of the export sector, affected by the relative strength of the Renminbi and the relative weakness of its trading partners. Exports grew only 7.9 percent annually, while imports grew by 7.3 percent. In addition, it is important to note that the services sector grew more than the median of the economy, which constitutes a sign of a greater contribution of consumption to growth.

After facing a high inflation in 2011, which reached 5.4 percent, during 2013 the increase in prices reached 2.5 percent, well below the government's target of 4 percent. This is due to the fall in the prices of industrial commodities and the weakness of economic activity.

It should be noted that the Chinese financial sector became the center of uncertainty toward mid-year. Private credit continued growing at a fast pace (above 20 percent), leading the Popular Bank of China to tighten the liquidity conditions in the inter-banking market in June, resulting in a liquidity crisis that led to a strong recovery of interest rates. However, the authorities managed to calm the market by offering greater liquidity directly to the larger banks.

In this context, an expansion of the Chinese economy of 7.5 percent is expected for 2014. However, there are persisting risks derived from the high prices of housing and the indebtedness of local governments and of certain segments of the private sector, linked to the increase of the non-regulated financial sector (shadow banking). In addition, the Chinese government is undergoing a period of transition to redirect its economy toward consumption, a trend that has not consolidated yet.

At the same time, growth in India has decelerated since 2009, registering a growth of 4.4 percent in 2013, which represent a greater than expected deceleration due to the slowdown of investments resulting from problems in governmental management, in addition to the deterioration of external demand. Growth for this year is estimated to reach 5.4 percent as a result of the measures implemented to promote growth.

Other emerging economies continued a similar trend during 2013: a deceleration of growth, and inflation rates that tended to stabilize.

Basic Goods Markets

During 2013, most commodity prices registered sustained falls due to the weakness of world demand, some concerns regarding the recovery of China, and the uncertainty regarding the end of the monetary stimuli in the United States. In general, it is expected that this year the prices of commodities will register small corrections, in line with a reduction of world demand. However, an abrupt collapse in prices is not expected.

Throughout 2013, emerging economies continued to decelerate. A growth of 5 percent is expected for 2014, similar to the one registered in 2013 and 2012, but well below the rates registered in 2010 and 2011.

The price of Brent oil closed the year with a slight annual fall of 1 percent, to reach close to USD 111 per barrel. In addition to global uncertainty, this is a result of the increase in Saudi Arabia's production and the large crude inventories in the United States. However, the tense situation in Syria and the decrease in the supply of crude from Iran and Nigeria boosted the price of crude in July and August, reaching an average price of USD 111 per barrel. It is estimated that for this year the price of crude will remain, on average, at levels close to USD 100 per barrel.

After registering a slight recovery toward the end of 2012, the prices of industrial metals in 2013 lost close to 9 percent, on average. Specifically, price reductions were registered for copper (6.2 percent), aluminum (8.4 percent), silver (36 percent), nickel (12 percent), and zinc (2.2 percent), while there was a recovery in the prices of tin (3.4 percent), and lead (6.1 percent) compared with the same period of the previous year. It is estimated that for 2014, the prices of industrial metals will register a moderate fall.

During 2013, the price of precious metals decreased, partly due to the weakness of demand from Asian countries, main purchasers of these metals. In this respect, the price of gold fell close to 28 percent in 2013, and toward the end of December, it was quoted at approximately USD 1,200 per ounce, a level estimated to remain throughout this year. This fall is mainly related to the expectations of a reduction of the monetary stimuli by the Federal Reserve Board.

The price of foods registered a fall of 3 percent during 2013. This was a result of the good harvests in Brazil, the largest sugar exporter in the world. In addition, the price of cereals has registered significant setbacks due to the expectations of a strong growth in the world production of grains for this year, resulting from a strong recovery of the supply of corn. On the contrary, the price of milk products registered a strong increase (28 percent), due to the deceleration of production in New Zealand, as a result of the dry climate registered in the country.

Graph 2. Price Index of Basic Goods



Source: Bloomberg.

Financial and Stock Markets

Until May, the financial markets continued on a positive trend. However, the announcement of the Federal Reserve Board regarding the possibility of a reduction of the stimuli, together with the fears of a greater Chinese deceleration, led to falls and a high volatility in the markets. In the second part of the quarter, facing a possible reduction in the purchase of

assets by the monetary authority, the long term interest rates of the United States sovereign debt increased, reaching its maximum in two years. The emerging financial markets registered a negative performance during the year, which became more pronounced starting in the last week of May, with the change in expectations regarding the monetary policy in the United States. Sovereign spreads showed

an unfavorable evolution, there were capital outflows from emerging economies, and the issue of fixed income decelerated as a result of the rearrangement of the portfolios due to the fall in the appetite for risk.

In the stock markets, performance has been very heterogeneous comparing stock markets from advanced economies and emerging economies. The positive data regarding the economy of the United States supported the S&P 500 and Dow Jones indices, which reached historical maximums. Profitability in the European markets was also positive during this period: the FTSE increased by 16 percent. In contrast, emerging stock markets registered considerable losses. Among the Latin American

stock markets, the largest losses were registered in Peru (24 percent), Brazil (16 percent), and Chile (14 percent). In Asia, the Shanghai stock exchange index fell by 11 percent.

It should be noted that the effects on the exchange markets of emerging countries have been significant. To date, the South African Rand devaluated with respect to the US Dollar by 17.4 percent, the Rupee in India by 16.3 percent, the Brazilian Real by 15 percent, the Rupee in Indonesia by 12.4 percent, and the Russian Ruble by 8.3 percent. In this context, the economic authorities acted promptly to try to stop the loss of value of their respective currencies, mainly through direct interventions in the foreign exchange market.

Latin America: Recent Evolution and Prospects

In the midst of an international context characterized by the slow resolution of the Euro Zone crisis, uncertainty regarding the reduction of the monetary stimuli in the United States, and the loss of dynamism in emerging economies, in 2013 economies in Latin America continued the deceleration trend which started in 2012.

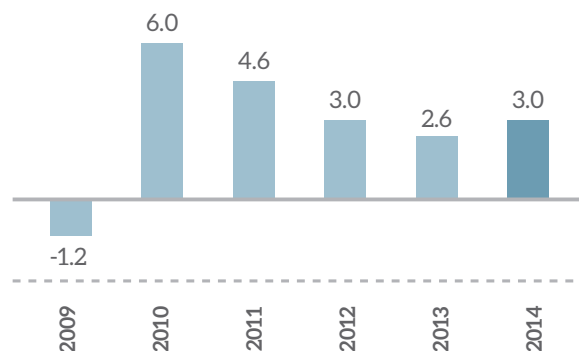
Real Sector

During 2013, the region registered an annual growth of 2.6 percent, slightly below the 3 percent expansion registered the previous year. This slowdown was a result of the weakness of external demand while, despite its deceleration, internal demand continued to be the main source of growth. The contribution of the external sector was negative due to the reduction of exports resulting from the fall of commodity prices during the year. At the same time, the region's exports registered a positive growth during the first months of 2013, albeit at moderate rates compared to those observed in recent years. On the domestic demand side, private consumption was the main driver of growth, while the dynamism of investments decelerated.

The deceleration in employment creation continued in 2013. However, the reduction in the incorporation of inactive people to the labor market compensated for the lower dynamism in the generation of employment and, therefore, a drop in unemployment was observed. The rate of urban unemployment reached 6.3 percent; 0.1 percentage points less than in 2012. This deceleration was also observed in real salaries, which grew at a lower rate than during the previous year.

In a moderate deceleration scenario, growth estimates for Latin America reach 3 percent for 2014. This is mainly a result of the reduction in external demand and the deceleration of the growth of domestic demand. In general terms, although it is true that the region will grow at rates below the average of the 2004-2008 period, rates are still above the average of previous decades. However, this scenario is not exempt from risks, of which the most important are related to a worsening of the crisis in the Euro Zone, a larger than expected fall of Chinese economic activity, and disruptions in external financing that may lead to the withdrawal of the monetary stimuli by the Federal Reserve Board.

Graph 3. Latin America. GDP Growth (%)



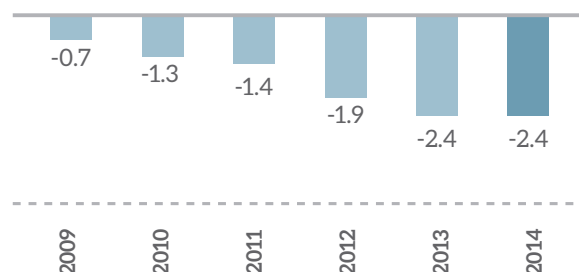
Source: IMF.

External Sector

Latin America experienced a significant slowdown in commercial flows to and from the region. In 2013, the value of exports registered a modest annual growth of 0.4 percent, below the 1.6 percent of the previous year. This deceleration was related to the generalized decline of commodity prices and the weakness of global demand. In addition, this deceleration has been very strong in South America, as these countries are more exposed to the demand for commodities from Asian countries, which has decreased due to the crisis in the Euro Zone countries. At the same time, the value of imports continued showing a positive behavior during the second semester of the year, albeit at moderate rates compared to those observed in recent years. In this respect, a moderate deterioration is expected in the current account, and it is estimated that at the close of 2013, the deficit will reach close to 2.4 percent of GDP, compared with the 1.9 percent of 2012.

The recent announcements of the Federal Reserve Board regarding the possible withdrawal of the monetary stimuli in the United States, led to a decline of foreign capital inflows, and risk premiums increased in that country as well as in emerging economies. It is expected that financial conditions will be less favorable for the region than in recent years. However, the situation is manageable for several reasons. On the one hand, the external financing needs of most countries are moderate; as long as the current account deficits are manageable, the levels of external indebtedness have decreased and the terms of the debt have been extended. On the other hand, most of the current account deficit is financed with direct foreign investment. Finally, Latin America has high levels of international reserves that allow to comfortably cover import needs and short term debt commitments.

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



Source: IMF.

Fiscal Accounts

Between 2009 and 2010, most of the countries in Latin America took advantage of the fiscal room to carry out fiscal stimuli measures to mitigate the effects of the financial crisis, without increasing indebtedness to levels that could threaten fiscal sustainability. During 2011, some countries announced the withdrawal of the fiscal stimuli implemented to control the crisis; however, in several countries fiscal policies continued to follow an expansive trajectory.

In 2013, fiscal accounts experienced a moderate deterioration due to lower revenues resulting from the fall in commodity prices. In addition, expenditures increased faster than the pace of the GDP.

It is expected that in 2014, the reduction of fiscal revenues will continue, in line with the deterioration of the external sector and the deceleration of economic activity. Despite this, the region's fiscal scenario continues to be favorable. However, even when indebtedness

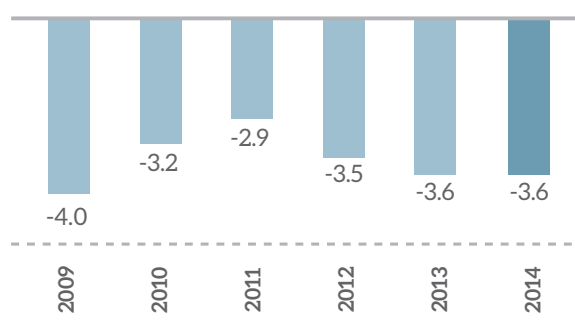
levels are sustainable, on the side of the fiscal balance the space is more reduced.

In this context, it is necessary for the countries in the region to continue with the fiscal consolidation process, as the debt remains above the levels before the crisis. In addition, authorities must be alert and prevent premature fiscal stimuli measures, which should only be considered in case of a significant deterioration of external conditions.

The recently overcome financial crisis implied important efforts to implement anti-cyclical policies which weakened Latin America's fiscal position. In fact, from a structural perspective, although the effects of the economic cycle on revenues were corrected, the fiscal room available before the 2009 crisis has not been recovered.

Some countries still have tax reforms pending, to guarantee the financing of expenditures in a structural manner. Only in this way will it be possible to guarantee the sustainability of medium and long term policies.

Graph 5. Latin America. Fiscal Result (% of GDP)



Source: IMF.

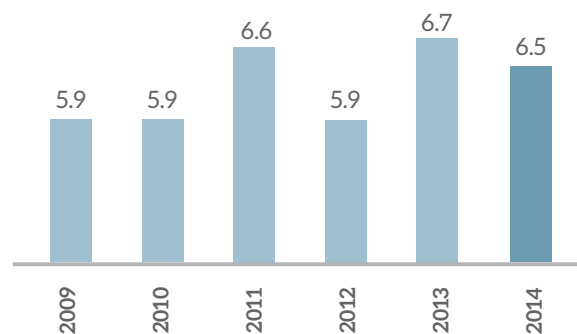
Monetary and Exchange Sector

During the first semester of the year, inflation increased slightly in Latin America but, in general, it remained within the target range established by the authorities despite the loss of impulse in growth. This evidences some resistance to the fall of prices, although with clear differences between countries.

So far this year, the pressures toward appreciation faced by Latin American countries practically disappeared. This is a result of a moderation of capital inflows and also of the effects of some measures taken by the

authorities. In addition, the high risk aversion in financial markets led to a depreciation of Latin American currencies, particularly after the announcements of the Federal Reserve Board. To face the high exchange volatility, authorities have taken diverse measures which in most cases have been direct interventions in the market.

In general, the countries in the region have maintained a neutral monetary policy, with the exception of Brazil, which initiated a cycle of interest rate increases to control inflation.

Graph 6. Latin America. Average Inflation (Consumer Prices)

Source: IMF.

Competitiveness and Entrepreneurial Environment

Despite the fact that for the first time the region is not at the epicenter of the global crisis, it should be noted that Latin America has structural challenges that limit its development.

The region must advance an agenda that aims to diversify exports, increase saving and investment levels, generate productivity and competitiveness gains, and face the serious problem of equity. The biggest differences between Latin America and developed countries refer to technological capacity and innovation, which implies a need to improve the infrastructure and available human capital to adapt them to the new global trends.

According to the latest Competitiveness Report of the World Economic Forum (WEF, 2013-2014), Latin America, on average, ranks 82 in a sample of 148 countries. This represents a fall of two positions with respect to the previous year. This lower position in the ranking is influenced by two factors: a slight decrease in the average score (from 4.07 to 4.06), and the entry of four new countries to the WEF. However, when analyzing the indicators that make up the report, in most cases there is evidence of a better performance compared to the previous year, where innovation continues to be the greatest deficiency in the region despite the fact that it is the indicator that experienced the largest increase compared with the previous year. Institutional quality and technological preparation are the greatest challenges for Latin America; however, institutional quality at an absolute level presents an increase in performance, while technological preparation decreased its score considerably. Among Latin America's strengths, the three indicators with

the best relative performance are health, elementary and university education, and the macroeconomic environment. It is interesting to note that the indicators with the best relative performance in the region were the size of the market, the sophistication of businesses, and the development of the financial markets.

In global terms, the countries with the best results were Chile (34), Panama (40), Costa Rica (54), Mexico (55), Brazil (56) and Peru (61), which were ranked above the world average in absolute scores. Among the elements that differentiate the performance of the above mentioned countries are the advances made to reduce the external exposure of their economies, improvements in their macroeconomic fundamentals, strengthening of their net external position, and deepening of the local financial markets. Other factors that explain the success in competitiveness were the advances made in their intelligent international insertion processes, as well as the technological advances that have allowed them to achieve greater productive efficiency.

In addition, Latin America is one of the developing regions where companies face greater difficulties to conduct businesses, which is evidenced in the Doing Business survey carried out annually by the World Bank, where Latin America is ranked, on average, as 96 out of 185 countries that are evaluated. The 2014 study shows that Latin America, on average, requires 39 days to start a business, an indicator which stands above the average of developed countries (12 days) or of the world average (29 days). It should be noted that compared with the previous year, the time required to start a business was reduced by 13

days, implying improvements in the number of processes and paperwork necessary to establish a company. Other indicators show that one of the main challenges in the region is to increase

productivity, both regarding labor and several factors, and solve the bottlenecks that hinder the growth of the local production in a context of increasing competition at a global level.

Integration and International Insertion

Throughout 2013, the region promoted an agenda aimed at strengthening diverse integration plans to stimulate political dialogue, intra-regional cooperation, relationships with third parties, and the promotion of common grounds regarding the international agenda. Regarding this matter, the main actions are the strengthening of political agreements and cooperation in the framework of the Comunidad de Estados Latinoamericanos y Caribeños (Celac) (Community of South American Nations), the Unión de Naciones Suramericanas (Unasur) (Union of South American Nations), the Alianza Bolivariana para las Américas (ALBA) (Bolivarian Alliance for the Americas), and the Petrocaribe Agreement; the advance in the agenda of the sub-regional integration blocks, mainly the Mercosur, the CAN and SICA; as well as the Pacific Alliance and the Meso-America Project.

During this year, the consolidation of the agenda for political dialogue and institutional strengthening of the regional integration was especially dynamic in the sphere of the Celac, established as the broadest representative mechanism for political agreement, cooperation, and integration in Latin America and the Caribbean. In this regard, the following stand out: the I Celac-European Union (EU) Summit, the I Summit of Chiefs of State and Government, the Meetings of Ministers of Foreign Relations, Energy, and Finance, as well as the III Meeting of Regional and Sub-Regional Integration Mechanisms.

The main theme of the I Celac-EU Summit, which took place in Santiago, Chile, was the "Alliance for Sustainable Development: Promoting Investments with Social and Environmental Quality". The document which was finally approved, highlights the advances in the application of the bi-regional Action Plan and promotes its consolidation through

the incorporation of new chapters regarding investment in the 2013-2015 Action Plan. At the same time, the countries made a commitment to evaluate the possible incorporation of additional chapters that cover areas of common interest such as higher education, public safety, and food safety, among others. The development of the Celac-EU High Level Meeting of the Coordination and Cooperation Mechanism Regarding Drugs should be mentioned. It took place in Quito, Ecuador, with the objective of promoting and intensifying political dialogue, and coordination and cooperation between both regions on the basis of the principle of shared responsibility to face this common challenge.

The main objective of the I Celac Summit of Chiefs of State and Government, carried out in Santiago, Chile, was to advance in the political, economic, social, and cultural union and integration, reiterating the political commitment to promote the regional interests in multilateral organizations, and strengthen the capacity for the coordinated action of Latin America and the Caribbean to face the challenges of a world experiencing a profound economic and political transformation. At the same time, the countries were in favor of strengthening the South-South cooperation, especially with Haiti. Cuba, throughout the year as pro tempore president, advanced an active agenda based on the Annual Work Plan approved in May, which included the coordination of multiple sectorial meetings both at a ministerial and technical level, in areas such as energy, finances, productive and industrial development, environment, education and culture, science and technology, drugs, cooperation, and humanitarian aid.

In this regard, it should be noted that the II Meeting of Ministers of Energy, carried out in Montego Bay, Jamaica, enabled advances in the implementation of Celac's Energy Strategy, adopted in the I Meeting of Ministers

of Energy and included in the Lima Action Plan. The main achievements that stand out are the comparative analysis of sub-regional energy policies and strategies, the advance in the exchange of information between countries regarding biofuels, and the development, by the Latin American Energy Organization (OLADE, for its acronym in Spanish), of the energy balances of the following countries: Antigua and Barbuda, Bahamas, Dominica, Saint Lucia, Saint Kitts and Nevis, and Saint Vincent and the Grenadines.

At the same time, in the framework of the I Celac Meeting of Ministers of Education, which took place in Havana, Cuba, one of the most ambitious goals of this mechanism was agreed upon, which consists in working during 2015 to reach total literacy in those countries where more than 90 percent of the population is literate and, in the case of those that stand below that percentage, achieve that goal for 2020. In addition, the I Meeting of Ministers and Authorities for Social Development and the Eradication of Hunger and Poverty defined the Action Program for 2013 regarding priority social aspects for the region, such as health, education, and nutrition.

In addition, during the II Meeting of Finance Ministers carried out in Quito, Ecuador, the countries agreed to move ahead with an agenda involving five priority axes: the need to promote and increase cooperation between central banks, development of regional banking, increase intra-regional cooperation, creation of a Regional Investment Observatory, and promote greater cooperation regarding public purchases.

Throughout the past year, Unasur advanced in the 2013 Working Plan. Its evaluation of achievements was carried out in the framework of the VII Ordinary Meeting of Chiefs of State and Government in Paramaribo, in the Republic of Suriname, country which took over the pro tempore Presidency of the Organization. The Secretary General of Unasur presented the Report and Account of his management, which highlighted as a significant achievement, the consensus and adoption of a strategic view of Member States in recognizing the available natural resources in the region as a dynamic axis for South American development. In addition, it highlighted the initiative to create the Unasur Communication and Information Center, which would allow to coherently and permanently coordinate the different objectives of the South American union, the

creation of Unasur's Higher Studies Institute; the establishment of a high level Committee for strategic affairs assigned to the Council of Chiefs of State and Government; the development of five regional events regarding diverse sectorial subjects, and the construction of the South American Parliament with headquarters in Cochabamba, Bolivia.

The first Unasur Conference on natural resources and development, which took place in Caracas, Venezuela, urges countries to contribute in the identification of regional cooperation possibilities to take advantage of South America's wealth, to favor the main social challenges of the region. In this respect, a long term strategic view was adopted, based on the following guidelines: project the region in the world context, promote cooperation instances to advance in the eradication of poverty, vulnerability, and social exclusion, as well as overcome asymmetries, advance in the coordination, cooperation, and protection of natural resources, and strengthen physical infrastructure and connectivity between Member States. Among the main proposals of the Conference, the creation of Unasur's Higher Studies Institute stands out, together with the project of a South American Geological Service, and a Science and Technology Institute.

The IV Meeting of the South American Infrastructure and Planning Council which took place in Santiago, Chile, analyzed the application of the Methodology for Environmental and Social Evaluation with a Strategic Approach (EASE, for its acronym in Spanish) in two sets of projects in South America: the Laguna Merin and Lagoa, Dos Patos between Uruguay-Brazil, and in the Pehuenche Program, area of influence of the Pehuenche Passage between Chile and Argentina. The work of the Railroad integration Work Group also stands out, whose aim is to advance in the promotion of the bi-oceanic railroad integration of Argentina, Brazil, Chile and Paraguay, and to develop other South American railroad networks. In addition, the Telecommunications Working Group will have to define the studies of the South American Connectivity Network for Integration, to implement the project on the basis of the agreements of the Communications Ministers in August of this year.

With respect to Unasur's financial integration, the GTIF Plenary Meeting which took place in Buenos Aires, Argentina, stands out. The study project to be developed by ECLAC was approved

in this Meeting, regarding guarantees for intra-regional exports and commercial aspects of regional productive integration projects, as well as the advances with respect to the report on infrastructure financing for the region's development. Advances were also presented with respect to the feasibility of structuring a swaps network between the Unasur countries, and regarding the possibility of building a reserve fund.

At the same time, the XII Summit of the Bolivarian Alliance for the Nations of Our America - Trade Agreement between the Nations (ALBA-TCP, for its acronym in Spanish), which took place in Guayaquil, Ecuador, agreed to prioritize joint actions so that in the framework of the South-South cooperation, education, health, and services to people with handicaps may be guaranteed free of charge. At the same time, it allowed for the establishment of a committee to develop a proposal to create a Complementary Economic Zone between countries of the ALBA, Mercosur, and Petrocaribe, which guarantees productive development in those areas where synergies may be constructed, particularly in areas such as energy, intra-regional trade, food production, intermediate industries, investments, and financing. It should be noted that in the framework of this summit, the entrance of Saint Lucia was formalized as a new member of this integration process, and it was agreed to strengthen cooperation with Haiti in the areas of health, education, and social programs. Haiti, Argentina, and Uruguay, participated as observing countries.

The VII Summit of Chiefs of State and Government of the Petrocaribe Agreement, carried out in Caracas, Venezuela, enabled the evaluation of the achievements in energy integration and the development of 88 social projects in 12 countries. In the document subscribed by the Heads of State of the member countries, the agreements established for a fair exchange between the participating nations stands out. These include the cooperation agreement for the supply of fertilizers, the continuation of the efficient application of the compensation manual of the oil invoice, the acceptance of the proposal for the creation of the Petrocaribe Economic Zone, and the proposal to initiate the studies and technical discussions for the creation of the Bilateral Funds system for the Petrocaribe Integration. In addition, in the framework of the Summit of the Energy Integration Initiative which took place in Managua, Nicaragua, the Chiefs

of State and Government of the 18 member countries, subscribed the agreement for the creation of the block's Economic Zone, which is based on a work plan to evaluate the commercial, economic, financial, and legal aspects of integration in a multidisciplinary and cross-cutting manner, by using five structuring programs: transportation and communications, productive linkages, tourism, trade, and social and cultural integration. The II ALBA-Petrocaribe Summit took place in Caracas, Venezuela, where the Chiefs of State and Government of member countries ratified their commitment with the convergence of the ALBA-TCP (ECOALBA) economic space, the Petrocaribe Economic Zone, and the connection of this Complementary Zone with other regional mechanisms such as Mercosur and CARICOM.

At the same time, the XLV Summit of Mercosur Chiefs of State took place in Montevideo, Uruguay, where a framework agreement was signed with Guyana and Suriname for their incorporation as associate states, and advances were made for the future incorporation of Bolivia as a full member. As a result of the discussions in this Summit, the presidents agreed on a joint statement highlighting the conclusions of the Mercosur and Associated States Meeting of Ministers of Economy and Presidents of Central Banks, where an analysis was conducted regarding the regional and international situation, highlighting the importance of advancing in the block's macroeconomic coordination. It also ratified the decision to continue advancing in the search of an agreement with the European Union, in compliance with the commitments made in the Mercosur-European Union Ministerial Meeting, different from the Celac-EU Summit.

The development of Mercosur's Social Summit is noteworthy, including the participation of representatives of social and union representatives of member countries, as well as the I Meeting of Authorities and Experts on Information Technology and Telecommunications Safety, which agreed to create a Working Group to coordinate efforts, together with the South American Defense Council and the South American Infrastructure and Planning Council of Unasur, to strengthen telecommunications and reduce dependency on foreign technology.

In the framework of the XXXVII Expanded Meeting of the Andean Council of Foreign Relations Ministers with the Committee of the

Andean Community in Lima, Peru, Decision 792 was approved, establishing the implementation of the re-engineering of CAN's Andean Integration System. The re-engineering process is a result of the change in the economic, social, and political context in Latin America in past decades, allowing for a community agenda which will mainly prioritize social aspects, commercial integration, and electricity interconnection.

The LXI SICA Ordinary Summit took place in San Jose, Costa Rica, in June. Compliance with the presidential mandates related with the five pillars established during the re-launching of the integration process in 2010 were evaluated. With respect to economic matters, several initiatives stand out: the incorporation of Panama to the Central American Economic Integration Subsystem (SIECA, for its acronym in Spanish), the sustained progress of intra-regional trade, the support program for micro, small and medium-sized enterprises, the operation of the Payment Interconnection System, the maintenance of financial stability in the region, and the advances in tourism safety.

In the sphere of the Pacific Alliance, made up of Colombia, Chile, Mexico and Peru, in addition to Panama's presence as an observing country, the VII Summit of Chiefs of State took place in Cali, Colombia, with the objective of strengthening the continent's economic integration. Some of the agreements achieved during the Summit are noteworthy, such as the full exemption of duties between the block, the creation of a "Pacific Alliance" visa for tourists who visit member countries, and the promotion of joint campaigns to promote tourism. During this meeting, El Salvador and Honduras were accepted as Observing States; Guatemala, which had already acquired that status, expressed its interest in becoming a full member, and the process to begin the acceptance of Costa Rica was approved. During this year, the main achievements of this mechanism that stand out are: the negotiations regarding the trade component, which managed to immediately eliminate the duties for 92 percent of the products immediately, and gradually for the remaining 8 percent; the negotiation of agreements regarding electronic trade and air transportation; the financial integration through the Latin American Integrated Market (MILA, for its acronym in

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Spanish); the agreement for the establishment of the Pacific Alliance Cooperation Fund; the development of the Scientific Research Network regarding climate change; the opening of a joint embassy between the four countries in Ghana, and between Colombia and Chile in Morocco. Additional to these measures, Mexico eliminated the visa requirements to nationals from Colombia and Peru, and the latter country exonerated nationals from Mexico, Chile, and Colombia from the temporary visa requirements for business purposes, and Colombia and Peru signed a Memorandum of Understanding regarding the exoneration of business visas.

With respect to the Mesoamerica Project, it should be highlighted that political dialogue at a ministerial level was activated, with positive results for the updating of the working agendas and strategic frameworks in prioritizing actions and projects, and in promoting initiatives.

In addition, a working route was established with the Inter-institutional Technical Group to strengthen the Mesoamerican physical interconnection.

The Ministers of Transportation subscribed the Memorandum of Understanding of the Pacific Corridor Management Unit, which identifies 8,977 kilometers as part of the International Network of Mesoamerican Highways (RICAM, for its acronym in Spanish) in: Belice, El Salvador, Costa Rica, Honduras and Nicaragua. The process will continue gathering signatures from the missing countries and from the Ministers of Finance. Addendums to the RICAM were signed for the incorporation of road tranches in Nicaragua and Colombia.

At the same time, the Ministers of Energy signed the Memorandum of Understanding regarding the establishment of the Mesoamerican Program for the Rational and Efficient Use of Energy and the Regional Strategy for the Efficient Lighting of Central America. In order to have a Mesoamerican electric interconnection based on the transnational infrastructure of the SIEPAC - legal-institutional framework that develops a regional market, advances were made in the project of the 1,793 Km. interconnection line, which presents a 98 percent advance in the tranches of the operating electricity network.



OPERATIONS



31 Approvals
35 Disbursements
36 Portfolio
39 Cooperation Funds

OPERATIONS

In the five-year period between 2009-2013, total approvals reached USD 51.1 billion.

In 2013, in a context of moderate growth of the world economy and deceleration of emerging economies, the behavior of the set of operating variables was very satisfactory. The country's demand for financing from CAF continued to be strong, the objectives proposed regarding growth and diversification of the portfolio were reached, and a significant amount of disbursements materialized, allowing for adequate support of the country's development plans and strengthening of the productive transformation process of the region.

In the five-year period between 2009-2013, the total amount of approvals reached USD 51.1 billion, USD 32 billion were disbursed, and the portfolio experienced a net growth of USD 8 billion, representing a growth of 78 percent for the period.

At the same time, in past years, CAF has been taking advantage of its flexible decision making process, and has acquired increasing experience in attracting catalytic financing toward the region. As a result, in 2013 CAF used its convening power to mobilize resources from third parties and allocate them to promote the development agenda of its member countries through products such as A/B loans, co-financing, portfolio sales, and endorsements and guarantees. In addition, efforts were redoubled toward the design of new products and services that will be implemented in coming months and will contribute significantly to deepen the Institution's catalytic role.



CAF has 18 shareholder countries and continued its process to get closer to several countries of Central America and the Caribbean in order to promote their incorporation as shareholders. Currently, the Institution has 11 country offices located in Latin America, the Caribbean, and Europe. In 2013, the opening of the country office in the city of Port Spain, Trinidad and Tobago, stood out. This country is in the process of becoming the 11th full member of the Institution. With the opening of this office, the needs of the country will be better served while at the same time strengthening CAF's presence in the Caribbean.

Aiming to achieve a sustainable and quality growth for the countries of the region, throughout 2013 CAF continued with the design and implementation of the global programming cycle. This intends to guarantee the strategic

alignment of CAF's actions in the countries, and the operating goals based on the strategic objectives of the Institution, the business plans of the sectorial areas, and the available portfolio spaces are established. CAF is promoting this global programming cycle with a long-term comprehensive public/private vision, and with a sectorial orientation.

Finally, the technical cooperation funds that support and complement CAF's action were mainly aimed at supporting the networking strategy and business management, backing the knowledge agenda promoted by CAF, and bolster the Institution's international position. All of the above carried out through the reinforcing of capacities, generation of knowledge, training of human resources, and strengthening of institutions. In 2013, approvals through the funds reached a total of USD 50 million.

Approvals

In the 2013 exercise, CAF significantly exceeded its maximum annual figure of approvals by reaching USD 12.1 billion. This was possible as a result of the precise compliance of the sovereign operating program anticipated for the year and the strong dynamism experienced both by the corporate and the financing sectors. On the corporate side, the boost acquired in the business areas with the recent sectorialization of CAF's operations should be noted, while on the financial side, the strong growth of the lines of credit granted to public development entities in shareholder countries stands out.

Of the total approved, USD 5.1 billion were allocated for loans both with and without sovereign risk, aimed at supporting the development strategies of the countries. In addition, USD 5.5 billion corresponded to approvals of lines of credit in favor of companies and banks to promote the productive transformation process of the region. The remaining USD 1.5 billion was distributed between partial credit guarantees, equity participations, contingent lines of credit, and cooperation funds.

At the same time, of the total annual approvals, USD 4.1 billion corresponded to annual renewals of corporate and financing lines of credit which kept CAF's commitment in the technical and financial support of those institutions directly involved in the development of the countries of the region.

Graph 1. Approvals (in millions of USD)

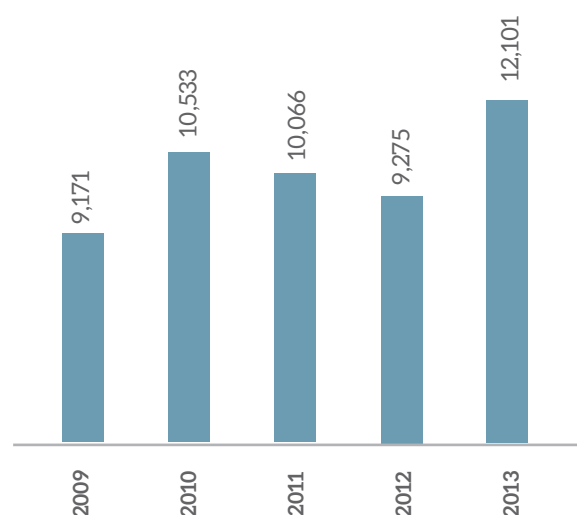


Table 1. Approvals by Product (in millions of USD)

	Approved
Sovereign	5,523
Loans	3,723
Investment Programs and Projects	3,348
Programmatic and Swaps	375
Contingent Lines of Credit	1,100
Financial Sector Lines of Credit	700
Non-Sovereign	6,528
Corporate Loans	929
A/B Loans	448
Tranch A	120
Tranch B	328
Lines of Credit	4,784
Corporate	900
Financial	3,884
Partial Credit Guarantees	150
Equity Participations	217
Cooperation Funds	50
TOTAL	12,101

Finally, the catalytic role promoted by CAF should be noted. It was reflected in 2013 with the approval of USD 626 million between part B of A/B loans, co-financing, amounts made viable through partial loan guarantees, and portfolio sales.

Table 2. Catalytic Approvals (in millions of USD)

Part B of A/B Loans	328
GPC (catalyzed part)	147
Co-financing	98
Commitments for Future Portfolio Purchases	0
Portfolio Sales	53
TOTAL	626

Approvals by Country

CAF's geographic growth process has been accompanied year after year by an increasing regional diversification of the approvals. It should be noted that in 2013, operations were materialized in 16 of the 18 shareholder countries. In this process it is noteworthy to mention the approval of operations in Portugal for the first time, the resumption of operations in Chile, and the strong increase of the amounts approved for Spain and Mexico.

CAF's founding countries (Bolivia, Colombia, Ecuador, Peru, and Venezuela) received 51 percent of the approvals of the year, the new full members of the Institution (Argentina, Brazil, Panama, Paraguay, and Uruguay) received 39 percent of the approvals, while the remaining 10 percent were approvals for the other shareholder countries of CAF, and for multinational operations.

Table 3. Approvals by Country (in millions of USD)

Country	2009	2010	2011	2012	2013	2009-13
Argentina	649	1,607	1,346	839	1,100	5,540
Bolivia	511	426	407	485	684	2,514
Brazil	907	1,980	1,797	1,903	2,234	8,822
Colombia	2,050	992	1,456	841	1,563	6,903
Costa Rica	10	10	10	10	10	50
Ecuador	873	901	772	766	843	4,154
Mexico	65	35	29	82	380	591
Panama	232	312	484	328	325	1,681
Paraguay	107	36	120	189	431	882
Peru	2,287	1,693	2,184	1,749	2,644	10,558
Dominican Republic	129	0	10	10	43	193
Uruguay	590	120	648	729	586	2,672
Venezuela	627	1,638	531	327	417	3,540
Others	133	783	270	1,017	841	3,045
Total	9,171	10,533	10,066	9,275	12,101	51,146

Approvals by Strategic Area

In 2013, CAF continued its effort to achieve an adequate sectorial distribution of the approvals, which in the future will translate into a satisfactory diversification of the Institution's portfolio.

For the infrastructure area, both economic and integration infrastructure, CAF approved a total of USD 3.6 billion, which represented 29.9 percent of the approvals of the year. A significant part of these approvals was allocated to the transportation sector both for roads as well as mass transportation, while another significant part was aimed at promoting the national development plans in the energy sector. The following investment programs and projects stand out: the San Jose Hydroelectric Project in Bolivia; the Amazonas Road Project in Brazil; the second phase of the First Metro Line Project in Quito, Ecuador; the Construction Project of the 500 kV Yacyreta-Villa Hayes Line in Paraguay; and the Dredging and Gas Pipe Project in Punta Sayago, Uruguay.

In addition, to finance projects in the area of social development, in 2013 a wide spectrum of issues were addressed, including: drinking water, basic sanitation, drainage, irrigation, management of solid residues, citizen safety, response to natural disasters, education, and housing. Approvals to this area reached USD 1.8 billion, a figure that represents 15 percent of the total approved in the year. The resources were

allocated to operations such as the Program for the Development of New Irrigation Areas, in Argentina; the Program to Expand and Modernize the Educational Infrastructure, in Panama; the third stage of the Chavimochic Project, in Peru; the second phase of the Urban Development and Habitat Program, in the Dominican Republic; and the Project to Optimize the National Hydro-Meteorological Network in Venezuela.

In addition, in order to support the productive transformation process of the countries, CAF allocated USD 5.7 billion to the productive and financial sector. This amount corresponds to 47.5 percent of the total approved during the exercise. The increasing importance acquired by the national development banks in the composition of the approvals stands out, reflecting the effort carried out by CAF in aligning the Institution's operational strategy with the shareholder countries' development strategies. CAF also continued supporting the financing of micro, small, and medium-sized enterprises through lines of credit, capital investments, and investments in funds that benefit entrepreneurial sectors with access limitations to financial services. Among these, the following stand out: the A/B loan for the Aceitera General Deheza, in Argentina; the corporate loan for Tahuamanu, in Bolivia; the syndicated loan for Amaggi, in Brazil; the capital investment for Amerigo Ventures, in

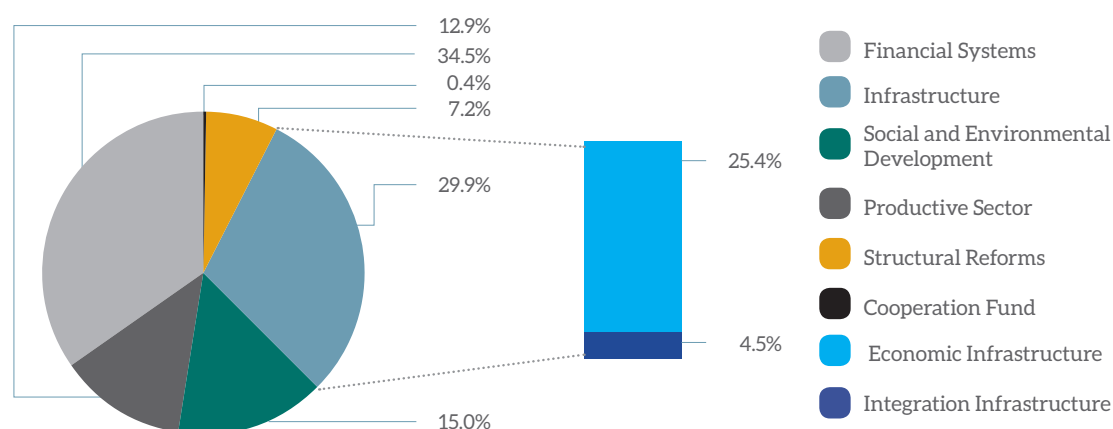
Colombia; and the partial credit guarantee for the Planta de Reserva Fría de Generación Eten, in Peru.

At the same time, in the area of structural reforms, USD 875 million were approved, representing 7.2 percent of the total approved in 2013. In Paraguay, with the purpose of strengthening the monitoring of the macroeconomic and financial management of the Government, improving the planning process, and supporting the decentralization of the public sector, a programmatic loan for USD 75 million was approved. In addition, USD 800 million were approved to support the strategy to manage the public debt of the governments of Peru and Uruguay, the contingent lines of

credit were renewed, designed as preventive instruments to provide financial resources in case these countries have difficulties to access international capital markets under competitive conditions.

Finally, of the remaining 0.4 percent of the approvals, approximately USD 50 million, were approved for non-reimbursable technical cooperation operations. With these resources, CAF could support and complement the Institution's financial action. This was achieved through the strengthening of capacities, increase of internal and external exchange, generation and use of knowledge, as well as through training human resources, and strengthening the institutions.

Graph 2. Approvals by Strategic Area, 2013



Approvals by Term

With respect to the composition of the approvals by term, in 2013 the distribution observed in the two previous years was maintained.

For operations with terms under five years, USD 6.2 billion were allocated, representing 51.6 percent of the approvals. These funds were aimed mainly at financing foreign trade

and working capital operations through the financial systems of the region.

The remaining 48.4 percent, USD 5.9 billion, was allocated to prioritize long-term investment programs and projects that respond to the great development and structural challenges still existing in shareholder countries.

Table 4. Approvals by Term (in millions of USD)

	2009	2010	2011	2012	2013	2009-13
Long-term loans	5,394	6,830	4,946	4,281	5,854	27,305
Medium-term loans	269	268	175	46	100	858
Short-term loans	3,507	3,436	4,945	4,948	6,147	22,982
Total	9,171	10,533	10,066	9,275	12,101	51,146

Approvals by Type of Risk

During 2013, CAF's approvals to the sovereign sector reached USD 5.5 billion, which represented 46 percent of total approvals. More than 67 percent of these approvals corresponded to long-term loans to support the countries' development plan. The remaining 33 percent corresponded to contingent and financial lines of credit granted to public development entities.

At the same time, the approvals to the non-sovereign sector reached USD 6.6 billion, representing 54 percent of the total. Among these, the relative weight that operations with public enterprises without sovereign guarantee have acquired is noteworthy. This fact has been favored by CAF's new sectorial approach, which addresses the countries in a comprehensive manner, and uses the synergies existing within the Institution.

Table 5. Approvals by Type of Risk (in millions of USD)

	2009	2010	2011	2012	2013	2009-13
Sovereign	5,590	5,796	4,528	4,586	5,523	26,024
Non-sovereign	3,580	4,737	5,538	4,689	6,578	25,122
Total	9,171	10,533	10,066	9,275	12,101	51,146

Disbursements

Disbursements by Product

In 2013, USD 7.4 billion were disbursed. This figure is almost 50 percent higher than the one reached in 2012, and 22 percent higher than the average annual disbursements registered in the 2009-2012 period. A significant part of this increase was due to the greater rotation experienced by the short-term lines of credit granted to the financial sector to boost the productive transformation of the region. Specifically, short-term disbursements went from USD 2.4 billion in 2012, to USD 3.8 billion in 2013. At the same time, as a consequence of the strong execution of the public and private loans allocated for the countries' development plans, medium and long-term disbursements also experienced a significant increase, going from USD 2.6 billion in 2012 to USD 3.6 billion in 2013.

When taking into account the distribution of disbursements by product, in 2013 the same trend was observed as in previous years. Thirty six percent of the disbursements corresponded to loans, 62 percent to corporate and financial lines of credit, and the remaining 2 percent corresponded to equity participations and cooperation funds.

Graph 3. Disbursements (in millions of USD)

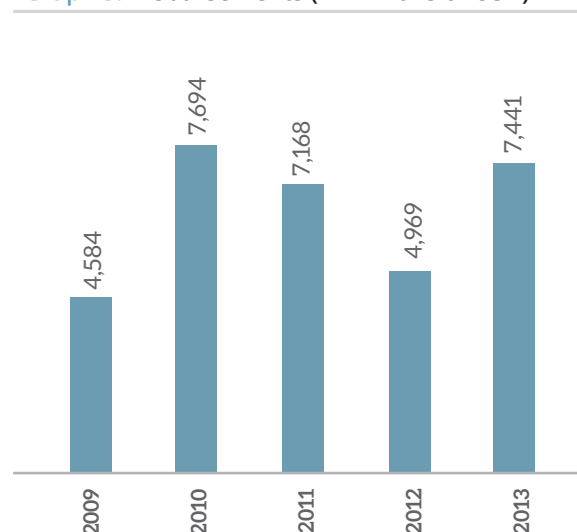


Table 6. Disbursements by Product (in millions of USD)

	2013
Medium and long-term loans	2,712
Sovereign	2,131
Investment programs and projects	1,992
Programmatic and swaps	139
Non-sovereign	581
Lines of credit (enterprises and banks)	4,602
Equity participations	90
Cooperation funds	38
TOTAL	7,441

Disbursements by Country

When considering the amounts disbursed by country in 2013, it may be observed that 58.9 percent of the disbursements concentrated in Brazil, Colombia, and Peru, countries with a strong dynamism in the financial sector. This result follows the trend of the 2009-2012 period, where the disbursements for these three countries represented 59.5 percent of CAF's disbursements.

As is logical, the diversification process of CAF's approvals is reflected year by year in the diversification of the disbursements. As an example, in 2013, 52 percent of the disbursements were carried out in the five founding countries of the Institution, while in 2010 this percentage reached around 75 percent.

Table 7. Disbursements by Country (in millions of USD)

Country	2009	2010	2011	2012	2013	2009-13
Argentina	492	283	663	464	585	2,486
Bolivia	216	253	266	338	323	1,396
Brazil	1,022	1,226	963	1,028	1,833	6,071
Colombia	927	1,601	1,836	855	1,146	6,366
Costa Rica	24	0	7	7	11	49
Ecuador	290	721	566	736	661	2,975
Panama	6	23	177	256	326	789
Paraguay	4	51	43	47	73	218
Peru	650	2,494	1,303	618	1,403	6,468
Dominican Republic	20	45	39	27	11	142
Uruguay	377	95	52	9	108	642
Venezuela	412	685	905	359	365	2,726
Other countries	145	216	347	224	596	1,529
Total	4,584	7,694	7,168	4,969	7,441	31,856

Portfolio

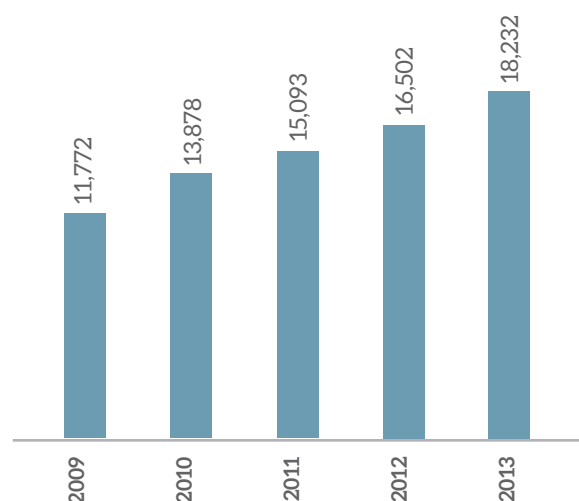
The portfolio growth in 2013 showed the economic dynamism experienced by the countries of Latin America, and evidenced CAF's response faced with an increasing demand for resources by the economies of the region.

At the close of 2013, CAF's portfolio reached USD 18.2 billion which represented an increase of 10.5 percent with respect to the amount registered at the close of 2012. It should be noted that this strong increase was perfectly aligned with the average growth of the Institution in the past 10 years, period in which CAF's portfolio maintained an inter-annual average growth rate of 10.6 percent.

The current volume of projects under execution, the existing demand projections for coming years, and the operating and financial strength

shown by the Institution, show that this high growth dynamics will be valid for the 2014-2018 period.

Graph 4. Portfolio (in millions of USD)



Portfolio by Country

The geographic distribution of the portfolio shows that 62.1 percent is located in the northern region (Colombia, Costa Rica, Ecuador, Mexico, Panama, Peru, Dominican Republic, and Venezuela), 35.5 percent in the southern region (Argentina, Bolivia, Brazil, Paraguay, and Uruguay), and the remaining 2.4 percent corresponds to multi-national and extra-regional operations. This geographic distribution reflects that the largest share of the portfolio concentrates in the founding countries, mainly in the northern region.

However, a trend may be observed toward an increasing positioning of the new full members in CAF's portfolio (Argentina, Brazil, Panama, Paraguay, and Uruguay). At the close of 2013, the joint portfolio of these five countries represented 30 percent of the total portfolio, while in 2012 it represented 26 percent. This evolution responds to the progressive incorporation process of these countries as full members which results in a greater regional diversification of the Institution's portfolio.

Table 8. Portfolio by Country (in millions of USD)

Country	2009	2010	2011	2012	2013
Argentina	1,157	1,395	1,913	2,117	2,459
Bolivia	1,166	1,309	1,426	1,605	1,761
Brazil	1,034	1,116	992	1,258	1,681
Colombia	1,695	1,974	1,829	1,850	1,848
Costa Rica	126	121	118	110	105
Ecuador	2,052	2,437	2,509	2,649	2,736
Panama	76	90	246	479	783
Paraguay	28	66	100	135	190
Peru	1,869	2,186	2,578	2,670	2,493
Dominican Republic	75	120	158	176	178
Uruguay	582	657	352	332	379
Venezuela	1,765	2,228	2,652	2,816	2,962
Other countries	148	181	218	306	659
Total	11,772	13,878	15,093	16,502	18,232

Portfolio by Economic Sector

The distribution by economic sector shows that a little over two thirds of the portfolio is concentrated on the transportation, storage, and communications sector, and in the supply of electricity, gas, and water. Both sectors are characterized for being essential for the long-term development of the countries of the region, and constitute some of the main lines of CAF's expertise. Within these items, the following stand out: the portfolio associated to the transportation sector which increased to USD 6.3 billion, the one associated to the supply of electricity and gas which increased to USD 5.1 billion, and the one associated to the water cycle, which totaled USD 1.0 billion.

At the same time, in order to support the development of better basic social services that directly affect the improvement of the quality

of life of the population, 11 percent of the Institution's portfolio was associated to loans allocated to the education, social services, and health sectors.

To promote the productive transformation process of the region and support the expansion of the productive sector, 12.2 percent of the portfolio at the close of the year was allocated to development financial institutions, micro-financial institutions in the region, and commercial banking.

Finally, the remaining 8.3 percent of the portfolio was allocated to other activities aligned with the corporate strategy of promoting sustainable development and regional integration. Among these, the USD 993 million allocated to the implementation of reforms and guaranteeing the macroeconomic stability of the shareholder countries stands out.

Table 9. Portfolio by Economic Sector (in millions of USD)

Economic Sector	2009	2010	2011	2012	2013
Agricultural infrastructure	78	40	34	63	65
Exploitation of mines and quarries	43	66	50	0	0
Manufacturing industry	261	200	281	208	316
Supply of electricity, gas, and water	2,968	4,095	5,018	5,532	6,149
Transportation, storage, and communications	3,660	4,365	5,325	5,826	6,341
Commercial banking	1,500	1,698	1,077	1,144	1,410
Development institutions	225	345	354	641	813
Education, social services, and health	1,698	1,599	1,854	1,970	2,003
Other activities	1,339	1,469	1,101	1,119	1,135
Total	11,772	13,878	15,093	16,502	18,232

Portfolio by Term

In order to contribute to the provision of economic and integration infrastructure, and to promote the social development of the countries in the region, CAF allocated 88 percent of the portfolio to long-term operations. If financing medium-term operations and capital investments is added to this, the figure represents more than 94 percent of the total portfolio.

At the same time, 6 percent of the remaining portfolio was allocated to short-term operations, which represented a stable and competitive source of financing to promote productive transformation, mainly through public and private banking in the region.

Table 10. Portfolio by Term (in millions of USD)

	2009	2010	2011	2012	2013
Capital investments	85	95	112	147	228
Loans	11,687	13,783	14,981	16,355	18,003
Long-term	10,101	11,882	13,639	14,713	16,024
Medium-term	432	702	911	619	960
Short-term	1,154	1,199	431	1,024	1,019
Total Portfolio	11,772	13,878	15,093	16,502	18,232

Portfolio by Type of Risk

In 2013, the sectorialization process of CAF's business areas was consolidated through the allocation of sovereign and non-sovereign operations in the infrastructure, energy, social development, productive, and financial sectors. A corporate model was developed and implemented of the credit and sectorial knowledge management processes in order to exploit a greater synergy between both spheres that would result in benefits for the Institution's clients.

The sovereign risk portfolio represented 79.5 percent of the total, while the non-sovereign represented the remaining 20.5 percent. It should be noted that a part of the non-sovereign portfolio corresponded to loans granted to public enterprises without sovereign guarantee, so that CAF reinforced its support to the priorities of the development agendas of the countries. When adding this portion to the sovereign portfolio, at the close of 2013 the public portfolio reached 82.2 percent.

Table 11. Portfolio by Type of Risk (in millions of USD)

	2009	2010	2011	2012	2013
Sovereign	8,870	10,518	12,069	13,230	14,491
Non-sovereign	2,902	3,360	3,023	3,273	3,740
TOTAL	11,772	13,878	15,093	16,502	18,232

Cooperation Funds

Technical cooperation is a financing instrument for innovative operations with an effective impact which complements the technical capacity of the countries and contributes to the sustainable development and regional integration within CAF's motivating impulse of the Comprehensive Development Agenda. At the same time, it promotes the development of infrastructure, competitiveness, integration

of financial markets, commercial integration, update and exchange of technologies.

During 2013 the technical cooperation approvals reached USD 50 million. The technical cooperation funds are originated in CAF's net earnings or in third party funds managed by CAF. The activities that use CAF's cooperation funds support sustainable development and regional integration.

Approvals

Through the technical cooperation funds, diverse strategic activities are supported which complement the traditional management of the Institution's businesses, and include operations in areas linked to competitiveness, infrastructure for integration, social development, microfinances, governance, environment, humanitarian aid, and culture.

CAF addresses the requirements through programs that have a regional reach, such as support and dissemination of research, macroeconomic analysis and follow-up of the countries, micro-finances, support to promote SME's, strengthening of financial markets, regional policies, and citizen safety. The Productivity Education Program, and the Regulation and Development of the Financial System Program stand out.

The physical infrastructure for integration and other strategic topics for regional cohesion constitute strategic pillars of the institutional mission. In this context, the following stands

out: Initiative for the Integration of the South American Regional Infrastructure (IIRSA, for its acronym in Spanish), and the Regional Project for the Development of South American Waterways.

In the sphere of Governance, the Governance and Political Management, and the Leadership for Transformation Programs, are especially relevant for the public and private sectors and the civil society, while at the same time they are important for the generation of knowledge and the provision of modern tools that are very useful for the public sector.

With respect to the social sector and the environment, CAF seeks to support a reduction of the gaps in social issues, and directly cover the needs of the less favored populations through the creation of the Social Innovation Initiative, and special projects such as the Productive Inclusion Program for Micro-Entrepreneurial Women, and the Vit@l Program for access to health services through technology.

Main Cooperation Funds

Technical Assistance Fund (FAT, for its acronym in Spanish)

This fund centralizes most of the sources of financing. Its mission is to provide support to the projects and programs of shareholder countries.

2013 Approvals: USD 14.1 million

Promotion Fund for Sustainable Infrastructure Projects e (Proinfra, for its acronym in Spanish)

This fund finances the adequate preparation, financial structuring, and evaluation of sustainable infrastructure projects with a high impact on the regional, national, and local economies, and which consistently contribute to integration between shareholder countries.

2013 Approvals: USD 9.1 million

Italian Cooperation General Fund (FGCI), Kreditanstalt für Wiederaufbau (KfW) and the Program in Support of the Republic of Haiti (PASRH, for its acronym in Spanish)

These funds constitute financial sources with third party resources to support the development of the region, given to CAF for their administration and with a determined purpose. The Ministry of Foreign Relations of the Republic of Italy is the entity responsible for providing the final no objection to the operations for their financing with FGCI resources. The KfW resources are aimed at providing consultancies for integration projects in the least favored regions of CAF's shareholder countries. In 2013, the Board recommended the creation of the Program in Support of the Republic of Haiti (PASRH), which is aimed at channeling financial resources from shareholder countries and third parties, to support activities that promote the recovery and socio-economic development of the Republic of Haiti. The first contribution to the initiative was made by Colombia. In addition, CAF manages funds from the Canadian Development Agency, and is the entity that executes the resources of the European Union's Latin American Investment Facility (LAIF).

2013 Approvals: FGCI USD 0.7 million; KfW USD 0.01 million; PASRH USD 0.3 million.

During 2013, the approvals of technical cooperation funds reached USD 50 million.

Human Development Fund (Fondeshu)

This fund offers financial support for the execution of productive, innovative, and high impact community projects, aimed at the most vulnerable social sectors.

2013 Approvals: USD 5.2 million

Special Fund for Bolivia (FEB, for its acronym in Spanish), and Special Fund for Ecuador (FEE, for its acronym in Spanish)

These funds finance the technical assistance and address the economic priorities of these countries. Created in 1998, both are included in CAF's Articles of Agreement.

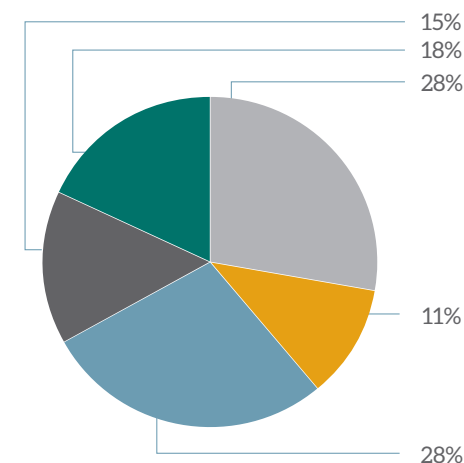
2013 Approvals: FEB USD 2.9 million; FEE USD 2.9 million

Border Cooperation and Integration Fund (COPIF, for its acronym in Spanish)

This fund supports a timely identification, preparation, and execution of high impact projects that promote sustainable human development in the border regions of the shareholder countries, and which contribute to strengthen cooperation, dialogue, mutual trust, and border integration both at a bilateral and multilateral level.

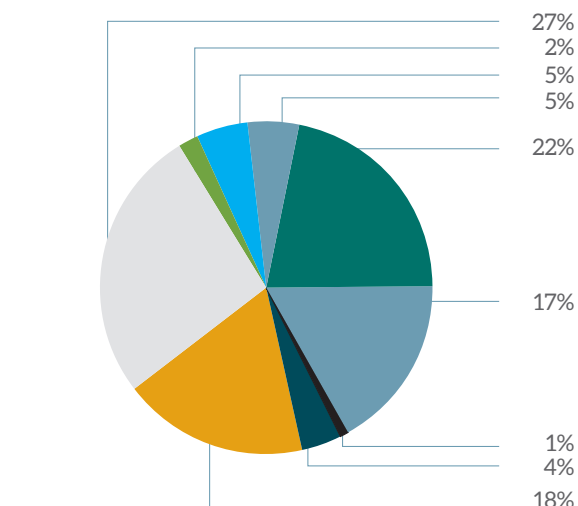
2013 Approvals: USD 0.6 million

Graph 5. Origin of the Operations Through Technical Cooperation Funds



- Investment and Entrepreneurial Development Fund (FIDE)
- Technical Assistance Fund (FAT)
- Fund for the Promotion of Sustainable Infrastructure Projects (Proinfra)
- Others
- Human Development Fund (Fondeshu)

Graph 6. Approvals Through Cooperation Funds by Strategic Area



- Social and Community Development
- Productive Transformation
- Institutional Development
- Infrastructure
- Culture, Music, and Sports
- External Relations and Corporate Strategy
- Environment
- Integration
- Humanitarian Aid

Special Funds

CAF supports projects and initiatives through funds that are different from cooperation funds. Among them, stand out the Investment and Entrepreneurial Development Fund (FIDE, for its acronym in Spanish), the Compensatory Financing Fund (FFC, for its acronym in Spanish), and the Latin American Climate Change Program (PLACC, for its acronym in Spanish).

Investment and Entrepreneurial Development Fund (FIDE)

The FIDE has been a successful experience in support of innovating small and medium-sized enterprises in Latin America. This mission is achieved mainly through capital investments in risk capital funds, which invest in the companies' capital and in non-traditional mechanisms of access to financing.

The fund's investment strategy is to provide indirect financing to competitive SMEs with growth potential in the region, especially those that are inserted or have the capacity to insert themselves in global productive chains. It should be noted that the impact of the FIDE operations goes beyond access to financing, as it has significantly contributed to the creation of a private and risk capital industry in the region which, in turn, is an essential component in the promotion of entrepreneurship and entrepreneurial innovation.

In 2013, CAF approved four new operations for a total amount of USD 13.9 million through the FIDE, mainly for operations to support SMEs through investments in risk capital funds.

Compensatory Financing Fund (FFC, for its acronym in Spanish)

The main purpose of the FFC is to promote the execution of sovereign investment programs and projects aimed at mitigating regional asymmetries, favor marginal populations, and promote the integration of the physical infrastructure at a regional level. It aims to reduce the costs of financing through the provision of partial subsidies for the interest rate for an initial period of eight years, which may be extended according to the availability of the fund's resources.

During 2013, 27 percent of the total amount approved by the Institution, equivalent to USD 3.3 billion, was eligible for the FFC subsidy. At the close of the year, 37 percent of the portfolio benefitted from this fund which during 2013 contributed USD 48.2 million in subsidies for the payment of the portfolio's interests.

Latin American Climate Change Program (PLACC, for its acronym in Spanish)

At the same time, to respond to the needs of the region regarding climate change, the PLACC includes three strategic lines of action: mitigation of climate change, adaptation to climate change, and carbon markets.

The first line of action, mitigation of climate change, seeks to support national and regional local policies and activities to mitigate greenhouse gasses. In 2013, support was provided to the countries for the establishment of mitigation policies in the sustainable housing sectors in Peru, residual home waters in Colombia, solid urban residues in Ecuador, solar housing heating in Uruguay, renewable energy in Panama, and co-generation with biomass in Argentina. In addition, a EUR 10 million allocation of funds from the Latin American Investment Facility (LAIF) was achieved, while at the same time advances were made in the development of CAF's Mitigation Program, which will be made public in March of 2014.

The second strategic action line is adaptation to climate change, seeking to develop and implement plans, programs, and projects that enable the adaptation of the economies, populations, and infrastructures to the changing conditions of climate.

The application to become an implementation agency of the United Nations' Adaptation Fund was concluded in 2013. It will provide access to funds for the development of adaptation projects in the countries of the region. In addition, a workshop was held regarding specific adaptation measures, with the participation of Argentina, Bolivia, Colombia, Ecuador, Peru, Paraguay, and Uruguay, with the objective of contributing to strengthen the countries' institutional capacity and identify the existing financing options.

Finally, the third line of action is the development of carbon markets. In July, 2013, an agreement was signed between CAF and the United Nations Framework Convention on Climate Change (UNFCCC) to establish a Regional Cooperation Center in Bogota, Colombia. This Center, which started operations in September 2013, is aimed at offering technical support to the actors involved in the development of projects located in Latin America, under the Clean Development Mechanism. It should be noted that this is the fourth Center of this type operating around the world.

The image features a warm, orange-hued sunset sky. In the foreground, the silhouettes of two workers and a tractor are visible against the horizon. One worker is on the left, leaning forward, and another is in the center, also leaning forward. To the right, a tractor is parked with a person sitting on it. The overall scene conveys a sense of labor and industry at the end of the day.

SHAREHOLDER COUNTRIES



Shareholder countries

- 46 Argentina
- 52 Bolivia
- 58 Brazil
- 64 Colombia
- 70 Ecuador
- 76 Panama
- 82 Paraguay
- 88 Peru
- 94 Uruguay
- 100 Venezuela

Other shareholder countries

- 106 Chile
- 106 Costa Rica
- 108 Spain
- 109 Mexico
- 109 Portugal
- 110 Other Actions in Europe
- 111 Dominican Republic
- 111 Trinidad and Tobago

ARGENTINA

During 2013, CAF approved operations in favor of Argentina for USD 1.1 billion, of which 56 percent (USD 615 million) corresponded to sovereign risk operations and 44 percent (USD 485 million) to non-sovereign risk operations.

With respect to sovereign risk operations, during 2013 CAF continued its technical and financial support for the energy, satellite and communications, water and sanitation, and educational infrastructure sectors.

In the energy sector, the USD 50 million Rincon Santa Maria-Resistencia Electricity Interconnection Project was approved, to provide continuity to CAF's support in financing the 500 kV network, one of the main objectives of the Government for the past five years. In the road sector, USD 90 million were approved for the III Regional Road Development Program, which will help finance the pavement of the highways in the provinces of Jujuy and Santiago del Estero, which are essential for the productive recovery of the two regions that are lagging behind with respect to economic development.

Regarding water and sanitation, a loan operation was approved for USD 120.5 million in favor of AySA, whose objective is to improve access, quality, and provision services of drinking water in the municipalities located southwest of the Metropolitan Area of Buenos Aires, which will benefit approximately 850,000 citizens. The II Sanitation Infrastructure Program of the Norte Grande was also approved, for USD 90 million. This will substantially improve the

provision and quality of drinking water and the treatment of liquid sewage in the provinces of Corrientes and Misiones. At the same time, an approval of USD 60 million was granted for the Program for the Development of New Irrigation Areas which will finance the execution of irrigation infrastructure in the provinces of Salta and Chaco, significantly increasing production in both provinces.

In addition, in 2013 CAF approved USD 70 million for the telecommunications sector through financing for the design, development, construction, launching, and orbit insertion of two satellites of the SABIAMAR type, whose objective is to gather data from all the oceans in the planet, particularly from the coastal areas of Argentina and Brazil.

With respect to education, CAF approved the second stage of the Program in Support of the Development of University Infrastructure, for USD 50 million, to provide infrastructure and lab equipment to several public universities distributed throughout the national territory.

With respect to non-sovereign risk activities, CAF approved USD 485 million. In the corporate area, a total of 367.5 million in A/B loans to energy and agro-industrial enterprises. In these operations, CAF's catalyzing role stands out, with the participation of international banking. In addition, two corporate loans were approved for a total of USD 51 million for enterprises aimed at the production of clean energies, and the line of credit for USD 20 million to Vicentin was renewed. This is one of the most important agro-industrial companies in the country. Finally, with respect to support for financial institutions, lines of credit for USD 46 million were approved.



Argentina
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	1,100	5,540
Sovereign risk	615	3,535
Non-sovereign risk	485	2,005
Disbursements	585	2,486
Sovereign risk	477	1,923
Non-sovereign risk	108	563
Portfolio	2,459	
Sovereign risk	2,191	
Non-sovereign risk	268	

Approvals in Argentina

■ 2012-2015 AySA - Basic Drinking Water Works Program, Phase 1

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services

Objective: Second stage of a program whose objective is to improve the coverage and quality of drinking water and sewage services in the metropolitan area of Buenos Aires. This phase will complete the safe provision of drinking water in the south and central metropolitan areas of Buenos Aires.

TOTAL AMOUNT: USD 120.5 MILLION | TERM: 15 YEARS

■ III Regional Road Development Program

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services

Objective: Third stage of the Regional Road Development Program, whose objective is to strengthen the network of provincial routes in the north of Argentina. A greater integration of the provinces, as well as an increase in traffic volumes and improvement in traffic conditions will facilitate the transportation of local, regional, and international goods, while at the same time improving the competitiveness of provincial economies by reducing transportation costs.

TOTAL AMOUNT: USD 90 MILLION | TERM: 15 YEARS

■ II Norte Grande Water and Sanitation Infrastructure Program

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services

Objective: Finance priority works in drinking water and basic sanitation to improve the quality of life and wellbeing of the inhabitants of the Norte Grande region, in the provinces of Corrientes, Santiago del Estero, and Misiones.

TOTAL AMOUNT: USD 90 MILLION | TERM: 12 YEARS

■ Program to Promote the Competitiveness of Dynamic Exporters

Client: Republic of Argentina / **Executor:** Ministry of Economy and Public Finances

Objective: Improve the exporting profile of the companies that produce industrial manufactures which have shown an accelerated growth of exports during the economic growth stage that started in 2003, and which show signs of successfully competing in the international markets of industrial goods.

TOTAL AMOUNT: USD 75 MILLION | TERM: 12 YEARS

■ SABIAMAR Project

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services, through the National Commission of Spatial Activities

Objective: Finance the design, development, construction, launching and inserting into orbit of two satellites of the SABIAMAR type, weighing 500-600 Kg each, which will be launched in 2018 and 2019, with the purpose of providing information which will be used in studies of oceanic ecosystems, carbon cycles, marine habitats, cartography, coastal risks, and use of the soil. The project will provide satellite information for the development of specific products, such as risk maps.

TOTAL AMOUNT: USD 70 MILLION | TERM: 15 YEARS

■ Program for the Development of New Irrigation Areas in Argentina

Client: Republic of Argentina / **Executor:** Ministry of Agriculture Livestock, and Fishing

Objective: The program's actions anticipate the execution of works in different provinces of Argentina in order to enable an expansion of the agricultural frontier, considering sustainability in the use of water resources. At the same time, the production of agricultural products will increase, incomes and employment opportunities for the families of producers will improve, as well as food safety, and vulnerability to the effects of climate change will be reduced.

TOTAL AMOUNT: USD 60 MILLION | TERM: 15 YEARS

■ Program in Support of the development of University Infrastructure - Phase II

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services

Objective: Second stage of a CAF program that has financed infrastructure projects in 20 national universities. In this second stage, the comprehensive strategy will be reinforced and territorial planning approaches will be incorporated. Specifically, support will be provided for works dealing with the expansion, extension, replacement, repair, finishing, restoration, and valuation of University infrastructure, as well as technical and management assistance.

TOTAL AMOUNT: USD 50 MILLION | TERM: 12 YEARS

■ ST Rincon Santa Maria - ST Resistance Electricity Interconnection Project

Client: Republic of Argentina / **Executor:** Ministry of Federal Planning, Public Investment, and Services

Objective: Installation of 270 Km. of 500 kV power lines between the provinces of Corrientes and Chaco, as well as extension of the transformer stations Rincon Santa Maria (Province of Misiones) and Resistencia (Province of Chaco).

TOTAL AMOUNT: USD 50 MILLION | TERM: 15 YEARS

1.1
USD billion

Total approvals in
Argentina during 2013

■ Citizen Safety Program

Client: Republic of Argentina / **Executor:** Ministry of Safety

Objective: This operation seeks to strengthen the Ministry of Safety's institutional management through the coordination of two strategies: strengthening capacity in vulnerable areas of the Autonomous City of Buenos Aires, and modernization and improvement of the national systems of criminal statistic information. The specialized equipment and training will make it possible to capitalize and disseminate this experience of proximity police work in society as a best practice to carry out in other cities of the country and the region.

TOTAL AMOUNT: USD 9 MILLION | TERM: 12 YEARS

■ A/B Loan

Client: LLC Pan American Energy

Objective: Support the development of the energy industry in Argentina. Specifically, the loan will facilitate the 2013-2014 Pan American Energy Investment Plan. This is the second largest producer of oil and gas in Argentina in terms of volume.

TOTAL AMOUNT: USD 267.5 MILLION (TRANCHE A: USD 50 MILLION, TRANCHE B: USD 217.5 MILLION) | TERM: 6 YEARS

■ A/B Loan

Client: Aceitera General Deheza S.A.

Objective: Strengthen the export program of this company, whose main activities include the processing of soy to obtain oil and flour, the production of sunflower oil, and unprocessed grain exports, mainly wheat and corn.

TOTAL AMOUNT: USD 100 MILLION (TRANCHE A: USD 50 MILLION, TRANCHE B: USD 50 MILLION) | TERM: 7 YEARS

■ Corporate Loan

Client: Eolica Koluel Kayke S.A.

Objective: Support the development of the Koluel Kayke II wind-powered generation park in the Province of Santa Cruz. The wind-powered park will have a nominal power of 25 MW and will operate with an annual energy production of 116 GWh.

TOTAL AMOUNT: USD 40 MILLION | TERM: 10 YEARS

■ Corporate Loan

Client: INESA SOLAR S.A.

Objective: Develop a 5 MW photovoltaic solar park in the Province of San Jose. The park will inject 9,000 MWh yearly to the Argentinean electricity interconnection system. The plant will produce energy to satisfy the electricity needs of close to 3,600 homes.

TOTAL AMOUNT: USD 11 MILLION | TERM: 15 YEARS

■ Uncommitted Revolving Credit Line

Client: VICENTIN S.A.I.C.

Objective: Loan to support the export activities of one of the largest oil processing companies in Argentina.

MONTO TOTAL: USD 20 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

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

TOTAL AMOUNT: USD 30 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Supervielle S.A.

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

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

Objective: Support the expansion of the Financing Program for Suppliers of the Banco de la Provincia de Buenos Aires, as well as a greater dissemination of financial services for development through the organization of the Second International Seminar on Productive Chains.

TOTAL AMOUNT: USD 5 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: FIE Gran Poder S.A.

Objective: Promote the development of SMEs en Argentina through FIE Gran Poder, an entity renowned for its experience in the sector. This facilitates the development of economic units which lack resources, and provides access to financing for micro and small-sized enterprises that have access limitations to conventional credit systems.

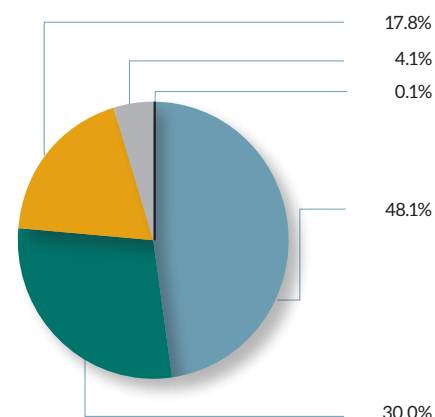
TOTAL AMOUNT: USD 1 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 0.7 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



- Economic Infrastructure
- Social and Environmental Development
- Competitiveness, Productive Sector, and MSME
- Financial Systems and Capital Markets
- Governance and Social Capital

Other Contributions to the Sustainable Development of Argentina



Social Development

- » Approval of humanitarian aid for the Province of Buenos Aires to help in the disaster resulting from heavy rains, in order to contribute with the reconstruction tasks and cooperate in a situation that generated loss of life, people in need, and infrastructure damages.
- » Support for the initiative Impact Evaluation of the First Step Program, a public support program to promote employment for the unemployed or informally employed young people, implemented by the Government of the Province of Cordoba.

Environment

- » Support of environmental policies to mitigate the environmental impact associated with the development of infrastructure in Latin America, through the adoption and implementation of the concept "Mitigation Hierarchy".
- » Approval of a technical cooperation operation for the Strengthening of the Argentinean Network of Municipalities in the face of Climate Change. The purpose is to promote this initiative, starting with training local staff technicians from small and medium-sized municipalities, regarding the development and systematization of their local action plans in the face of climate change, and the achievement of the greenhouse gas reduction goals proposed for the 2013-2014 term.



Promotion of initiatives for the mitigation of environmental impacts associated with infrastructure and climate change

USD
726,000

Granted by CAF
to Argentina in
cooperation funds.

Governance

- » Institutional strengthening of the Evaluation Program for the Public Policies of the Ministers' Cabinet Leadership in the Republic of Argentina.
- » Support for the Universidad de San Andres, the Universidad Nacional de Rosario and the Universidad Catolica de Cordoba for a new edition of the Governance and Political Management Program. In 2013, 353 people registered for the program, and were 264 graduated.
- » Support for the Consejo Nacional de las Mujeres de Argentina (National Council of the Women of Argentina) to make a diagnosis of the situation in the national territory's jurisdictions, for the development of the new program "Homes for a Comprehensive Protection of Women who are Victims of Violence".
- » Support for the Federacion Argentina de Municipios (Argentinean Association of Municipalities) to conduct research regarding criminality indices in municipalities of the city of Buenos Aires, and to carry out an international event regarding best practices in the management of citizen safety observatories.

Competitiveness

- » Dissemination and strengthening of Corporate Governance best practices in state-owned companies such as the Banco de Inversion y Comercio Exterior (BICE) (Investment and Foreign Trade Bank) and the Banco Ciudad.
- » Support of meetings to strengthen entrepreneurial development, among which the II Seminar on Financing, Competitiveness, and Productive Development stands out. It was carried out in the city of Buenos Aires, in alliance with Banco Provincia.
- » Development of the Third Workshop Seminar for professionals of the entrepreneurial ecosystem of Latin America, in alliance with the Entrepreneurial Development Program (PRODEM, for its acronym in Spanish), of the Universidad Nacional de General Sarmiento.

BOLIVIA

During 2013, CAF approved operations in favor of Bolivia for USD 684 million, of which 61 percent (USD 419 million) corresponded to sovereign risk operations, and 39 percent (USD 265 million) corresponded to non-sovereign risk operations and non-reimbursable cooperation operations.

Given the fact that the country has prioritized the development of road infrastructure, the most important activity was financing for roads of national importance to improve connectivity both internal and with bordering countries, with the incorporation of sustainable environmental management aspects, rehabilitation, and road safety. Approvals in this area totaled USD 227 million (33 percent of the total) in projects such as the Padilla – El Salto Highway in Chuquisaca, the Puente Yapacani-Puente Ichilo tranche of the double lane highway Via Montero – Cristal Mayu in Santa Cruz, and the project for the construction of the Porvenir – Puerto Rico Highway in the Department of Pando.

Thirty-six percent of the approvals, that is, USD 245 million, were allocated to the energy sector. The approval of the USD 95 million electricity generation project “Hidroeléctrica San José” in the Department of Cochabamba stands out. This project, the largest to date in Bolivia, expects to provide 120 additional MW to the National Interconnected System, to expand the reserve margin between supply and demand for energy in the country. In the same sector, USD 150 million were approved to support capital investments in

the improvement of hydrocarbon transportation infrastructure for YPFB Transportes.

At the same time, 11 percent of the approvals was allocated to the area of social and environmental development. One approval stands out: a loan for USD 72 million aimed at giving continuity to projects that seek to provide basic services to the Bolivian population, thus improving their quality of life and health. In order for this to happen, there is a need to increase and improve access to water, basic sanitation, management of solid residues, and rain drainage in municipalities west and east of the country, especially rural.

In addition, in order to promote economic and social development in Bolivia, pre-investment studies have been financed through the Multi-Sector Pre-investment Program (PROMULPRE, for its acronym in Spanish), with USD 25 million to develop a portfolio of strategic public investment projects in accordance with the Development Agenda that Bolivia is promoting, called “2025 Patriotic Agenda.”

The Institution assigned 16 percent of the total approvals (USD 112.3 million) to favor projects in the corporate, productive, and financial sectors. Of this amount, USD 11.8 million was assigned to the corporate sector as working capital to finance the agricultural sector. For the banking sector, USD 65 million were approved for subordinated loans and credit lines, while USD 35.5 million were approved for the financial entities sector specialized in loans for SMEs and micro-enterprises.

Bolivia
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	684	2,514
Sovereign Risk	419	1,962
Non-Sovereign Risk	265	551
Disbursements	323	1,396
Sovereign Risk	241	1,196
Non-Sovereign Risk	82	200
Portfolio	1,760	
Sovereign Risk	1,629	
Non-Sovereign Risk	131	



Increase in the coverage of drinking water and sanitations services

Approvals in Bolivia

- **San Jose Hydroelectric Project**
Client: Plurinational State of Bolivia / **Executor:** Empresa Nacional de Electricidad – ENDE (National Electricity Company), through the Empresa Electrica Corani S.A.
Objective: The project is framed within the “*Bolivia Productiva*” Program (Productive Bolivia), and the 2013-2022 Optimal Expansion Plan for the National Interconnected System, whose relevant objectives in the energy area are the development of the electricity infrastructure, the increase of service coverage, and the transformation of the country’s energy matrix, which is predominantly thermal, toward one based on renewable energies. The main objective is to take advantage of the energy potential and generation capacity existing in the area of the Corani Reservoir, to satisfy the demand for energy and increase the reliability of the supply.
TOTAL AMOUNT: USD 94.9 MILLION | TERM: 15 YEARS

- **Porvenir – Puerto Rico Highway**
Client: Plurinational State of Bolivia / **Executor:** Administradora Boliviana de Carreteras (Bolivian Highway Administration)
Objective: Improve the integration of the north of Bolivia with the rest of the country and with bordering countries such as Peru and Brazil. It will also allow for the improvement of the West-North corridor that connects Bolivia with Brazil on the East. It is expected to improve the access of people to commercial activities, and to impact on the economic growth in an area of great agricultural, livestock, agro-industrial, and tourism potential.
TOTAL AMOUNT: USD 76.9 MILLION | TERM: 15 YEARS

- **Padilla-El Salto Highway Project**
Client: Plurinational State of Bolivia / **Executor:** Administradora Boliviana de Carreteras
Objective: Provide continuity to the development and maintenance of the road network as Bolivia’s essential policy for the take-off of the productive sector and the integration of internal and external markets. The highway project Padilla – Monteagudo, Tranche I: Padilla – El Salto are part of Route F-06 of the National Essential Network (Oruro – Machacamarca – Uncia – Sucre – Padilla – Monteagudo – Ipati). This corridor, which is very important at a national level, also joins Peru and Chile to Argentina and Paraguay. The area in which the project is being developed is mainly dedicated to agricultural and livestock production, and all the populations settled along the highway face the lack of an adequate road communication, which impacts negatively on its economic development.
TOTAL AMOUNT: USD 76.7 MILLION | TERM: 15 YEARS

- **Project for the Construction of the Double Lane Montero – Cristal Mayu, Tranche II: Puente Yapacani – Puente Ichilo**
Client: Plurinational State of Bolivia / **Executor:** Administradora Boliviana de Carreteras
Objective: Improve traffic conditions in the existing highway and achieve optimal conditions for the transportation of agricultural products of the highway’s area of influence. All of this Bolivian area has a large agricultural, livestock, and agro-industrial potential.
TOTAL AMOUNT: USD 73.5 MILLION | TERM: 15 YEARS

- **Water, Sanitation, Solid Residues, and Rain Drainage Program – PROASRED**
Client: Plurinational State of Bolivia / **Executor:** Ministry of the Environment and Water
Objective: To improve the quality of life of the population through the implementation and improvement of water and sanitation services in different municipalities, as well as strengthen the entities responsible for the provision of those services to guarantee their sustainability. The program is aimed at increasing the coverage of drinking water and basic sanitation services, improving the rain water drainage systems, and strengthening the provision of cleaning services in the Department of Potosi and in the west area of the country.
TOTAL AMOUNT: 72 MILLION | TERM: 15 YEARS

- **Multi-sector Pre-investment Program – PROMULPRE**
Client: Plurinational State of Bolivia / **Executor:** Vice-Ministry of Public Investment and Foreign Financing
Objective: In the framework of Bolivia’s 2025 Patriotic agenda, the Multi-Sector Pre-Investment Program was approved (PROMULPRE) to promote economic and social development through financing of pre-investment studies that help prioritize and make public investment projects sustainable.
TOTAL AMOUNT: USD 25 MILLION | TERM: 12 YEARS

- **Corporate Loan**
Client: YPFB Transporte S.A.
Objective: YPFB Transporte is the third largest transportation company in South America. Its activity is strategic for the energy sector, which supports a large part of the country’s economy. The objective of the loan is to partially finance investments aimed at expanding and providing continuity to the gas and liquid transportation services during the 2013-2017 period. In addition, the loan will support the regional integration process by providing greater energy independence to the country as a result of the reduction in the need for gasoline and diesel imports.
TOTAL AMOUNT: USD 150 MILLION | TERM: 12 YEARS

- **Corporate Loan**
Client: Tahuamanu S.A.
Objective: Tahuamanu is a Bolivian enterprise which was created in 1989 for the production, marketing, and export of chestnuts. Due to the need to develop technological alternatives for the generation of electric energy, Tahuamanu was granted a loan for the construction of the Bioelectrica del Norte plant, with the objective of using the potential of biomass, mainly of the chestnut waste, for the generation of electric energy. The plant is located in the city of Cobijas, Department of Pando, in the north of Bolivia, a country which produces 84 percent of the world chestnut production.
TOTAL AMOUNT: USD 1.3 MILLION | TERM: 8 YEARS

- **Subordinated Loan**
Client: Banco Mercantil Santa Cruz S.A.
Objective: Ranked as the main bank in the Bolivian financial system, the Banco Mercantil Santa Cruz covers all the national territory and most of the economic sectors, it has the largest borrower base, and important micro-financial institutions. The objective of this loan is the capital strengthening of the institution so that it can increase its scope, reliability, and services.
TOTAL AMOUNT: USD 25 MILLION | TERM: 8 YEARS

684
USD million
 Total approvals in
 Bolivia during 2013

Subordinated Loan

Client: Banco Nacional de Bolivia S.A.
Objective: Capital strengthening of the bank.
TOTAL AMOUNT: USD 20 MILLION | TERM: 8 YEARS

Uncommitted Revolving Credit Line

Client: Banco Los Andes PROCREDIT S.A.
Objective: Finance trade, working capital, and investment projects of micro and small-sized enterprises.
TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: ADM SAO S.A.
Objective: Finance trade, working capital, and investment projects.
TOTAL AMOUNT: 10.5 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Banco para el Fomento de las Iniciativas Economicas S.A. (Bank for the Promotion of Economic Initiatives)
Objective: Finance trade, working capital, and investment projects of economic units from low income sectors with limited access to conventional credit, and who conduct entrepreneurial activities in the areas of production, services, and trade.
TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Banco Nacional de Bolivia S.A.
Objective: Finance trade, working capital, and investments of micro, small, and medium-sized enterprises.
TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Banco Union S.A.
Objective: Finance trade, working capital, and investment projects of micro and small enterprises.
TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Banco Solidario S.A.
Objective: Finance trade, working capital, and investment projects of micro and small-sized enterprises.
TOTAL AMOUNT: USD 6.5 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Asociacion Civil Credito con Educacion Rural – CRECER (Civil Association Credit with Rural Education)
Objective: CRECER in the largest non-regulated micro-financial entity in Bolivia. As an institution specialized in credit services for education, it provides financing mainly to segments of female workers who are vulnerable, and of a low socio-economic status. Through the creation of community banking which operates with joint and several guarantees, it reaches populations in non-urban areas in order to promote learning and culture regarding savings. The objective of the renewal with an increase in the line's limit is to continue strengthening financing to these segments and to diversify the products and services that the micro-financial institution provides for the vulnerable populations located in areas that are excluded from urban zones.
TOTAL AMOUNT: USD 3.5 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Fundacion PRO MUJER
Objective: PRO MUJER is a model in community banking and a pioneer in granting credit to low income women. With the renewal of the credit line, micro and small-sized enterprises will continue to receive financing in the most vulnerable sectors.
TOTAL AMOUNT: USD 2 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: Cooperativa Jesus de Nazareno LTDA
Objective: The Cooperativa Jesus de Nazareno remains the largest savings and loan cooperative in the market. It specializes in financing for micro-entrepreneurs in Eastern Bolivia, and in the promotion of cooperative activity in Bolivia. The objective of the renewal with an increase in the limit is to continue offering microcredit and consumer credits throughout the national territory, to clients with limited access to the financial and banking markets.
TOTAL AMOUNT: USD 2 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

Client: IDEPRO Desarrollo Empresarial (Entrepreneurial Development)
Objective: Finance trade, working capital, and investment projects for micro and small enterprises in the agricultural and forestry sector in urban and rural areas of the national territory.
TOTAL AMOUNT: USD 1 MILLION | TERM: VARIOUS

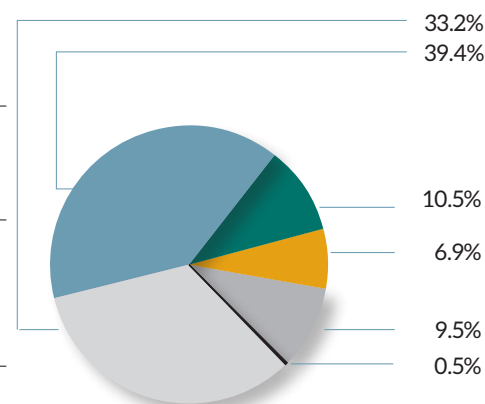
Uncommitted Revolving Credit Line

Client: Fondo Financiero Privado ECO FUTURO S.A. (Private Financial Fund)
Objective: With more than 43,000 credit costumers, FFP Ecofuturo, an institution focused on the population without access to banking services, is the sixth largest regulated micro-financial institution in Bolivia. The renewal of the credit line is aimed at continuing with the expansion of coverage, to address the expansion of the demand for credit and financial services in rural areas, and diversify the portfolio of products and services to adapt them to the needs of micro-entrepreneurs.
TOTAL AMOUNT: USD 0.5 MILLION | TERM: VARIOUS

Other operations with Cooperation Resources

Client: Several clients
TOTAL AMOUNT: USD 3.1 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



Other Contributions to the Sustainable Development of Bolivia



Infrastructure

- » Technical strengthening of the Administradora Boliviana de Carreteras (ABC) (Bolivian Highway Administration), to promote the participation of specialists in the first Congress-Seminar regarding deep foundations in Santa Cruz.
- » Workshop for the analysis of options and alternatives of price adjustment mechanisms in public infrastructure construction contracts in Bolivia, particularly for road infrastructure.
- » Financing to carry out a study for the I MW Photovoltaic Generator Project in the country's highlands.

Social Development

- » Support for the technical, social, and environmental evaluation of the water products of the Mi Agua I, II, and PROAR programs executed by Bolivia with CAF financing. The programs seek to improve the supply and quality of water and irrigation throughout the national territory for approximately 1,233,685 people.
- » Development of events to strengthen capacities and disseminate knowledge, among which stand out CAF's Day of Water and the presentation of the book "Equidad e Inclusion Social en America Latina" ("Equity and Social Inclusion in Latin America") regarding universal access to water and sanitation.

Social Sustainability

- » Organization of the 10 K V Race La Paz 3600, which innovates every year in terms of its organization, and has become an important model of the practice of sports at high altitude.
- » Support for the integration of Bolivia through sports in the VI Cycling Competition Tour of Bolivia.
- » Support for the strategy of the Autonomous Municipal Government of La Paz to conduct a revaluation of the cultural and tourism heritage of the city, through the dissemination of the book "Los Imperdonables" (The Unforgivable) where, through pictures and texts, the culinary wealth and traditional places of La Paz are highlighted.
- » Support for the ornamental lighting of the structure of the Puentes Trillizos (Triplet Bridges) in La Paz.

Environment

- » Partial financing for the Amazon without Fire Program (Phase II), which intends to disseminate an alternative use of the soil through the reduction of the use of fire in five departments of the Bolivian Amazon.

- » Support for the project Huella de Carbono (Carbon Footprint) and Huella Hidrica (Water Footprint) in the city of La Paz. This regional initiative seeks to support the municipal strategies regarding mitigation and adaptation to climate change with actions to reduce emissions (mitigation) and water management (adaptation) at a municipal level.
- » Support for the National Sustainable Development Plan for Conservation that seeks to preserve nine endangered species, through the promotion of mechanisms to recover wild populations and the development of knowledge regarding them.
- » Support to the initiative for a new citizen environmental awareness, whose objective is to build real awareness among the population with respect to the most critical environmental problems faced by Bolivia.

Governance

- » Training of 596 leaders of the civil society regarding country vision and civic-democratic values, in the framework of the ninth version of the Leadership for Change Program. The initiative contributes with 15 projects developed in groups to propose specific and viable solutions for local problems.



Strengthening of the national highway system

3.1
USD million

Granted by CAF
to Bolivia in
cooperation funds.

- » Training of 320 public managers in the thirteenth version of the Governance and Political Management Program. The initiative has a theoretical-practical approach to generate knowledge, abilities, and skills in the use of tools that help carry out and manage change processes and actions to manage the development and strengthening of democratic governance.

Competitiveness

- » Strengthening of productive capacities for the wood artisanal chain in the department of Santa Cruz, whose objective is to reevaluate local products and the marketing of artisanal products both in the internal and foreign markets.
- » Promote the sustainable development of the area of influence of the Monteagudo-Ipati-Santa Cruz highway by getting entrepreneurial initiatives and low income communities closer together in the value chain.
- » Dissemination and strengthening of best practices in corporate governance in 29 medium-sized enterprises in the cities of La Paz, Santa Cruz, and Cochabamba, through the design and implementation of said practices, which will allow their access to capital markets.

- » Support for the development of competencies in the sustainable management of the Vicuna, to generate sustainable processes to reduce poverty in the framework of the inclusive economic development in community organizations of Apolobamba.
- » Strengthening of the capacity of quinoa producers in the agricultural transformation units, to generate more income and employment opportunities in the departments of La Paz, Oruro, and Potosi. With this initiative, the use of pasture lands is recovered, and continuity is provided to the protection of wetlands.
- » Organization of the First Entrepreneurial Bi-national Meeting of Bolivia-Argentina-TARIJA Association of Private Entrepreneurs.
- » Organization of events to strengthen entrepreneurial development, among which the following stand out: The V Taxation International Congress, the VI Bolivia Gas & Energy Congress, and the V Bolivian Conference on Economic Development.

Culture

- » Organization of the I National Competition of Youth Orchestras of Bolivia "Growing through Music", which highlights the potential of musical teaching as a tool for social change.
- » Support for the 2013 International Theater Festival Santa Cruz de la Sierra (IX version) and the organization of the Drama Workshop, events that seek to create conditions to promote interest for the theater and enrich the training of national groups: young actors, authors, and directors.
- » Participation and support for the activity "Larga Noche de Museos" (Long Museum Night), which in its VII version promoted the cultural interest for music, dance, theater, plastic arts, and literature, in several areas of La Paz.
- » Support the local and international dissemination of different Bolivian routes within the project "Viaje al Corazon de Bolivia" (Trip to the Heart of Bolivia) through articles, photographs, and film.

BRAZIL

In 2013, CAF approved operations in favor of Brazil for USD 2.2 billion, of which 37 percent (USD 831 million) corresponded to sovereign risk operations, and 63 percent (USD 1.4 billion) to non-sovereign risk operations aimed at contributing to initiatives with a high social and productive impact, and to strengthen the country's financial system.

With respect to sovereign operations, CAF approved a total of seven sovereign operations in favor of different states and municipalities of the country.

In the road sector, three programs were approved. The USD 300 million Program Caminos de Minas (Roads of Minas), in the State of Minas Gerais, aimed at the pavement, improvement, and construction of integrating roads in the different regions of the State. The Programa Vial de Amazonas (Amazon Road Program), for USD 127.5 million, to improve mobility and road accessibility in the city of Manaus. The Programa de Integración Vial del Planalto Norte (Road Integration Program of the Northern Planalto) of the State of Santa Catarina, for USD 55 million for the construction of roads within the State with the objective of improving transportation from productive areas to the port area. In addition, two other programs were approved with a strong road component but with a more comprehensive sectorial approach. These are the Comprehensive Investment Programs for the Revitalization and Expansion of the Urban Infrastructure of the Municipality of Canoas for 50 million, and the Urban, Environmental, and Social Promotion Reassessment Program of the Municipality of Alagoinhas, for USD 11.5 million.

In the social development and environmental sector, two operations were approved. On one hand, the micro-drainage system of the Rio Baquirivu-Guacu, for USD 204 million, which will minimize the problems resulting from the periodic rains that flood the environment of the Guarulhos Airport in Sao Paulo. On the other hand, the Program Aldeia da Praia – Fortaleza Ciudad con Futuro for USD 83.25 million, whose objective is to promote the tourism potential and competitiveness of Fortaleza, thus improving the life conditions of the population.

At the same time, CAF allocated USD 398 million directly to the corporate sector. Corporate loans to finance the agro-industrial sector with operations for Amaggi, Usina, Caete, and Caramuru Alimentos, the credit line granted to the Norberto Odebrecht construction company, and the capital investments carried out in four investment funds dedicated to innovation, information technology, and energy, all stand out.

In addition, the Institution granted rotating credit lines for USD one billion through the financial sector with the object of financing investment projects, foreign exchange operations, and working capital in the productive sector to provide a timely response to the country's favorable economic growth. Within this item, the renewal of USD 100 million approved for the Development Bank of Minas Gerais to promote the productive transformation of state-owned companies stands out.

Brazil
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	2,234	8,822
Sovereign risk	831	2,135
Non-sovereign risk	1,403	6,687
Disbursements	1,833	6,071
Sovereign risk	314	835
Non-sovereign risk	1,519	5,237
Portfolio	1,681	
Sovereign risk	837	
Non-sovereign risk	844	

Approvals in Brazil

■ Caminos de Minas Program

Client: State of Minas Gerais / **Executor:** State Secretariat for Transportation and Public Works

Objective: Pavement, improvement, widening, and construction of integrating roads for the different micro-regions of the State. The program involves 234 road tranches for a total of 7,754 km. Specifically, the program seeks to contribute to the competitiveness of the local economies, promote the generation of employment and incomes, improve accessibility and the mobility of people, facilitate access to social services, reduce poverty, and promote social inclusion and equitable regional development.

TOTAL AMOUNT: USD 300 MILLION | TERM: 16 YEARS

■ Macro-drainage System of the Baquirivu – Guacu River

Client: State of Sao Paulo / **Executor:** Department of Waters and Electric Energy

Objective: Improve the quality of life of the population of the State of Sao Paulo, particularly in the Municipality of Guarulhos, estimated at 1.2 million people, through the execution of a series of strategic interventions in the macro-drainage and flood control areas in the basin of the Baquirivu-Guacu River, anticipated in the Directing Macro-Drainage Plan of the High Tiete. For this purpose, the program estimates channeling 20 km of the Baquirivu-Guacu River, the construction of five reservoirs to mitigate flooding, and the construction of parks around the reservoirs.

TOTAL AMOUNT: USD 204 MILLION | TERM: 16 YEARS

■ Amazon Road Program

Client: State of Amazonas / **Executor:** State Secretariat for Infrastructure

Objective: Improve the road network of the city of Manaus to help solve the existing traffic congestion and urban mobility problems. Each intervention will also include actions to improve urban mobility conditions through comprehensive solutions to the road system, such as the construction of drainage systems, supply of drinking water, urban planning, and systems for the collection and disposal of garbage.

TOTAL AMOUNT: USD 127.5 MILLION | TERM: 15 YEARS

■ Aldeia da Praia - Fortaleza Ciudad con Futuro Program

Client: Municipality of Fortaleza / **Executor:** Municipal Tourism Secretariat of Fortaleza

Objective: Promote the tourism potential and competitiveness of the city of Fortaleza, and create the conditions to improve the population's social and economic development through a series of investments in the following areas: development of a management and urban development policy which includes the expansion of the coverage and access to basic services and housing, social and territorial integration of the city's coastline, promotion of productive investment and employment, environmental improvement, and preservation of natural resources.

TOTAL AMOUNT: USD 83.25 MILLION | TERM: 16 YEARS

■ Road Integration Program of the Northern Planalto of the State of Santa Catarina (Provias - SC)

Client: State of Santa Catarina / **Executor:** Secretaria de Infraestructura del Estado de Santa Catarina

Objective: Support the economic and social development of the State of Santa Catarina. In order to do so, the paving and rehabilitation of 132 km of highways are anticipated. This will enable the road integration of the northern region with the other regions of the State, mainly with the port of Itajai-Navegantes, for the transportation of regional production.

TOTAL AMOUNT: USD 55 MILLION | TERM: 15 YEARS

■ Comprehensive Investment Program for the Rehabilitation and Expansion of the Urban Infrastructure of Canoas - Canoas para todos (Canoas for All)

Client: Municipality of Canoas / **Executor:** Program Execution Unit of the Municipal Prefecture of Canoas

Objective: Address the population's need for improvements in the city's infrastructure and in the quality of life of individuals. The program will consist of restructuring the road system, implementing public facilities, and entry into operations of a drainage and flood protection system.

TOTAL AMOUNT: USD 50 MILLION | TERM: 12 YEARS

■ Urban, Environmental, and Social Promotion Reassessment Program of the Municipality of Alagoinhas, State of Bahia

Client: Municipality of Alagoinhas / **Executor:** Infrastructure Secretariat of the Municipality of Alagoinhas

Objective: Improve the quality of the Municipality's urban infrastructure, prioritizing reassessment actions in the area of mobility, habitat, basic sanitation, and public spaces. The interventions include the recovery of existing roads, construction of new roads implementation of micro-drainage and basic sanitation networks, revitalization of parks, and urbanization of precarious neighborhoods.

TOTAL AMOUNT: USD 11.5 MILLION | TERM: 15 YEARS

■ Corporate Loan

Client: Usina Caete S.A.

Objective: Improve the effectiveness and competitiveness of the agricultural sector to favor exports.

TOTAL AMOUNT: USD 50 MILLION | TERM: 7 YEARS

■ Syndicated Loan

Client: Caramuru Alimentos S.A.

Objective: Facilitate the export of grains by small and medium-sized farmers of Mato Grosso, Goias, and Parana.

TOTAL AMOUNT: USD 50 MILLION | TERM: 4 YEARS

2.2
USD billion

Total approvals in
Brazil during 2013

■ Syndicated Loans

Client: Amaggi Exportação e Importação Ltda.

Objective: Support the acquisition and export of grains produced by independent farmers in Mato Grosso, Rondonia, Amazonas, Maranhao, Tocantins, Piaui, Parana, Santa Catarina, and Rio Grande do Sul.

TOTAL AMOUNT: USD 50 MILLION | TERM: 4 YEARS

■ Capital Investment

Client: Rio Bravo Energia I, Fundo de Investimento em Participações

Objective: Support for emerging companies to favor the development of high-value added innovating sectors.

TOTAL AMOUNT: USD 20 MILLION | TERM: 12 YEARS

■ Capital Investment

Client: Burill Brasil Investimentos Ltda.

Objective: Strengthen the presence of the private sector in the provision of improvements in the infrastructure of the Brazilian electricity network.

TOTAL AMOUNT: USD 10 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Fundo de Inovação Paulista, Fundo de Investimento em Participações

Objective: The selected fund will carry out investments in a maximum of 20 small and medium -sized companies located in Sao Paulo, which present business models linked to the development of innovating technologies in the agriculture and livestock sectors, as well as new materials, oil, pharmaceutical products, cosmetics, food, health technology, and information and communication technologies.

TOTAL AMOUNT: USD 10 MILLION | TERM: 8 YEARS

■ Capital Investment

Client: Capital Tech II, Fundo de Investimento em Participações

Objective: Support the development of specific high-value added sectors such as information technology, biotechnology, health, and clean technologies.

TOTAL AMOUNT: USD 8 MILLION | TERM: 8 YEARS

■ Uncommitted Revolving Credit Line

Client: Constructora Norberto Oderbrecht S.A.

Objective: Support improvements in the competitiveness of the national suppliers of services for the Brazilian oil industry, including medium- sized enterprises that work in Odebrecht's chain of operations.

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Desenvolvimento de Minas Gerais S.A.

Objective: Promote the renewal, expansion, and modernization of the productive capacity of companies established in the State of Minas Gerais.

TOTAL AMOUNT: USD 100 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco BRADESCO S.A.

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

TOTAL AMOUNT: USD 250 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco do Brasil S.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Itaú Unibanco S.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Santander Banespa S.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: HSBC Bank Brasil S.A.

Objective: Renewal of the financial support to HSBC Brazil, including its social projects focused particularly on education and climate change.

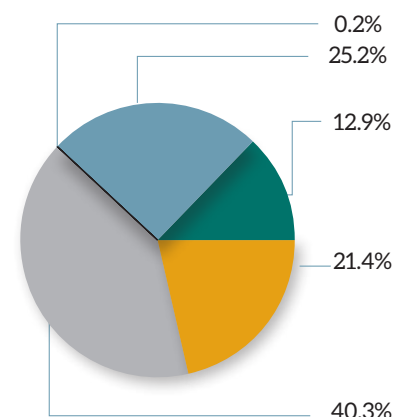
TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several Clients

TOTAL AMOUNT: USD 5 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



Other Contributions to the Sustainable Development of Brazil

Integration

- » Organization of a high-level seminar “Development and Integration of Latin America”, organized by the Lula Institute jointly with ECLAC and the IDB, with the objective of debating about Latin America’s integration.
- » Support for the XIV Congreso Internacional do Forum Universitario do Mercosul, organized by Fomerco.

Social Development

- » Humanitarian aid through the purchase of hospital supplies for those affected by the tragedy that occurred in the city of Santa Maria, State of Santa Catarina in January 2013.

Social Inclusion

- » Support for the project “Diz ai Fronteiras” of the Fundacion Roberto Marinho (FRM) to contribute to the strengthening of human and social capital of the young people who live in border areas between Rio Grande del Sur (Brazil) and Uruguay, to develop proposals for the formulation and implementation of public policies related with the labor market, drugs, human rights, human trafficking, public safety, and youth.
- » Contribution to the creation of a social technological platform developed by Viva Rio to take social technologies to different regions of Brazil and Latin America, with effective solutions that may be copied, that are simple, and of low cost for social change.
- » In alliance with the Fundacion Gol de Letra, incorporation to the SOMOS network of approximately 200 children and youths in a situation of social risk, who belong to the Novo Mundo neighborhood, in the northern region of the city of Sao Paulo.

Governance

- » Support to the World Forum of Local Authorities of the Periphery (FALP), organized by the Prefecture of Canoas in order to bring together national and international government authorities to debate about planning mechanisms and urban growth management in metropolitan regions.
- » Support for the Group of State Finance Managers (GEFIN) for their institutional strengthening, and technical training of public employees of finance areas in all the states of Brazil.
- » Contribution to the Prefecture of Campinas for the development of the seminar “Innova Campinas 2013”, to contribute to the definition of strategic actions for the creation of public policies aimed at strengthening the economy of knowledge and innovation in the region of Campinas.
- » Support training in development and urban planning for public employees of the municipalities of the State of Sao Paulo.
- » Support training of civil society leaders and municipal public administrators in 13 cities of Brazil, for the implementation of the working methodology of the Sustainable Cities Program, which offers guidelines on urban sustainability.



Growing through Music Program

5

USD million

Granted by CAF
to Brazil in
cooperation funds.

Competitiveness

- » Sponsor the Biopartnering Latin America 2013 Conference, which brought together the main biosciences actors in Latin America, in order to promote innovation, the creation of new businesses, competitiveness, as well as the development of public policies for the sector.
- » Support the organization "Alianza Emprededora" (Entrepreneurial Alliance) to develop a national online platform (portal Conect@), to support micro-entrepreneurs through interconnection with public institutions, mentors, financial backers, potential partners, and provide contents, training, and opportunities for their business.

SMEs and Micro-financing

- » Development of the Seminar "Global Entrepreneurship Congress" organized by Endeavour with the objective of training entrepreneurs and facilitating strategic alliances between the most important actors of the SME sector at a global scale.
- » Support to the ABVCAP2013 Congress in order to promote new opportunities for business development and facilitate strategic alliances.
- » Support the V Forum of the Central Bank of Brazil on financial inclusion.
- » Support the ABCRED Annual Seminar "Developing the Environment for Micro-financing in Brazil".

Cooperation Agreements

- » Framework Cooperation Agreement with the Ministry of Mines and Energy in Brazil, to facilitate cooperation with Latin America's energy integration, the universalization of access to energy and the application of public policies aimed at sustainable development and social inclusion.

COLOMBIA

During 2013, CAF approved USD 1.6 billion in favor of Colombia, of which 100 percent corresponded to non-sovereign operations. Of the total amount, 42 percent (USD 650 million) was allocated to the non-sovereign public sector, and the remaining 58 percent to private sector operations (USD 913 million).

Of the operations approved for the non-sovereign public sector, a credit line for Bancoldex stands out, for an amount of USD 200 million to support their diverse programs for the exporting sector, and for the SMEs. At the same time, the USD 200 million approved for a long-term corporate loan to Empresas Publicas de Medellin S.A. also stands out. The objective is to partially finance the company's investment plan for the 2014-2015 period. In addition, USD 200 million were approved to support Ecopetrol's business plan, and USD 50 million to finance the operations of FINDETER.

With respect to the private sector, credit lines were approved or renewed for nine financial institutions for USD 745 million. The long-term credit line for Bancolombia stands out for USD 300 million, whose main objective is to improve the bank's long-term funding structure. The credit line for Banco Colpatria also stands out, with USD 50 million to support the financing of this institution's operations with its corporate market.

At the same time, in the corporate private sector, a long-term structure loan was approved for the Puerto Bahia Port Company for USD 50

million for the construction of its port in Cartagena, mainly for the management of oil and its derivative products. In addition, a corporate loan was approved for USD 39.5 million for the special purpose vehicle constituted by the Infrastructure Fund Colombia Ashmore I FCP and Vitol Inc.

Finally, in the private corporate sector, a credit line was approved for Concreto for USD 50 million to address their different requirements in compliance with its work contracts, and two capital investments were approved. One in Avantel Acquisitions for USD 15 million, with the purpose of financing the company's investment plan, and the other for USD 8 million for Amerigo Ventures Colombia, with the purpose of investing in information technologies.

In the micro-financing sector, a Uncommitted Revolving Credit Line for USD 2 million was approved for the Corporacion Interactuar, to strengthen microenterprise financing in the Department of Antioquia.

Finally, resources totaling USD 3.8 million were approved for the country through the Institution's different technical assistance funds.

Colombia
2013 figures
 (in millions of USD)

	2013	2009-2013
Approvals	1,563	6,903
Sovereign risk		1,399
Non-sovereign risk	1,563	5,504
Disbursements	1,146	6,366
Sovereign risk	8	600
Non-sovereign risk	1,138	5,766
Portfolio	1,848	
Sovereign risk	949	
Non-sovereign risk	899	



Support for the construction of a port in Cartagena, for the Puerto Bahía Port Company

Approvals in Colombia

■ Corporate Loan

Client: Empresas Publicas de Medellin S.A. E.S.P. (Public Companies of Medellin)

Objective: Empresas Publicas de Medellin - EPM is a key actor in Colombia's energy chain. From being a municipal decentralized entity, it has become a regional public services company that shows a progressive expansion in Latin America (Panama, Guatemala, El Salvador, Chile), whose main activity is the provision of home energy services, basic public fixed telephones, and local mobile telephones in rural sectors, distribution of fuel gas, aqueducts, sewages, and home cleaning services. The objective of the loan is to partially finance the company's investment plan (energy, water, and telecommunications) in order to consolidate its expansion process, and guarantee the provision of public services in Colombia and the region.

TOTAL AMOUNT: USD 200 MILLION | TERM: 18 YEARS

■ Structured Loan

Client: Sociedad Portuaria Puerto Bahia S.A.

Objective: The objective of the loan is to allocate resources for the construction, operation, and maintenance of a multi-purpose maritime terminal located in Bahia Colombia in the Gulf of Uraba. The development of the port will contribute significantly to the promotion of Colombian foreign trade by making it more competitive and efficient with respect to logistic costs. Its strategic location to provide services to European markets and the Caribbean will benefit from the future expansion of the Panama Canal. In addition, it will benefit different consumption centers in the country due to the savings obtained in transport freight by significantly shortening the distances between cities such as Bogota and Medellin, as well as from areas such as the Coffee Production Area.

TOTAL AMOUNT: USD 50 MILLION | TERM: 12 YEARS

■ Corporate Loan

Client: Special purpose vehicle constituted by the Fondo de Infraestructura Colombia Ashmore I FCP and Vitol Inc

Objective: Support the strengthening of the Colombian oil industry.

TOTAL AMOUNT: USD 39.5 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Avantel Acquisition LTD.

Objective: Avantel is the only provider of specialized mobile telephony at a national level. It provides services to clients of the public and corporate sectors in the oil, mining, and safety sectors. It has presence in more than 20 cities in the country with more than 8,000 active clients. The objective of the investment is to finance the company's growth and support the implementation of new 4G technologies (high-speed mobile broadband).

TOTAL AMOUNT: USD 15 MILLION | TERM: 7 YEARS

■ Capital Investment

Client: Amerigo Ventures Colombia, F.C.P.

Objective: Invest in capital shares in the Information and Communications Technology sector in Colombia (ICT), a high-impact sector in the development of the country's productive chain.

TOTAL AMOUNT: USD 8 MILLION | TERM: 8 YEARS

■ Uncommitted Revolving Credit Line

Client: Ecopetrol S.A.

Objective: Finance investment projects, working capital, and investments in capital goods according to the company's business plan.

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Constructora Conconcreto S.A.

Objective: Finance investment projects and working capital in the private sector, to be able to take advantage of the growth potential of the construction sector.

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Corporacion Interactuar

Objective: Finance investment projects and working capital for the development of small and micro-enterprises, as well as entrepreneurial development services that promote entrepreneurship and the creation of jobs within the urban and rural sectors.

TOTAL AMOUNT: USD 2 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Bancolombia S.A.

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

TOTAL AMOUNT: USD 300 MILLION | TERM: VARIOUS

1.6
USD billion

Total Approvals in
Colombia during 2013

■ Uncommitted Revolving Credit Line

Client: Colombia's Foreign Trade Bank - BANCOLDEX

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco BBVA Colombia

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

TOTAL AMOUNT: USD 100 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Bogota S.A.

Objective: Support the strengthening of the Latin American banking system, as well as the regional banking integration process through the strengthening of regional actors.

TOTAL AMOUNT: USD 100 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Corpbanca Colombia

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Occidente S.A.

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Colpatria Multibanca S.A.

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Davivienda S.A.

Objective: Financially support the Andean Region and Central America to finance foreign trade operations and working capital.

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Leasing Peru S.A.

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

TOTAL AMOUNT: USD 25 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Bogota S. A. (Panama)

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

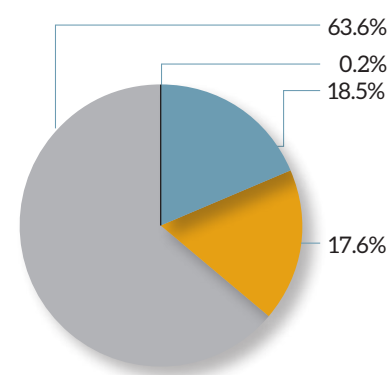
TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 3.8 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



Other Contributions to the Sustainable Development of Colombia



Infrastructure

- » Advising and support for the National Development Financing Company in the construction of an internal transactional structure and in the development of new policies and procedures for investment, project evaluation, and risk measurements.
- » Support for the structuring and promotion of an investment vehicle that may channel institutional resources to finance infrastructure projects through mitigation and risk management, and which also represents a source of long-term financing.
- » Contracting studies and advisory services to successfully launch and finish the tender process of the PPA contract for the Nuevo Eron jail in Popayan.

Social and Environmental Development

- » Support for the Vice-Ministry of Water and Basic Sanitation for the development of a sectorial policy document (CONPES) that includes the guidelines to strengthen and modernize the entrepreneurial management of small water and basic sanitation providers at an urban and rural level.
- » Structure the financing of the complement for the design of Phases I and II, and implementation of Phase III of the plan to ensure the provision of services of the Aguas del Magdalena company.
- » Support for the public service company of Cundinamarca for the structuring of the investment plan for drinking water and basic sanitation infrastructure aimed at expanding and improving the conditions of coverage, quality, and continuity of the services at an urban and rural level.



3.8
USD million

Granted by CAF
to Colombia in
cooperation funds.

Excellence in Exporting Program

Governance

- » Development of project to strengthen the management of public private alliances in the entities assigned to the social inclusion and reconciliation sector together with the Department for Social Prosperity.
- » Development of the first report of the status of Colombian cities, to present their current situation and analyze the general urbanization and regional development trends in past years.

Competitiveness

- » Development and operation of a strategic competitive development plan for Buenaventura, which enables the productive transformation of the city based on a shared vision of the public, private, and community sectors. The work was conducted jointly with the Presidential High Ministry for Public and Private Management.
- » Support for the Excellence in Exporting Program which seeks to have a high impact on the sustained growth of non-traditional exports in Colombia in the long-term, through the strengthening of exporting companies to transform them into organizations of excellence. The program is carried out in alliance with the Ministry of Industry, Trade, and Tourism of Colombia, including Bancoldex and Proexport, the Presidential Agency for International Cooperation, the Barranquilla Chamber of Commerce, the Aburra Sur Chamber of Commerce, the Banco da Vivienda, and the College of Higher Management Studies - CESA.

SMEs and Micro-financing

- » Support for the financing fund of the agricultural and livestock sector, FINAGRO, to carry out a study about the characteristics of the agricultural and livestock insurance policy in Colombia in order to deepen the knowledge of this market, identify the information needs, and motivate its offer to micro, small, and medium-sized agricultural and livestock producers in the country.
- » Financial Education Program for the design of a methodological and systemic structure for the entities supervised in the framework of the Financial Consumer Service System of the Financial Superintendence of Colombia.
- » Program to strengthen and position the Colombian Association of Micro-financing Institutions (ASOMICROFINANZAS, for its acronym in Spanish), with the creation of a Management System for Sectorial Research, a Management System for Social Performance, and the sponsorship of the IV Congress carried out in Cartagena.
- » Support the Colombian Association of Private Capital Funds, COLCAPITAL (for its acronym in Spanish), for the dissemination of information regarding the sector at a national and international scale.

ECUADOR

During 2013, CAF approved operations in favor of Ecuador for USD 843 million, of which 58 percent (USD 501 million) corresponded to sovereign risk operations, and 42 percent (USD 342 million) to non-sovereign risk operations, aimed at contributing with initiatives of a high social and productive impact as well as to strengthen the country's financial system.

In the approvals to the sovereign sector, the support granted to the country's transportation infrastructure stands out through two projects. The first corresponds to the second phase of the Quito Metro, for USD 100 million, which will be an essential pillar for change in the mobility of the city's metropolitan district within the mass transportation network, benefitting the quality of life of its inhabitants. The second is the Road Program of the Valle de los Chillos, for USD 26 million, aimed at improving mobility between the city and the valley, and reducing the connection time with the international airport. With respect to social development, the III phase of the Environmental Sanitation Program for Community Development (PROMADEC) was approved, for USD 275 million, aimed at improving the provision of drinking water, sewage, and management of residues in many municipalities of the country. Finally, the Corporación Financiera Nacional (CFN) Banca Pública de Desarrollo (National Financing Corporation, Public Development Banking) was supported with the renewal of the credit line for USD 100 million, aimed at supporting and promoting the transformation of the country's productive matrix.

With its support to these programs and projects,

CAF continues to be a key and important actor in the transformation and development process, addressing the priority needs of the country's most vulnerable sectors.

In the non sovereign sector, during 2013 an A/B loan was approved for USD 80 million in favor of the Consorcio Shushufindi, which will enable a production increase in mature oil fields. In addition, jointly with the Inter-American Investment Corporation, financing was approved to the Sociedad Agrícola e Industrial San Carlos (San Carlos Agricultural and Industrial Company) for USD 20 million for investment in a plant that will produce clean energy within its productive process. Four credit lines were also approved for Otecel, Pronaca, the Duferco Group, and the Corporación de Desarrollo del Mercado Secundario de Hipotecas (Corporation for the Development of the Secondary Mortgage Market). Finally, a capital investment was approved to support the regional expansion of Cobis Systems Corporation.

In the financial sector, support for private banking continued, with operations for USD 169 million. Within these, a credit line to Banco General Rumiñahui should be mentioned, to provide services to small producers of African Palm and irrigation systems for the production of corn.

Ecuador
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	843	4,238
Sovereign risk	501	2,125
Non-sovereign risk	342	2,113
Disbursements	661	2,975
Sovereign risk	350	1,788
Non-sovereign risk	310	1,187
Portfolio	2,736	
Sovereign risk	2,590	
Non-sovereign risk	146	



First stage of the Integration Roads of the Quito Valleys

Approvals in Ecuador

843
USD million

Total approvals in
Ecuador during 2013

■ Environmental Sanitation Program for Community Development - PROMADEC III

Client: Republic of Ecuador / **Executor:** Banco del Estado

Objective: According to the "Plan Nacional del Buen Vivir 2009-2013" (2009-2013 National Plan for Good Living), the Government of Ecuador established, among its goals, that 82 percent of the country's housing should have access to water piped-in by the public network, as an essential factor for the establishment of a supportive and sustainable economic and social system. To achieve these results, interventions have been carried out in previous programs: PROMADEC I in 2007 and PROMADEC II in 2010. In order to provide continuity to one of the pillars of the Government's social policy to reduce poverty and take advantage of the advances achieved and the learning acquired, PROMADEC III was approved to improve coverage, quality, and management of the drinking water services, sewage, residual water treatment, and management of the solid residues in small and medium-sized municipalities in Ecuador, favoring the territories with more unsatisfied needs.

TOTAL AMOUNT: USD 275 MILLION | TERM: 15 YEARS

■ First Line of the Quito Metro Project – Phase II

Client: Republic of Ecuador / **Executor:** Municipality of the Metropolitan District of Quito

Objective: CAF approved the second phase of the Project which consists in the construction of a 22 Km. metro line between the land terminal of Quitumbe and the south end of the Airport in Labrador, with 15 stations and a daily estimated demand of 378,000 passengers. The objective is to provide continuity to the construction of a safe, economic, fast, and ecologically sustainable system that serves as a structuring axis to the comprehensive mass transportation system in the city of Quito. The project is expected to improve mobility and accessibility for the population, improve the productivity and economic efficiency of the city, rationalize transportation, improve urban integration, and contribute in the generation of employment.

TOTAL AMOUNT: USD 100 MILLION | TERM: 15 YEARS

■ Road Development Program in the Valle de Los Chillos

Client/Executor: Government of the Province of Pichincha

Objective: The flow of traffic between the Valle de los Chillos and the city of Quito has increased significantly. The Road Development Program, whose first stage was approved by CAF in 2011, will help improve the capacity of the General Rumiñahui Highway, a key connection between the valley and Quito. The second phase of the program will optimize the investments that have already been made, improve the capacity of the road, and provide new communication options to the population. This project will consolidate a road infrastructure network that will improve the connection with the new international airport, will minimize vehicular congestion, and reduce travelling times for the population.

TOTAL AMOUNT: USD 26 MILLION | TERM: 15 YEARS

■ A/B Loan

Client: Consorcio Shushufindi S.A.

Objective: Strengthen the national hydrocarbon sector through financing aimed at the optimization of hydrocarbon production.

TOTAL AMOUNT: USD 80 MILLION (TRANCHE A: USD 20 MILLION; TRANCHE B: USD 60 MILLION) | TERM: 5 YEARS

■ Corporate Loan

Client: Sociedad Agrícola e Industrial San Carlos S.A.

Objective: Support the agro-industrial sector to increase its competitiveness with the entry into operations of a new electricity self-generation project through the generation of clean energy. The Project will contribute to the progressive substitution of fossil fuels in the national energy generation matrix, resulting in a reduction of greenhouse gasses. One of the main objectives is the optimization of the sugar production processes through a greater modernization of the equipments.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Cobis Systems Corporation

Objective: Support the growth of an Ecuadorean knowledge generation company in a stage of regional expansion.

TOTAL AMOUNT: USD 5 MILLION | TERM: 7 YEARS

■ Uncommitted Revolving Credit Line

Client: Grupo DUFERCO CEC

Objective: Finance operations for working capital and investments in capital goods for the companies of the group: IPAC S.A., IPACER, AGOFER S.A., Aceros y Techos S.A. - ACETESA, Galvanizadora Peruana S.A. - GALPESA and Amazonia Trading.

TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Otecel S.A

Objective: Finance foreign trade operations, working capital, and investments in capital goods in a leading company in the Ecuadorean telecommunications sector.

TOTAL AMOUNT: USD 25 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Corporation for the Development of the Secondary Mortgage Market - CTH

Objective: Finance the purchase of mortgage portfolio to finance the development of mechanisms that enable the mobilization of resources in favor of housing and related infrastructure, and start the titling processes.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

Objective: Finance foreign trade operations, working capital, and investments in capital goods in a leading company of the food sector in Ecuador.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Republic of Ecuador / **Executor:** Corporacion Financiera Nacional (National Financial Corporation)

Objective: The Corporacion Financiera Nacional, Banca Publica de Desarrollo del Ecuador, is the executing arm of the Government's productive reactivation policies and the essential pillar to promote the transformation of the productive matrix. The resources are aimed at financing foreign trade operations, working capital, and investments in capital goods.

TOTAL AMOUNT: USD 100 MILLION | TERM: VARIOUS

■ Subordinated Loan / Uncommitted Revolving Credit Line

Client: Banco Pichincha C.A.

Objective: Strengthen the bank's capital.

TOTAL AMOUNT: USD 35 MILLION | TERM: 7 YEARS

■ Uncommitted Revolving Credit Line

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

Objective: Finance foreign trade operations, working capital, and investment projects for micro, small, and medium-sized companies.

TOTAL AMOUNT: USD 34 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Guayaquil S.A.

Objective: Finance foreign trade operations, working capital, and investment projects for micro, small, and medium-sized companies.

TOTAL AMOUNT: USD 30 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Bolivariano C.A.

Objective: Finance foreign trade operations, working capital, and investment projects for micro, small, and medium-sized enterprises.

TOTAL AMOUNT: USD 25 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Internacional S.A.

Objective: Finance foreign trade operations, working capital, and investment projects for micro, small, and medium-sized companies.

TOTAL AMOUNT: USD 25 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Procredit S.A.

Objective: Finance foreign trade operations, working capital, and investment projects for micro, small, and medium-sized companies.

TOTAL AMOUNT: USD 15 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco General Rumiñahui, S.A.

Objective: Finance producers and small enterprises dedicated to the cultivation of African Palm, as well as finance investments in irrigation systems for corn producers.

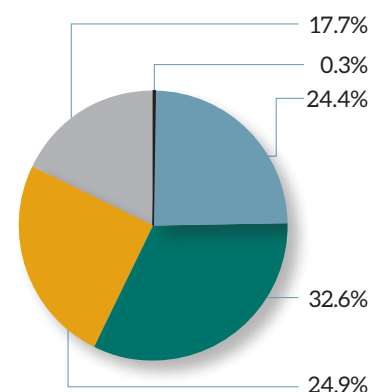
TOTAL AMOUNT: USD 5 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: 2.8 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



Other Contributions to the Sustainable Development of Ecuador



Infrastructure

- » Channeling of resources through operations aimed at expanding Ecuador's road network, road access to the new airport in Quito, infrastructure for marginal areas of Guayaquil, and airport and port modernization.

Social Development

- » Support for the municipality of Guayaquil with studies and training events to develop policies and preventive measures to avoid flooding in the port city.

Social Sustainability

- » Support for 15 organizations of the civil society and associations, for the generation of productive and social ideas for the generation of income, through a mechanism of competitive funding in the rural area of Ecuador, a Project which was developed jointly with the NESST.
- » Support for the Youth Orchestra of Ecuador Foundation (FOSJE, for its acronym in Spanish) for the training of young musicians and instructors.

SMEs and Microfinancing

- » Support for the micro-financing sector through a technical cooperation operation for the development of a project that promotes rural savings through the use of mobile phones.
- » Institutional strengthening for the Superintendencia de Economía Popular y Solidaria (Superintendence of Popular and Supportive Economy), whose objective is to regulate the micro-financing sector.
- » Joint participation with the Rural Financial Network for the development of the VI Latin American Forum on Community Banking.

Environment

- » Program to support environmental management and the development of clean investment with the Banco de la Producción.
- » Technical assistance to Banco del Estado to evaluate the impact of the financing on environmental sanitation.

Governance

- » More than 90 participants in different provinces of the country, were trained in the eleventh edition of the Governance and Political Management Program.
- » More than 500 citizens in strategic cities throughout the country, such as Manta and Guayaquil, participated in the seventh edition of the Leadership for Change Program, in alliance with the Escuela Superior Politécnica del Litoral.
- » Support for the Municipalities of Ibarra, Otavalo, and Latacunga to strengthen municipal management and administration, land and territorial survey of the cantons.
- » Development of specific guidelines to be applied in Ecuador's financial institutions, through the Superintendence of Banks and Insurance Companies.



Development of projects to promote agricultural sectors

2.8
USD million

Granted by CAF to Ecuador in cooperation funds.

Competitiveness

- » Development of projects to support agricultural sectors such as cocoa, wood, quinoa, guayusa, milk chain, and local productive clusters with a greater industrial intervention, such as the case of clusters of electrical appliances and wood furniture in the region of Cuenca. These projects have experienced a comprehensive approach to promote components linked to productive and commercial development, through analysis and intervention in the value chain.
- » Start of a project with the Provincial Government of Azuay, to develop the innovation ecosystem in the construction sector, identified as the one with the greatest competitive potential in the region. Through this project, it will be possible to coordinate public and private actors and academics in the generation of an innovation strategy that facilitates technological transfer.
- » Support for the unification and simplification of administrative procedures for entrepreneurial activities in the cities of Quito, Guayaquil, Cuenca, Loja, Santo Domingo and Manta. This project developed the survey and proposal component for simplified processes for procedures linked to permits in the areas of health, firefighters, and other issues managed at a municipal level.
- » Strengthening of the national entrepreneurial and innovation ecosystem. This project has components for the coordination of public, private, and academic efforts in a shared agenda of public policies, in addition to the development of training programs for institutions that support entrepreneurial activities and innovation, as well as the generation of innovation processes in existing enterprises.
- » Survey of the potential and requirements of diverse rural productive chains intervened by international cooperation institutions.
- » Development of the documentation and generation of knowledge assets component that will enable the reproduction and sustainability of the project "Rutas de Turismo Comunitario" (Routes of Community Tourism), in the tourism chain that unites the populations of Otavalo, Ibarra, Salinas and Cotacachi.
- » Support for the Andean Community of Nations for the organization and active participation of Ecuadorean small and medium-sized entrepreneurs in international trade fairs, to strengthen their internationalization and promote exports.

PANAMA

During 2013, CAF approved operations in favor of Panama for a total of USD 325 million, of which 62 percent (USD 200 million) corresponded to sovereign risk operations, and 38 percent (USD 125 million) to non-sovereign risk operations, aimed at contributing to initiatives with a high social and productive impact, and to strengthen the country's financial system.

The support granted to the country's education sector through the Expansion and Modernization of Educational Infrastructure Program (PAMIE, for its acronym in Spanish), of USD 100 million, significantly stands out among the sovereign approvals of the year. This program considers the constructions of five educational complexes and the rehabilitation of two schools and their equipment, which will be carried out in the provinces of Colon, Chiriqui, Panama East, Panama West, and Veraguas. At the same time, the country's transportation system continues to be supported through a third operation for USD 100 million, for the construction and equipment of the Line I Project of Panama's Metro. With this operation, the total amount of

CAF's allocation for this project reaches USD 600 million, which represents the beginning of a future mass transportation network in order to serve the metropolitan region of the City of Panama.

In non-sovereign risk operations, a total of USD 83 million was approved for several financial institutions in the country, through revolving credit lines, in order to contribute with high socio-productive impact initiatives through financing for foreign trade operations and working capital, mainly aimed at SMEs. At the same time, CAF approved a corporate loan of USD 40 million for Cable & Wireless, a leading company in the telecommunications sector in Panama, in order to finance their annual investments.



Panama
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	325	1,681
Sovereign risk	200	1,109
Non-sovereign risk	125	572
Disbursements	326	789
Sovereign risk	229	618
Non-sovereign risk	97	171
Portfolio	783	
Sovereign risk	665	
Non-sovereign risk	118	

Approvals in Panama

■ Program for the Expansion and Modernization of the Educational Infrastructure

Client: Republic of Panama / **Executor:** Ministry of Education - MEDUCA

Objective: Contribute to increase the access and quality of education through the provision of innovative school infrastructure and equipment. The program includes the construction of schools in the provinces of Panama West, Panama East, Veraguas, Colon, and Chiriqui.

TOTAL AMOUNT: USD 100 MILLION | TERM: 16 YEARS

■ Panama Metro Project - Phase 3

Client: Republic of Panama / **Executor:** Panama Metro Secretariat

Objective: Third loan to support the construction of the city's first metro line in order to increase the modal participation of public transportation, and generate a reorganization of the vehicular flow.

TOTAL AMOUNT: USD 100 MILLION | TERM: 15 YEARS

■ Corporate Loan

Client: Cable & Wireless Panama S.A.

Objective: Improve and expand the infrastructure of Panamanian telecommunications.

TOTAL AMOUNT: USD 40 MILLION | TERM: 7 YEARS

■ Uncommitted Revolving Credit Line

Client: Global Bank Corporation S.A.

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

TOTAL AMOUNT: USD 30 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Lines

Client: Multibank Inc.

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

TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Lines

Client: BBVA Panama S.A.

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

TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

325
USD million

Total approvals in
Panama during 2013

■ **Uncommitted Revolving Credit Line**

Client: Credicorp Bank S.A.

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

TOTAL AMOUNT: USD 10 MILLION | **TERM:** VARIOUS

■ **Uncommitted Revolving Credit Line**

Client: Banco Delta S.A.

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

TOTAL AMOUNT: USD 2 MILLION | **TERM:** VARIOUS

■ **Uncommitted Revolving Credit Line**

Client: Soluciones de Microfinanzas S.A.

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

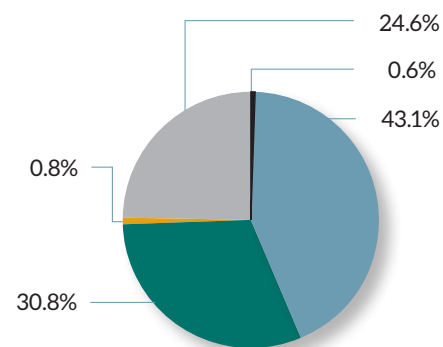
TOTAL AMOUNT: USD 0.75 MILLION | **TERM:** VARIOUS

■ **Other Operations with Cooperation Resources**

Client: Several clients

TOTAL AMOUNT: USD 2.1 MILLION | **TERM:** VARIOUS

2013 Approvals by Strategic Area



- Economic Infrastructure
- Social and Environmental Development
- Financial Systems and Capital Markets
- Competitiveness, Productive Sector, and MSMEs
- Governance and Social Capital

Other Contributions to the Sustainable Development of Panama



Infrastructure

- » Carry out basic studies of Line 2 of Panama's Metro.

Social Development

- » Presentation of the book "Universal Access to Water and Sanitation. Equality and Social Inclusion in Latin America."
- » Support to the Heroes por Panama (Heroes for Panama) Program, through which foundations that contribute to social and sustainable development, especially in vulnerable indigenous areas, as well as rural and urban periphery areas, receive funds to increase the number of members benefitted by projects.
- » Technical Consultancy to strengthen the National Aqueducts and Sewages Institute (IDAAN, for its acronym in Spanish).

Social Sustainability

- » Support for the Professional Qualification Program CREER, in alliance with Odebrecht, seeking to reduce the social exclusion of low-income youths through training in construction to facilitate their labor insertion, benefiting approximately 2,000 people.

- » Support for the SOMOS Program, Sports Network for the Development of Latin America, whose purpose is to promote sports as a right and effective instrument for the development and social inclusion of children and youths.

Environment

- » Support for the Panama Canal Authority (ACP, for its acronym in Spanish) for the Ruta Verde del Canal de Panama (Green Route of the Panama Canal) strategy, a project whose objective is to reduce greenhouse gases and promote proper environmental management.
- » Cooperation with Panama's Bio-museum, designed by renowned architect Frank Gehry. The museum is a space for the dissemination of the country's biodiversity.
- » Through the Ministry of Health, support for the construction of the urban mangrove park in the Panama Bay, dedicated to education, research, and social participation for the comprehension and conservation of the resources associated to the mangrove.
- » Contribution to Panama's Environmental Authority to strengthen their Project Unit, in charge of executing Investment Programs for the Restoration of Panama's River Basins.

Governance

- » Strengthening of the Governance and Political Management Program, carried out together with the University of Panama since 2010, in alliance with the George Washington University. In 2013, the number of people trained by the program reached 114.
- » Support for the Leadership for Change Program, carried out for the first time in alliance with the Catholic University of Santa Maria la Antigua (USMA, for its acronym in Spanish), which executes the lines of action to strengthen the countries' governance through the training of natural leaders in civil and democratic values, as well as the country's vision and its value system.
- » Implementation of the Prameg Program in the Municipality of Penonome, to coordinate the actions of projects related to the generation of knowledge and institutional strengthening.

Competitiveness

- » Support to the Chamber of Commerce, Industry, and Agriculture, to define its long-term vision as well as Panama's entrepreneurial competitiveness and productive transformation plan in the pilot region of Chiriqui, with the prospect of extending it to the provinces of Colon and Coclé.



Support for the construction of the Panama Metro

2.1
 USD million
 Granted by CAF
 to Panama in
 cooperation funds.

- » Support for the Latin American Entrepreneurial Forum, organized by the Latin American Entrepreneurial Council, prior to the XXIII Iberian-American Summit of Heads of State and Government.
- » Contribution to the VII Competitiveness Forum of the Americas, where leaders of the public and private sector converge and promote initiatives to improve competitiveness in the markets.
- » Cooperation for the development of the VIII Competitiveness Forum carried out by the National Competitiveness Center. A discussion, analysis, and consensus-building forum between the public and private sectors of Panama in order to identify the obstacles that limit the country's competitiveness and suggests actions and work plans in order to overcome them.
- » Cooperation with the 2013 Expocomer, event which was held as a result of Panama's entry to ALADI, held by the ALADI-Expocomer International Forum, where business opportunities were promoted between participating countries.
- » Support the 2013 Workshop for the Development of Projects to Promote Evaluability Assessment, which included the presence of employees from the different organizations that execute programs and projects financed by CAF.
- » Through the presentation "Entrepreneurial Activities in Latin America from Subsistence Towards Productive Transformation", of the Economy and Development Report (RED, for its Spanish acronym), the Technologic University of Panama and AMPYME at a public level, and the Santa Maria la Antigua University and Ciudad del Saber at a private level, promoted the organizational and presentation commitment.
- » Contribution to the Maritime Chamber in the research for the development of the Maritime Arbitration School of Panama, in order to promote maritime conciliation and arbitration as an alternative mechanism to resolve controversy and conflicts that may result due to unsuccessful contracting in the maritime-port and logistics industry.
- » Organization of the visit to Panama: Ten Public Institutions and 5 Private Institutions from the Technical Professional Education and Training Project in Latin America with the Korea EximBank, carried out by Consultants from the Korea Institute for Development Strategy (KDS), in order to promote technical education as a driver for the generation of entrepreneurial innovation and productivity improvement.

PARAGUAY

During 2013, CAF approved operations in Paraguay for USD 431 million, of which 81 percent (USD 347 million) of the total amount corresponded to sovereign risk operations, and 19 percent (USD 84 million) to non-sovereign risk operations.

Regarding sovereign risk operations, CAF provided technical and financial support to the electricity and road sectors, as well as financial support directly to the National Treasury. In the electricity sector, the Project for the Construction of the 500 kV Yacyreta-Villa Hayes Line was approved, for USD 50 million, which corresponds to a more important program co-financed with the Inter-American Development Bank and the European Investment Bank. This approval offers continuity to CAF's financing for the Program in Support of the Transmission and Distribution Network of the National Interconnected System, currently under execution. In the road sector, the Program for the Improvement of Integration Corridors and Road Reconstruction was approved, for USD 222 million, which will help finance regional integration with Bolivia, Brazil, and Argentina, a vital aspect for the productive development of the country. The approval of this amount sets a record in the country as it is the first time that

an international organization approves an amount of this magnitude for just one project of the Ministry of Public Works and Communications. Finally, with respect to financial matters, a USD 75 million programmatic loan was approved to support the Economic and Social Strategic Plan.

With respect to the non-sovereign risk activity, CAF approved a total of USD 70 million in credit lines in favor of four banks in the country in order to support the Paraguayan financial system, by providing medium-term resources to promote the productive investments of their clients in sectors that revitalize the country's economy. At the same time, during 2013, three operations were approved to financial institutions that support micro and small-sized Paraguayan enterprises for a total of USD 13 million. In addition, at a corporate level, diverse facilities are being evaluated in the agro-industrial, logistic, and port sectors in order to promote investment and the productive and industrial development of the country.

Paraguay
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	431	882
Sovereign risk	347	582
Non-sovereign risk	84	300
Disbursements	73	218
Sovereign risk	5	99
Non-sovereign risk	68	118
Portfolio	190	
Sovereign risk	82	
Non-sovereign risk	108	

Approvals in Paraguay

■ Program for the Improvement of Integration Corridors and Road Reconstruction

Client: Republic of Paraguay / **Executor:** Ministry of Public Works and Communications

Objective: Optimize traffic flows in the national and departmental road networks in three bordering departments of Paraguay. The program seeks to contribute to the development of an efficient productive integration between the different regions of the country, and between Paraguay and its neighboring countries. In this way, the transportation of goods in the productive departmental, regional, and international corridors will be facilitated, and Paraguay's competitiveness will improve.

TOTAL AMOUNT: USD 222.1 MILLION | TERM: 15 YEARS

■ Programmatic Loan in Support of the Strategic, Economic, and Social Plan

Client: Republic of Paraguay / **Executor:** Ministry of Finance

Objective: Strengthen the monitoring of the Government's macroeconomic and financial management, improve the planning process, and support the decentralization of the public sector.

TOTAL AMOUNT: USD 75 MILLION | TERM: 12 YEARS

■ Project for the Construction of the 500 kV Yacyreta-Villa Hayes Line

Client/ Executor: Administracion Nacional de Electricidad ANDE

Objective: Improve the competitiveness of the productive sector, and the quality of life of Paraguay's population through an increase in the security of supply and the efficient use of the available renewable electricity generation. The project consists of the installation of 362.85 kilometers of 500 kV power lines between Yacyreta and Villa Hayes.

TOTAL AMOUNT: USD 50 MILLION | TERM: 15 YEARS

■ Uncommitted Revolving Credit Line

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

Objective: Financing activities that support micro, small, and medium-sized Paraguayan enterprises.

TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Lines

Client: Banco Itau Paraguay, S.A.

Objective: Finance the different projects and investments that support the development of SMEs, as well as consumption.

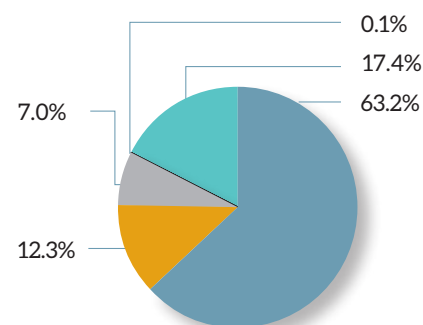
TOTAL AMOUNT: USD 20 MILLION | TERM: VARIOUS

431

USD million

Total approvals in
Paraguay during 2013

2013 Approvals by Strategic Area



■ Uncommitted Revolving Credit Line

Client: BBVA Paraguay, S.A.

Objective: Support the BBVA Paraguay in its strategy aimed at granting commercial credits to companies linked to the agricultural and livestock sector.

TOTAL AMOUNT: USD 15 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

Objective: Promote economic development by facilitating investments, financing, and credit lines that may be obtained in the country or abroad.

TOTAL AMOUNT: USD 15 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

Objective: Financing micro, small, and medium-sized Paraguayan enterprises.

TOTAL AMOUNT: USD 8 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco AMAMBAY S.A.

Objective: Financing micro, small, and medium-sized Paraguayan enterprises.

TOTAL AMOUNT: USD 3 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: International Financing Group S.A.E.C.A. - INTERFISA Financiera

Objective: Support the activities of INTERFISA, a micro-financing institution characterized by a high social impact on its clients.

TOTAL AMOUNT: USD 2 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 0.5 MILLION | TERM: VARIOUS

Other Contributions to the Sustainable Development of Paraguay



Infrastructure

- » Financing of studies for the development of the Executive Project for the Rehabilitation and Maintenance Work of Paraguay's National Route number 9, which goes from the city of Asunción to the border with Bolivia (761.6 km), including the accesses to Puerto Falcon and Colonias Loma Plata, Neuland, and Filadelfia. The operation was executed in two phases: the result of the first stage (Executive Project and Bidding Documentation) is part of the Program for the Improvement of Integration Corridors and Road Reconstruction. The second stage is the development of the Executive Project and Bidding Documentation of the other tranches of Route 9, and the maintenance of all the tranches financed by CAF.



Support elementary education

USD
520,000

Granted by CAF
to Paraguay in
cooperation funds.

Social Development

- » Support the design of a rehabilitation center for children and youths with drug addiction problems. It is estimated that the complex will have a capacity to provide services to a maximum of 50 children. The National Secretariat of Childhood and Adolescence has a piece of land of 15 hectares in the city of San Lorenzo, where it is expected that the building will be constructed.
- » Promote the water and sanitation sector by supporting the government to attend the workshop on Comprehensive Water Management in Bolivia. This operation financed the attendance of two staff members of the Government of Paraguay to the event in order to exchange experiences that allow for the cooperation in the development of Paraguay's Water and Sanitation Investment Plan.
- » Support the consolidation of community centers of the ALDA Foundation through the development of a manual that gathers and organizes the intervention methodology of the organization in order to copy the socio-educational experience of rural and low-income children in public schools. To this effect, research will be carried out regarding the impact of the ALDA Educa Escuela Program in 12 teaching centers in Paraguay.
- » Financing for the construction of a multimedia library in the Escuela Popular El Cantaro. The El Cantaro Foundation is a non-profit organization which, through the Bioescuela Popular Project works with youth, children, and adults in the use of art as a socialization tool. Each year, through a series of popular and free workshops, it provides services to 500 beneficiaries.

PERU

During 2013, CAF approved and renewed operations in favor of Peru for a total of USD 2.6 billion, of which 38 percent (USD 1.0 billion) corresponded to sovereign risk operations, and 62 percent (USD 1.6 billion) to non-sovereign risk operations.

Regarding sovereign risk operations, the approval of the third stage of the Chavimochic Irrigation Project, for USD 304 million, stands out. This project is aimed at the construction of the hydraulic infrastructure necessary to incorporate 63,000 hectares of new lands to the agro-industry, improve irrigation in 47,000 hectares, and provide drinking water and electric energy to the population of the valley of Chicama. In addition, two lines of contingent credit were renewed for the Republic of Peru, for a total of USD 700 million. The first one is aimed at covering the country's financing needs in the face of possible adverse natural phenomena, while the second one is aimed at providing immediate liquidity if the country faces difficulties in accessing competitive financing in international markets.

At the same time, among non-sovereign risk operation which are aimed at contributing with high social and productive impact initiatives, the partial credit guarantee for the construction of a thermo-electrical cold power generation reserve plant in Eten stands out. The approval of a bridge loan for USD 135 million for CONTUGAS to expand the use of natural gas in the Department of Ica also stands out. Five corporate and nine financial credit lines were also approved, for a total of USD 1.4 billion among which the one granted to the Financial Development Corporation (COFIDE, for its acronym in Spanish) stands out. This is a public entity dependent on the Ministry of Economy and Finance of Peru, complementing the tasks of the private financial sector, the export sector, and the micro and small enterprise.



Peru
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	2,644	10,558
Sovereign risk	1,004	3,976
Non-sovereign risk	1,641	6,582
Disbursements	1,403	6,468
Sovereign risk	52	1,487
Non-sovereign risk	1,351	4,981
Portfolio	2,493	
Sovereign risk	1,816	
Non-sovereign risk	677	

Approvals in Peru

2.6
USD billion

Total approvals in Peru
during 2013

■ Chavimochic Project, Third Stage

Client: Republic of Peru / **Executor:** Regional Government of La Libertad

Objective: The development of the Chavimochic Project is based on the diversion of part of the flow of the Santa River to irrigate new lands and improve the irrigation in the valleys and inter-valleys of Chao, Viru, Moche, and Chicama in the Department of La Libertad in the north coast of Peru. This third stage will provide continuity to the consolidation of the irrigation system, the construction of major hydraulic works that regulate the flow of water to guide it to agricultural lands throughout the year, in addition to strengthening the supply of water for human consumption, and for the generation of electric energy. Another objective of the project is to strengthen the entrepreneurial, financial, and commercial capacity of the agro-industrial sector, to benefit close to 15,000 farmers in the medium term, and generate approximately 150,000 jobs.

TOTAL AMOUNT: USD 303.8 MILLION | TERM: 12 YEARS

■ Contingent Credit Line

Client: Republic of Peru / **Executor:** Ministry of Economy and Finance

Objective: Support the management strategy of the public debt with a preventive financing instrument that provides financial resources to the country if it does not have competitive access to international capital markets.

TOTAL AMOUNT: USD 400 MILLION | TERM: VARIOUS

■ Contingent Credit Lines to Address Disasters Resulting from Natural Phenomena

Client: Republic of Peru / **Executor:** Ministry of Economy and Finance

Objective: Timely provision of resources for the prevention, rehabilitation, and reconstruction of possible losses of physical, natural, and social capital in any part of the national territory due to emergencies resulting from natural phenomena. If necessary, Peru will be able to have immediate access to resources for the primary provision of services to victims, rehabilitation of critical public services, reconstruction of works, and purchase of medications, equipment, and instruments deemed necessary.

TOTAL AMOUNT: USD 300 MILLION | TERM: 12 YEARS

■ Bridge Loan

Client: CONTUGAS S.A.C.

Objective: CONTUGAS has the concession of the natural gas distribution system by duct networks in the Department of Ica. The project consists of designing, constructing, operating, maintaining, and commercially exploiting the natural gas distribution system to enable the expansion of its use with an important social and economic impact on the area of influence.

TOTAL AMOUNT: USD 135 MILLION | PLAZO: 6 YEAR

■ Corporate Loan

Client: Generadora de Energía del Peru S.A.

Objective: Increase access to renewable energy in Peru.

TOTAL AMOUNT: USD 45.05 MILLION | TERM: 15 YEARS

■ Corporate Loan

Client: Langui S.A. Hydroelectric Plant

Objective: Expand the matrix of suppliers of clean energy, and generate positive impacts as sources of employment generation in the Province of Canchis, Department of Cusco.

TOTAL AMOUNT: USD 4.5 MILLION | TERM: 13 YEARS

■ Subordinated Loan

Client: Abengoa Transmision Sur S.A.

Objective: Finance the construction of transmission lines and substations, as well as the acquisition of equipment for their construction.

TOTAL AMOUNT: USD 23 MILLION | TERM: 12 YEARS

■ Partial Credit Guarantee

Client: Eten S.A. Cold Power Generation Reserve Plant

Objective: This project, located in the city of Eten in the Region of Lambayeque, requires the construction and operation of a thermo-electrical energy generation plant and a transmission line to act as a cold reserve for the National Interconnected System, in order to ensure the availability of power and energy, increase the electricity supply according to the economic growth of the country, and generate the capacity to operate in emergency situations at lower costs.

TOTAL AMOUNT: USD 50 MILLION | TERM: 20 YEARS

■ Uncommitted Revolving Credit Line

Client: Petroleos del Peru S.A. - PETROPERU

Objective: PETROPERU is the main national, state-owned oil company. The objective of the credit line is to finance foreign trade operations and working capital, including import documentary credits.

TOTAL AMOUNT: USD 75 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: GyM S.A. and subsidiaries

Objective: Issue guarantee letters to safeguard the liabilities of GyM S.A. and its subsidiaries, and grant bridge loans for the early start of projects.

TOTAL AMOUNT: USD 75 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Refineria La Pampilla S.A.A.

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Tecnologica de Alimentos S.A. - TASA

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Mota Engil Peru S.A. y subsidiarias

Objective: Issue guarantee letters to safeguard the liabilities of the company and its subsidiaries.

TOTAL AMOUNT: USD 25 MILLION | TERM: VARIOUS

■ Revolving Line of Credit not Committed

Client: Corporacion Financiera de Desarrollo S.A. - COFIDE

Objective: Grant loans, endorsements, rotating facilities for short term operations, as well as partial guarantees to secure the payment of medium and long-term loans.

TOTAL AMOUNT: USD 350 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco de Credito del Peru S.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: BBVA Banco Continental S.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Scotiabank Peru S.A.A.

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

TOTAL AMOUNT: USD 200 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

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

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

TOTAL AMOUNT: USD 75 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Interamericano de Finanzas S.A. - BANBIF

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Financiera EDYFICAR S.A.

Objective: Finance investment projects and working capital for the development of small and microenterprises in Peru.

TOTAL AMOUNT: USD 15 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Caja Municipal de Ahorro y Crédito Arequipa S.A.

Objective: Finance investment projects and working capital for the development of small and microenterprises in Peru.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Financiera Confianza S.A.A.

Objective: Finance investment projects and working capital for the development of small and microenterprises in Peru.

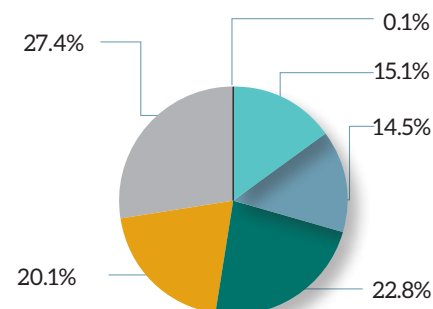
TOTAL AMOUNT: USD 6 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 2 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



Other Contributions to the Sustainable Development of Peru



Infrastructure

- » Support the Catholic University of Peru (PUCP, for its acronym in Spanish) for the “III Meeting on Sustainable Urban Mobility. A Dialogue between Europe and Latin America”, a place to discuss and analyze aspects linked to mobility.
- » Diagnosis of the northern border in Peru and southern border in Ecuador. CAF supported SUNAT in Peru and SENAE in Ecuador to prepare a comprehensive study regarding the border situation in the departments of Tumbes and Piura in Peru, and the provinces of El Oro and Loja in Ecuador.
- » Support the Housing Inter-American Union (UNIAPRAVI, for its acronym in Spanish) in the “IV Inter-American Forum on City and Housing Financing”, in the framework of CAF’s program Ciudades con Futuro (Cities with a Future), with the purpose of addressing housing solutions from a comprehensive perspective.

Social Sustainability

- » Support the Government in the development and execution of a strategy to reduce rural poverty in Peru’s mountains, through the design and execution of incentive schemes based on results.
- » Support the SOMOS program “Un gol para la vida” (A goal for life), which is part of an agreement between CAF and the Odebrecht Association, which seeks to promote the practice of sports among school-aged children as a prevention and social inclusion mechanism in the Lima districts of San Juan de Miraflores, San Juan de Lurigancho, Los Olivos and San Martín de Porres, as well as the districts of San Felipe and Pomahuaca in Cajamarca, and Cañaris and Santo Domingo de Olmos in Lambayeque.
- » Development of training workshops in charge of the Cuarteto Libertadores de Venezuela (Liberators of Venezuela Quartet), for the benefit of children and youth in the hearts of Lima and Huaraz, which are a part of the Music to Grow project, in coordination with Sinfonía por el Perú (Symphony for Peru), an association founded by Peruvian tenor Juan Diego Florez.



Development of the *Rutas* Community Tourism Program

2
USD million

Granted by CAF to Peru
in cooperation funds.

Competitiveness

- » Start of projects to implement best practices in corporate governance in Agrobanco and EsSalud. These interventions will help define a governance model for these state-owned companies.
- » Support for the Superintendence of the Stock Market in Peru to update and issue the Code of Corporate Governance for Peruvian Companies. This instrument promotes investor trust and strengthens the corporate governance culture in Peru.
- » Project “Corporate Governance for Companies of the Peruvian Market”, aimed at promoting the Corporate Governance culture and access of medium-sized companies to the stock market.
- » Contribution to the Regional Government of Arequipa to facilitate a process to develop dynamic competitive advantages in the region through coordinated work between the local and national governments, as well

as with the local actors of the public and private sectors in the metallurgical area as well as in textiles worked with alpaca fiber.

- » Support the “Study of the artisanal fishing resource of the southern coast of Peru”, and the project “Fair and Ethical Trade System in the Peruvian cluster of Textile and Textile manufacturing sector”, through the Italian Cooperation Fund.
- » Support the Ministry of Production in Peru for the design of the “Start-up Peru” program which seeks to boost dynamic entrepreneurial activities in order to achieve a high level of entrepreneurial development based on innovation and the use of technologies. At the same time, the design of a national entrepreneurial policy was structured to define a comprehensive strategy for the development of initiatives aimed at overcoming the restrictions that impact on the different stages of the entrepreneurial process.

SMEs and Micro-financing

- » Support the municipal savings and loans associations (through the Peruvian Federation of Municipal Associations – FEPCMAC, for its acronym in Spanish), for the development of savings products aimed at low income populations, with a special emphasis on youth micro-savings.
- » Encourage the Consortium of Organizations to Promote the Development of Micro and Small Enterprises (COPEME, for its acronym in Spanish), to develop quarterly reports regarding the performance of the micro-financing sector.
- » Contribute to the development of the law and regulatory framework regarding electronic money, a Project that has a high impact on the levels of financial inclusion within the Peruvian population.
- » Jointly with the Association of Micro-Financing Institutions (ASOMIF, for its acronym in Spanish), and the Federation of Municipal Associations (FEPMAC, for its acronym in Spanish), an event was sponsored to disseminate the norm regarding exchange coverage so that the entities of the sector may be aware of the way in which the available coverage mechanisms work and may mitigate the exchange risk.

URUGUAY

During 2013, CAF approved operations in favor of Uruguay for a total of USD 586 million, of which 95 percent (USD 558 million) corresponded to sovereign risk operations, and 5 percent (USD 28 million) to non-sovereign risk operations, aimed at contributing with high social and productive impact initiatives in the country.

Among the approvals of the year, one significantly stands out: the USD 82.6 million operation aimed at supporting Gas Sayago in order to carry out dredging works in the area where a regasification plant will be located, as well as the installation of a gas pipe that will allow the connection of the plant to the already existing national network. The construction of the regasification plant will contribute to expand the supply of energy available in the country, improve the use of energy in terms of the environment, and reduce generation costs. In addition, this new work will increase the opportunities for the commercial and energy integration of Uruguay with other countries of the region, as it will interconnect the new gas pipe with an already existing network in the region.

It is also important to highlight the approval of USD 75 million to the National Development Corporation (CND, for its acronym in Spanish) to carry out the second stage of the Public Investment Program for Road Infrastructure. The execution

of this program will allow the improvement of the current conditions of some of the country's routes, which will result in the reduction of the transportation time of goods between the main populated areas, as well as the improvement of mobility conditions in public and private transportation. This operation is strengthened by the financing of three important studies for the future development of the sector, the technical evaluation of Uruguay's road networks, the development of a new pavement design methodology, and the survey of the road network from the point of view of road safety.

In addition, the contingent credit line for USD 400 million to the Republic was renewed, aimed at providing extraordinary support to the country if it finds access difficulties to competitive international markets.

With respect to non-sovereign risk approvals, two credit lines were granted to Cereoil and Teyma, for a total of USD 27 million, aimed at promoting the country's productive sector.



Uruguay
2013 figures
(in millions of USD)

	2013	2009-2013
Approvals	586	2,672
Sovereign risk	558	2,603
Non-sovereign risk	28	70
Disbursements	108	642
Sovereign risk	55	587
Non-sovereign risk	53	55
Portfolio	379	
Sovereign risk	344	
Non-sovereign risk	35	

Approvals in Uruguay

■ Dredging and Gas Pipe Project in Punta Sayago

Client/ Executor: Gas Sayago S.A.

Objective: Support for the infrastructure development works of the Uruguayan coastline. The project consists of dredging to open the navigation canal to be able to maneuver ships to and from the access canal to the area where the future facilities of the regasification terminal will be located in Puntas de Sayago, near Montevideo, as well as the construction of a gas pipe.

TOTAL AMOUNT: USD 82,6 MILLION | TERM: 10 YEARS

■ Program for Public Investment in Road Infrastructure II

Client: National Development Corporation / **Executor:** Corporacion Vial del Uruguay S.A. (Road Corporation of Uruguay)

Objective: Contribute to road trafficability and safety of important export road corridors in order to reduce logistic costs in transportation and improve the country's competitiveness. In summary, it hopes to improve existing standards in some tranches regarding the already existing road circulation and safety conditions, reduce logistic costs in the transportation of passengers and cargo, and continue the rehabilitation and improvement schedule carried out by the Government.

TOTAL AMOUNT: USD 75 MILLION | TERM: 15 YEARS

■ Contingent Line of Credit

Client: Oriental Republic of Uruguay / **Executor:** Ministry of Economy and Finance

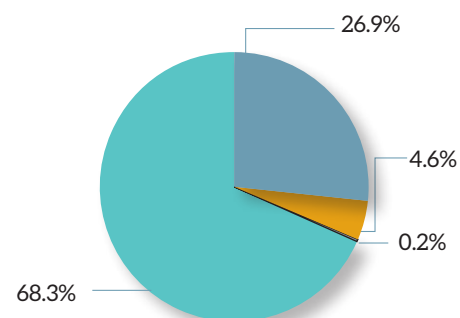
Objective: Support the public debt management strategy through a preventive financial instrument that provides financial resources to the country if it does not have competitive access to international capital markets.

TOTAL AMOUNT: USD 400 MILLION | TERM: VARIOUS

586
USD million

Total approvals in
Uruguay during 2013

2013 Approvals by Strategic Area



Macroeconomic Stability and Structural Reforms

Economic Infrastructure

Competitiveness, Productive Sector, and MSMEs

Governance and Social Capital

■ Uncommitted Revolving Credit Line

Client: Cereoil Uruguay S.A.

Objective: Provide more support to Uruguay's agro-industrial activity through local and international banks while supporting production growth and exports of the main Uruguayan companies in the agro-food sector.

TOTAL AMOUNT: USD 15 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Teyma Uruguay S.A.

Objective: Promote environmental and sustainability best practices within the private sector through TEYMA, the key actor in the implementation of innovative solutions for sustainable development.

TOTAL AMOUNT: USD 12 MILLION | TERM: VARIOUS

■ Other operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 1 MILLION | TERM: VARIOUS

Other Contributions to the Sustainable Development of Uruguay



Logistics

- » Support the National Postal Office Administration in the development of studies for the construction of two new plants where their correspondence, parcels, and international packages operations will be moved.

Governance

- » Contribution to the Uruguayan Agency for International Cooperation in order to support the Office of the Presidency of the Republic in building the capacities and tools necessary to address the challenges faced by the country with respect to the development and compliance of State policies, and the coordination of projects that are of strategic interest to the country.
- » Support the project “Research and Training in the Regulation of Public Operators in Uruguay, Phase I”, through which the Regulating Unit of Energy and Water Services (URSEA, for its Spanish acronym), with the cooperation of the University of the Republic, will disseminate knowledge regarding the regulation of public service providers, in a balance that will help the regulatory organizations accomplish their objectives adequately.

Public Policies

- » A Public Policy Discussion Cycle was organized jointly with the ORT University of Uruguay that was divided into four conferences (energy, transportation, logistics, and agro-business), in which an environment of dissemination and exchange was created regarding the priorities guiding public policies aimed at Uruguay’s sustainable development. The objective was to identify CAF’s intervention strategies for the next few years
- » Execution of the “Uruguay +25” project, coordinated by the ASTUR Foundation. The project included the participation of other multi-lateral organizations in the country, and consisted in carrying out a process where the policy proposals to design a long-term agenda for Uruguay were analyzed, debated, and identified.
- » Development of a multidimensional study of Uruguay, based on the methodologies developed by the OECD and ECLAC, which will serve as an input for the design of public policies aimed at promoting the country’s comprehensive development.



Advisory services for the implementation of new practices of community entrepreneurial management

1.03
USD million

Granted by CAF
to Uruguay in
cooperation funds.

Competitiveness

- » Support the Technological Laboratory of Uruguay (LATU, for its Spanish acronym), in a pilot proposal to train cadres to strengthen the support network for SMEs, and the new entrepreneurs in the northern coastline of the Uruguay River.
- » Consultancy for the application and implementation of community entrepreneurial management to the Center for the Promotion of Human Dignity (CEPRODIH, for its Spanish acronym), an organization that supports women in vulnerable conditions in Montevideo. The consultancy included the development of a business model, and the design and construction of a brand and a collection of products that will be offered by the institution through its inclusive business unit.

Education and Culture

- » Support the Central Bank of Uruguay in the preparation of a teaching guide, which will be the key to strengthen the knowledge of teachers and students of Uruguay in first instance, and eventually, of Latin America.
- » Support CINEMATECA Uruguay's 31st International Film Festival. This is the most important festival carried out in the country, and its objective is to disseminate *Cinema d'author* with artistic and creative values.
- » Sponsor the "Iberian-American Fiesta". The support was aimed at the cultural integration of different countries in Latin America, sharing culture, training, and development of young artists.
- » Support the Friends of the Solis Theater Foundation for the opening concert of the Philharmonic Orchestra Season. The concert was held in a context where Montevideo was declared Iberoamerican Capital of Culture.
- » Support to carry out the inventory and cataloging of the collections in the Pre-Columbian and Indigenous Museum of Art (MAPI, for its Spanish acronym). Cooperation was aimed at ensuring the adequate conservation, preservation, study, and dissemination of the museum's collections.

VENEZUELA

During 2013, CAF approved operations in favor of Venezuela for USD 417 million, which corresponded to sovereign risk loans and technical cooperation resources.

In the energy area, CAF deepened its support to the Venezuelan electricity sector with the approval of USD 300 million for a loan with a wide sectorial approach aimed at consolidating the transmission systems in the east and west of the country, and to improve the national distribution networks.

The loan is framed within the 2013-2019 Development Plan for the National Electricity Sector which is being executed by the National Electricity Corporation of Venezuela (Corpoelec, for its acronym in Spanish), and its main objective is to guarantee continuity, reliability, and supply of electric energy to the nation.

The program includes finishing diverse transmission works both in the eastern part of the country, specifically in the states of Sucre and Monagas, as in the western part, in the states of Lara, Zulia and Barinas, to increase the operating capacity, the reliability, and the quality of the electric service in order to improve the quality of life of the population and the levels of economic development in the areas of influence of the projects. In addition, the implementation of improvements in the distribution network will guarantee an increase in the distribution capacity, will ensure the timely response to the increasing national demand, and will make it feasible to incorporate new facilities that will increase the operating flexibility and guarantee the continuity of the electric service throughout the country.

With respect to the comprehensive management of the water cycle promoted by CAF, USD 68 million were approved for the Program for the Construction, Modernization, and Optimization of the Infrastructure for the Drinking Water Supply Systems at a National Level. The general objective of the initiative is to promote a strategy to rationalize and control the demand for drinking water through a reduction of the water loss and waste, improvement of the quality of services, and promote a sustainable use of the country's water resources. With the resources of this loan, training activities will be developed, and the necessary investments for the rehabilitation, expansion, and optimization of the drinking water and sanitation distribution networks at a national level. These interventions are expected to benefit close to 125,000 users.

Finally, USD 48 million were approved for the Project for the Optimization of the National Hydro-Meteorological Network to guarantee the collection, availability, and data analysis in order to carry out diagnoses, research, prevention, and mitigation of risks so as to support decision making in the productive sector and State organizations in charge of providing services to the population in case of adverse meteorological phenomena.

The loan resources will be aimed at financing the acquisition and installation of equipment such as hydro-meteorological stations, radars, and radiosondes; the execution of infrastructure works; the update and modernization of technological tools to consolidate and process information, as well as training the actors involved with an adequate specialized training in meteorology, hydrology, and climatology.

Venezuela

2013 figures

(in millions of USD)

	2013	2009-2013
Approvals	417	3,540
Sovereign risk	416	0
Non-sovereign risk	1	3,540
Disbursements	365	2,726
Sovereign risk	364	2,720
Non-sovereign risk	1	6
Portfolio	2,962	
Sovereign risk	2,962	
Non-sovereign risk	-	

Approvals in Venezuela

■ Program for the Consolidation of the Transmission Systems in the Eastern and Western Regions, and Improvements in the Distribution Network at a National Level.

Client: Bolivarian Republic of Venezuela / **Executor:** National Electricity Corporation - CORPOELEC

Objective: This program was approved in the framework of the execution of the 2013-2019 Development Plans for the National Electric Sector, with the intention of guaranteeing continuity, reliability, and security in the supply of electric energy. This intervention will consolidate the energy transmission system for the western area of the country (states of Lara, Zulia and Barinas), strengthen the transmission system of the Eastern region (states of Sucre and Monagas), and improve the distribution networks from 34.5 kV and 13.8 kV throughout the country. This anticipates an improvement in the quality of life of the population, as well as a greater economic development in the beneficiary states.

TOTAL AMOUNT: USD 300 MILLION | TERM: 12 YEARS

■ Construction, Modernization, and Optimization Program for the Infrastructure of the Drinking Water Supply Systems at a National Level

Client: Bolivarian Republic of Venezuela / **Executor:** Compañía Anonima Hidrológica Venezolana - Hidroven

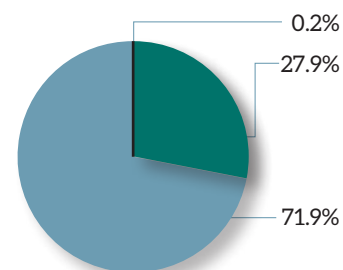
Objective: To promote strategies aimed at rationalizing and controlling the demand for drinking water, the reduction of losses, and the sustainable use of the country's water resources. This is aimed at improving coverage, quality, and the efficiency of this service, show the benefits for the populations with a limited access to drinking water, and achieve a greater satisfaction of internal, commercial, and industrial demand throughout the country.

TOTAL AMOUNT: USD 68 MILLION | TERM: 15 YEARS

417
USD million

Total approvals in
Venezuela during 2013

2013 Approvals by Strategic Area



- Economic Infrastructure
- Social and Environmental Development
- Governance and Social Capital

■ Project for the Optimization of the National Hydro Meteorological Network

Client: Bolivarian Republic of Venezuela / **Executor:** National Institute of Hydrology and Meteorology - INAMEH

Objective: Improve the decision making process of the productive sectors and State organizations in charge of providing services to the population in the event of adverse meteorological phenomena or the effects of climate change, by obtaining and making available reliable hydro-meteorological data in order to make forecasts, conduct research, and use applications related to meteorology, hydrology, and climatology in the national territory.

TOTAL AMOUNT: USD 48 MILLION | TERM: 15 YEARS

■ Other operations with Cooperation resources

Client: Several clients

TOTAL AMOUNT: USD 0.9 MILLION | TERM: VARIOUS

Other Contributions to the Sustainable Development of Venezuela



Infrastructure

- » Support for the Venezuelan Construction Chamber in its annual convention, whose central topic in its XXIV edition was “construction and maintenance of infrastructure, driver for the promotion of economic and social development in Venezuela”. The objective of this cooperation was to promote a framework of public policies for public-private participation in the development and maintenance of infrastructure in Venezuela. The event, framed within CAF’s program to promote public-private participations, included the participation of important personalities of the construction sector, in addition to representatives from construction chambers in 17 countries of Latin America.
- » In order to contribute with the definition of a strategy, action plan, and sustainable mobility guidelines for the Metropolitan Area of Caracas, CAF approved a technical assistance for C.A. Metro de Caracas. This assistance was designed to support the efforts of the company’s planning management to introduce improvements in the planning processes in order to optimize the development of the projects anticipated in the expansion plan of its surface and underground

mass transportation network. In addition, through roundtables, seminars, and workshops between the network of CAF’s mobility experts and local actors, discussion spaces were generated to review the transportation projects currently under development, and new proposals were elaborated in the sphere of mobility public policies to optimize some components of the multimodal network in the metropolitan territory.

Social Development

- » Support for the international education movement Fe y Alegría (Faith and Happiness) in the Project to develop a Cultural Center in Petare to support the transformation of a disadvantaged sector of Caracas through culture. It is a pilot urban transformation program which could be copied and adapted in other communities. The cooperation included, among other components, the development of studies and the design of interventions in elementary schools, support for a module of the National System of Youth and Children’s Orchestras of Venezuela, classes for young entrepreneurs, training in trades for employment generation, and workshops about opportunities for the use of free time for young students.

Governance

- » The Governance and Political Management Program carried out its XI version in Venezuela, with the participation of 139 individuals. Participants included public authorities and employees, and people linked to decentralization work and local development. All of them were instructed on the importance of recognizing and consolidating a comprehensive and strategic vision of political, economic, and social management, with effective leadership and community participation.
- » The Leadership for Change Program, whose objective is to identify, select, and train leaders with respect to country vision and civic-democratic values so they can exercise leadership with responsibility and knowledge, was adapted from 2007 to the national context in Venezuela. The Program carried out its VII edition with a total of 656 participants of different spheres of society and the private and public sectors, who shared the need to strengthen their capacity to exercise leadership.
- » The Lidera Program is an initiative for the training of young people on leadership issues. Its objective is to create networks of young people between the ages of 18 and 30, who seek to strengthen Venezuelan institutions. In 2013, 200 participants received useful tools and knowledge to strengthen their leadership skills.



SOMOS: Sports Network for the Development of Latin America

0.9
USD million

Granted by CAF to Venezuela in cooperation funds.

Productive Transformation

- » Contribute to the Productive Strengthening of the Association of Aromatic Coffees of Venezuela for the development of the local capacities of small producers organized to provide high quality roasted and ground coffee to supermarket chains at a national level. A training program was provided regarding agro-industrial practices, biological controls were implemented for plagues and diseases, and external consultancies were hired to create a traceable system of harvest batches for the codification of brands, as well as for the positioning and distribution of the coffee.
- » Support for the Ideas Foundation in the generation of financial products aimed at the development of entrepreneurial activities in the country through the design of a seed capital fund which would serve as a base for the creation of a fund for innovation projects in their early stages. In addition, the second edition of the CAF Award for Entrepreneurial Innovation was granted.

SMEs and Microfinances

- » Sponsor the first edition of Contacto Venezuela, organized by the Universidad Catolica Andres Bello (UCAB) in the framework of the 60th anniversary of the Institution. The event, which included the participation of 85 organizations of all the sectors, was an innovating space used to increase cooperation and entrepreneurial networks, promote the opening of new markets, share entrepreneurial experiences to understand the evolution of the market, and facilitate contact between clients and suppliers.

OTHER SHAREHOLDER COUNTRIES

Chile, Costa Rica, Spain, Mexico, Portugal, other actions in Europe, Dominican Republic, and Trinidad and Tobago.

Chile

In 2013, CAF's presence in Chile increased with the approval of two capital investments in funds focused on sectors that are considered priority for the national economy. On the one hand, an investment was approved in the Aurus Ventures III fund which will direct its investments toward the copper industry, the main Chilean export, as well as the comprehensive service of the mining industry. On the other hand, in order to promote the economy's diversification process and support the sectors that are in an accelerated growth process, the investment in the Fondo Victus I was approved, which will direct its investments toward the agricultural, livestock, and agro-industrial sectors.

With respect to corporate government, CAF sponsored and participated in the Chile 2013 Director's College, an event seeking to strengthen the development of

management training programs, which presented the advances regarding this matter that CAF is promoting in the region.

In addition, in the area of border integration, technical assistance resources were provided for the project "United Borders in Defense of a Healthy Environment", aiming to partially finance a Chile/Peru consensus project that contributes to the cross-border integration of the cities of Tacna and Arica with a special emphasis on the defense and care of the environment.

Finally, to cooperate in the achievement of the national objective of diversifying the Chilean energy matrix, support was provided to the Center for Renewable Energies of the Ministry of Finance for the maturity of its project portfolio and the development of a financing manual.

Costa Rica

Throughout 2013, Costa Rica advanced in the execution of the Investment Program in the Atlantic Corridor, which consists of the construction, rehabilitation, and improvement of several roads that will allow for the improvement of the country's road integration with Nicaragua.

In the micro-financing sector, the credit line for Banco Improsa was renewed, aimed at providing services for national small and medium-sized enterprises, *empresas nacionales*.



2013 figures
for other
shareholder
countries
(in millions of USD)

	2013	2009-2013
Approvals	1,274	3,879
Sovereign risk	633	1,013
Non-sovereign risk	641	2,866
Disbursements	618	1,719
Sovereign risk	122	211
Non-sovereign risk	497	1,509
Portfolio	941	
Sovereign risk	249	
Non-sovereign risk	692	

In 2013, CAF opened an office in Mexico D.F. to support the country's development

Spain

CAF's presence in Spain has increased exponentially. Not only has the portfolio increased in this country, but the Institution's entry into the public, private, and academic sphere has been noteworthy.

The relationship with the Government of Spain has consolidated. It is important to highlight the approval of a credit line to the Instituto de Credito Oficial (ICO, for its acronym in Spanish) (Official Credit Institute) for USD 300 million to facilitate access to financing and guarantees for Spanish SMEs that have internationalized in Latin America. This operation is a milestone, as it is the first sovereign loan granted to Spain.

In the corporate and financial area, a credit line to Isolux Corsan was expanded, reaching USD 100 million, and a credit line for USD 50 million was granted to Caixabank; this credit line will serve for the issuance of endorsements and guarantees in the Iberian-American region, and for the bank's working capital. In addition, the participation in investment and risk capital funds is being evaluated for operations in Spain as well as in Latin America, with a focus on technology, innovation, entrepreneurship, and internationalization.

CAF has relationships with numerous relevant institutions and organizations in the country. In this regard, a series of institutional visits to the different Spanish autonomous communities were initiated to get to know the reality of the regions. Thus, in 2013, Galicia, the Basque Country, and Andalucía were visited. In the framework of this activity, meetings were conducted with the Government's authorities (Presidents, Councilors, and Mayors), with the Presidents of the most relevant universities, and with entrepreneurial associations (Chambers of Commerce and Entrepreneurial Confederations).

In this same line, CAF actively participated in seminars and conferences about multilateral organizations, organized with regional internationalization agencies such as the Instituto Valenciano de la Exportación (IVEX) (Export Institute of Valencia), Instituto Gallego de Promoción Económica (IGAPE) (Economic Promotion Institute of Galicia), Instituto de Promoción Exterior de Castilla-La Mancha (IPEX) (Foreign Promotion Institute of Castilla-La Mancha), the Basque Agency for Entrepreneurial Development (SPRI), Agencia Andaluza de Promoción Exterior (EXTENDA) (Foreign Promotion Institute of Andalucía), and the Madrid Chamber of Commerce.

In Spain, CAF is currently considered a very relevant actor for the development of Latin America. For this reason, it has been invited to be a part of the renowned organizations that promote Iberian-American relationships. In addition to being a part of the Board of Trustees in the Fundación Euroamérica and the Stock Market Iberian-American Institute, the Institution was incorporated to the High Board of Trustees of the Casa de las Américas, and the Fundación Iberoamericana Empresarial (Iberian-American Entrepreneurial Foundation). Likewise, CAF is a member of the IE Business Leadership Forum, which brings together high managers of important multinational and Spanish enterprises.

CAF maintains close cooperation with the Secretaría General Iberoamericana (SEGIB) (Iberian-American General Secretariat), and sponsored several of its programs. Among them, it is noteworthy to mention the Economists' Meeting in Santander, for its quality and importance. The sixth edition took place in 2013. An important international seminar was carried

out with the Universidad de Alcala, as a result of the cooperation agreement in the framework of CAF's commitment with the generation and dissemination of knowledge regarding topics of interest for Latin America. In this respect, CAF also cooperated with the IE Business School, and with think tanks such as ESADE Geo, Fride, and Real Instituto Elcano.

The expansion of CAF's image was reinforced as a result of the strategic alliance with the Vocento communication group and the sponsorship of a series of work days which, under the title "Futuro en Español" (Future in Spanish), promoted the relationship between Spain and Latin America in sectors of interest for Iberian-American enterprises.

Mexico

The year 2013 was one in which the substantial increase of CAF's activities in Mexico stand out.

CAF approved a total of USD 380 million, mainly through capital investments and financial credit lines.

Among the approvals, the credit line granted to Nacional Financiera (NAFIN) stands out, to promote the country's economic, entrepreneurial, and social development.

In addition, it is noteworthy to mention the capital investment in the Balam Fund I, whose main objective is to promote the development of renewable energies in Mexico through financing for enterprises and small projects using hydroelectric, solar, and wind-powered generation.

In the micro-financing sector, three

The presentation of this project was carried out by the Spanish Minister of Foreign Affairs in the Cervantes Institute. During the last quarter of the year, two work days were carried out, in Logroño and Valencia, respectively, which include the participation of high political officers from both continents.

Other events to highlight in 2013 were the participation in the XV Edition of Latibex, the meeting of the Direction Committee of the International Development Bank (IDFC), a club which include 20 national and sub-regional banks which represent 40 countries, and the fourth annual meeting of the Chiefs of Syndication of the Development Multilateral Banks where CAF was the host institution.

credit lines were approved for USD 17 million aimed essentially at facilitating the Mexican productive transformation through financing to small and medium sized enterprises. Finally, it should be noted that in the face of the critical situation lived in Mexico after the storms that affected more than 150 municipalities in the country, CAF announced the immediate donation of USD 200,000 as solidarity support to help the victims and repair the damages. In addition, the Institution gave the country a contingent credit line for USD 100 million aimed at partially financing the primary services to the victims, the execution of emergency works for the provisional restitution of critical services, and the final reconstruction of the affected infrastructure.

Portugal

During 2013, the activity with Portugal increased significantly. CAF's Executive President, Enrique Garcia, made an institutional visit in which he met with the ministers of Finance and Foreign Relations, with the President of the Central Bank of Portugal, as well as with

authorities and representatives of the entrepreneurial and financial world. As a consequence of this visit, the agreement on immunities and privileges was signed, and relationships with diverse Portuguese organizations were strengthened.

To contribute with the reactivation process of the financial sector, credit lines for USD 50 million were granted to the Banco Espiritu Santo, and

the Caixa Geral de Depositos, and several operations were evaluated for entrepreneurial groups with activities in Latin America.

Other Actions in Europe

CAF's representation in Europe has been working with a clear strategic direction and a regional vision in a wide action stage. In this way, CAF has established an academic network of centers of excellence that promotes dialogue and discussion of Latin American topics. Thus, it maintains agreements with prestigious centers such as the University of Oxford and the London School of Economics in the United Kingdom, Sciences Po in France, and the University of Alcala in Spain.

During 2013, CAF's Executive President, Enrique Garcia, went on an institutional visit to France and strengthened relationships with the French Development Agency (AFD, for its acronym in French), Proparco, and the Ministry of Foreign Affairs.

In Germany, relationships with KfW allowed CAF to be recognized as a model institution in Latin America. In addition, CAF participated in important events and forums such as the European Union, Latin America, and the Caribbean Foundation (EU-LAC, for its acronym in Spanish), and the German Institute of Global Area Studies (GIGA).

After the visit of CAF's Executive President Enrique Garcia to the United Kingdom, and motivated by the interest shown by representatives of the British government, a memorandum of understanding was signed with the Minister of Foreign Affairs. In addition, CAF sponsored several events with Canning House, a think tank that promotes

relationships between the United Kingdom, Latin America, and the Caribbean.

In Italy, meetings were organized with Government authorities. CAF participated in different forums such as the VII Conference of the Latin American Economic and Legal Observatory (OEGLA, for its acronym in Spanish), and the Italy and Latin America Network (RIAL, for its acronym in Spanish) to analyze the Institution's experience with respect to SMEs and their current status in the region. In addition, CAF participated in the sixth Italy-Latin America and the Caribbean Conference, organized by the Italian Ministry of Foreign Affairs.

In Sweden, celebrating "Latin America Day", CAF participated in the forum organized by the Ambassadors of the region, where an analysis was presented about the situation of Latin America, and the future challenges of the region.

With respect to organizations of the European Union, CAF strengthened its relationship with the European Commission. For these effects, a visit to Brussels was organized, in order to ratify the interest in accessing and participating in the management of European funds, particularly in the Latin American Investment Facility (LAIF), where 38 percent of the total funds were allocated to projects presented by CAF. Finally, another interesting fund was identified, the Caribbean Investment Facility (CIF), where CAF could present projects for its member countries.

Dominican Republic

In 2013, USD 33 million were approved to the Dominican Republic for the second phase of the Urban Development and Habitat Program. The objective of the program is to support the policies for the reduction of poverty, equity, and social inclusion of the national government, through financing for investments in the urban management and housing sectors to benefit low-income families, as well as those at risk. Specifically, the construction of 2,172 homes is planned, thus improving the quality of life of the beneficiaries as a result of the provision of basic services of drinking water, sanitation, and electricity, and the comprehensive

urbanization of the environment, which will include access roads, installation of public lighting and community facilities, and the urbanization of green areas.

In addition, the credit line for USD 10 million to Banco BHD was renewed. This is aimed at supporting the productive transformation of the country through financing for operations of foreign trade, working capital, and investments in capital goods.

Finally, in the area of financial system development, CAF approved technical cooperation resources for the proposal to structure the Stock Market Law in the Dominican Republic. This project will contribute with the development initiatives of the stock market in other CAF shareholder countries.

Trinidad and Tobago

In Trinidad and Tobago, the process to strengthen the presence of CAF in the Caribbean was consolidated with the opening of the country office in Port of Spain. Most of the activities in the year were focused on the logistic and administrative effort needed to lay the necessary foundations to achieve an effective closeness to the country.

During 2013, the institutional agenda was prioritized, with the visit to public and private organizations as well as with the participation in multiple national and international events. This managed to initiate CAF's positioning in a new environment for the Institution.

On the one hand, CAF carried out a dynamic agenda for the promotion of businesses. In addition to maintaining close cooperation with the Ministry of Economy and Finance, meetings were held with the Ministries of Infrastructure and Public Works, Health, Education,

and Water and Environment, among others. As a result of these meetings, a pipeline of priority programs and projects for the development of the country was identified, which may be financed by CAF in coming years.

On the other hand, with respect to the technical assistance agenda, 2013 was the year in which two cooperation operations were prepared with non-reimbursable funds. The first aimed at supporting the government with the organization of the Competitiveness of the Americas Summit which will take place in October, in Port of Spain. The second, aimed at supporting the Ministry of Education in the studies necessary for the preparation of a comprehensive improvement operation of the country's educational infrastructure.

Finally, in coordination with the Ministries of Foreign Affairs and Economy and Finance, the first necessary procedures to conclude the formalization process of the full membership of Trinidad and Tobago were initiated. In doing so, in 2014 the country will become the 11th full member of CAF.

Approvals in other shareholder countries

Chile
Costa Rica
Spain
Mexico
Portugal
Other Actions in Europe
Dominican Republic
Trinidad and Tobago

Chile

■ Capital Investment

Client: Aurus Ventures III (Copper, Water, and Energy), Private Investment Fund

Objective: Finance the private investment fund Aurus Copper, Water, and Energy focused on small and medium-sized enterprises of the Copper industry, as well as supplying water and energy to the mining industry.

TOTAL AMOUNT: USD 5 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: VICTUS I, Private Investment Fund

Objective: Finance small and medium-sized enterprises in the agricultural, livestock, and agro-industrial sectors, focusing on export products to support an important sector for the comprehensive development and diversification of the Chilean economy, which could generate a positive social impact by invigorating the activity of the rural area.

TOTAL AMOUNT: USD 3 MILLION | TERM: 10 YEARS

■ Other Operations with Cooperation Resources

Client: Several clients

TOTAL AMOUNT: USD 5.7 MILLION | TERM: VARIOUS

Costa Rica

■ Uncommitted Revolving Credit Line

Client: Banco Improsa S.A.

Objective: Finance one of the main financial institutions in Costa Rica which provides services to the small and medium sized enterprises. This operation seeks to strengthen the management capacity of the SMEs in the country.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Spain

■ Uncommitted Revolving Credit Line

Client: Instituto de Credito Oficial - ICO

Objective: Support an institution with an important role as an entity that promotes the Spanish State's entrepreneurial weave, responding to their financing needs, favoring the development of new projects, and endorsing the internationalization processes, especially Spanish and Latin American MSMEs.

TOTAL AMOUNT: USD 300 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Caixabank S.A.

Objective: Issuance of endorsements and guarantees, and loans for working capital.

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Capital Investment

Client: CRB BIO II, Simplified Regime Risk Capital Fund

Objective: Support the strengthening of the SME sector in Spain through investments in life science companies with products aimed at large markets, as well as through the promotion of investments in products or services that generate the greatest positive impact possible in a strategic sector such as health, and that generates initiatives that may be extrapolated to Latin America.

TOTAL AMOUNT: USD 5.2 MILLION | TERM: 8 YEARS

1.3
USD billion

Total approvals in other
countries during 2013

Mexico

■ Capital Investment

Client: Balam Fund I, L.P.

Objective: Finance investments in renewable energy generation companies and projects, including small and medium-sized enterprises related to hydroelectric, solar, wind powered, and biomass energy in Mexico. The proposed investment will facilitate a greater participation of private investments in the renewable energy sector in Mexico, supporting economic growth and the development of the country and the region.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Evercore México Capital Partners III, L.P.

Objective: Finance a fund that guides investments toward enterprises with a high growth potential, that provide goods and services to the Mexican domestic market.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Capital investment

Client: Nexxus Capital Private Equity Fund VI, L.P.

Objective: Finance investments in enterprises throughout the productive chain, to strengthen sectors in which Mexico has competitive advantages. In addition, support the development of medium-sized companies with a high potential to become leading companies in Mexico and the Latin American region.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Uncommitted Revolving Credit Line

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

Objective: Increase the sources of medium and long-term financing of NAFIN, main Development Bank in Mexico.

TOTAL AMOUNT: USD 300 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Banco Compartamos S.A.

Objective: Finance one of the oldest micro-financing institutions in Mexico, whose emphasis is to support community banking in Mexico and the region.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Financial Liquid Vehicles S.A.PI of CV., SOFOM E.N.R

Objective: Finance small and microenterprises in Mexico.

TOTAL AMOUNT: USD 4 MILLION | TERM: VARIOUS

■ Uncommitted Revolving Credit Line

Client: Microentrepreneur Assistance Council S.A. of CV. SOFIPO

Objective: Strengthen SOFIPO which, through group credit, offers the opportunity to improve the economic and social conditions of the disadvantaged population in the popular areas of the country.

TOTAL AMOUNT: USD 3 MILLION | TERM: VARIOUS

■ Other Operations with Cooperation Funds

Client: Several clients

TOTAL AMOUNT: USD 3.2 MILLION | TERM: VARIOUS

Portugal

■ Uncommitted Revolving Credit Line

Client: Banco Espirito Santo, S.A.

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

■ Capital Investment

Client: Caixa Geral de Depositos

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

TOTAL AMOUNT: USD 50 MILLION | TERM: VARIOUS

Dominican Republic

■ Urban Development and Habitat Program - Phase Two

Client: Dominican Republic **Executor:** National Housing Institute

Objective: Improve the quality of the habitat and reduce vulnerability in the face of natural threats for a population of over 18,500 low-income inhabitants. The program includes the execution of comprehensive urban development projects in 61 communities at a national level, and the construction of 4,620 housing units.

TOTAL AMOUNT: USD 33 MILLION | TERM: 15 YEARS

■ Uncommitted Revolving Credit Line

Client: Banco BHD

Objective: Finance foreign trade operations, working capital, and investments in capital goods of the third largest bank, and pioneer in multiple services banking in the Dominican Republic.

TOTAL AMOUNT: USD 10 MILLION | TERM: VARIOUS

Multi-national

■ Capital Investment

Client: Actis Energy 3 C Feeder LP

Objective: Finance investments in generation and distribution companies in the energy sector in emerging markets at a world level, specifically in Latin America. This investment will facilitate a greater participation of the private initiative in the Latin American energy sector with important economic and social benefits.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Americas Energy Fund II, L.P.

Objective: Finance investments in the development of "Greenfield" and "Brownfield" projects, including the acquisition of companies in the energy sector in South America, with an emphasis on Colombia, Chile, and Peru.

TOTAL AMOUNT: USD 20 MILLION | TERM: 10 YEARS

■ Capital Investment

Client: Latin Renewables Infrastructure Fund L.P.

Objective: Support investments in renewable generation and electricity transmission projects in Latin America. The fund will focus on Mexico, Costa Rica, Panama, Guatemala, Colombia, and Peru, and seeks to acquire electricity generation assets at a commercial scale.

TOTAL AMOUNT: USD 15 MILLION | TERM: 10 YEARS

1.3
USD billion

Total approvals in other countries during 2013

Capital Investment

Client: Moringa Fund, S.C.A. SICAR

Objective: Support the application of state-of-the-art techniques for sustainable agriculture and forestry management by investing in sustainable agro-forestry exploitation in Latin America. The objective of the fund is to have a positive impact on the environment and contribute to create tangible benefits for the local populations, such as employment opportunities, generation of additional incomes, improvements in health, and school attendance.

TOTAL AMOUNT: USD 13 MILLION | TERM: 15 YEARS

Uncommitted Revolving Credit Line

Client: Abengoa S.A.

Objective: Support projects for the sustainable development of infrastructure, environmental, and energy sectors in the private sector, specifically with operations in Uruguay and Peru, and with the projection of new opportunities in Brazil and Chile.

TOTAL AMOUNT: USD 150 MILLION | TERM: VARIOUS

Uncommitted Revolving Credit Line

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

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

TOTAL AMOUNT: USD 100 MILLION | TERM: VARIOUS

Revolving Credit Line

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

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

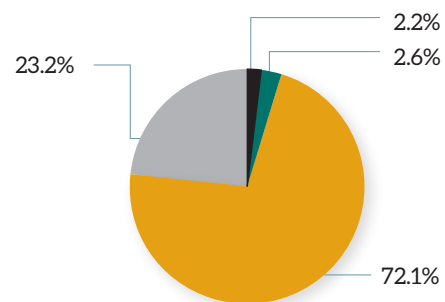
TOTAL AMOUNT: USD 35 MILLION | TERM: VARIOUS

Other Operations with Cooperation Resources

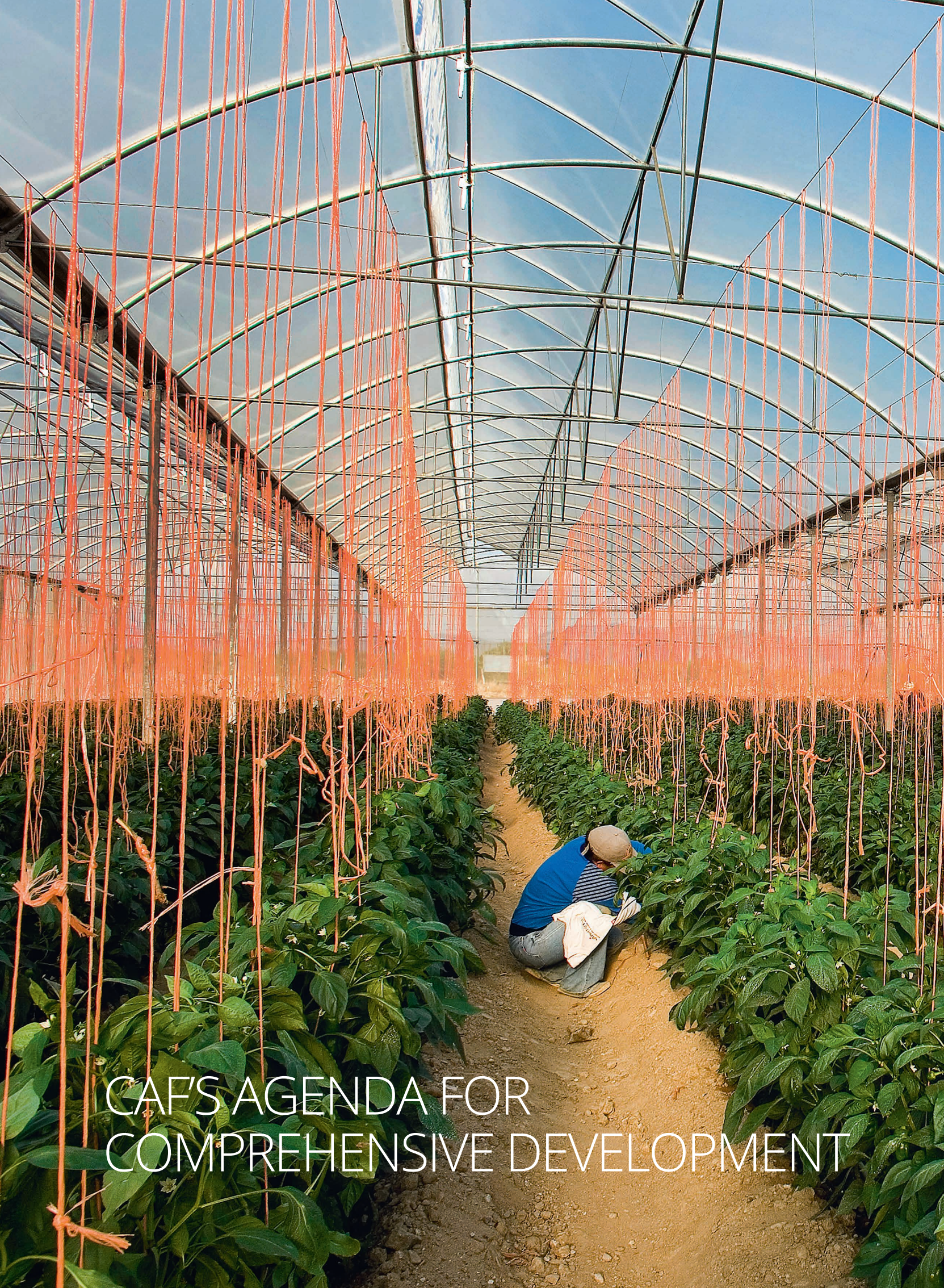
Client: Several clients

TOTAL AMOUNT: USD 19 MILLION | TERM: VARIOUS

2013 Approvals by Strategic Area



- Competitiveness, Productive Sector and MSME
- Financial Systems and Capital Markets
- Social and Environmental Development
- Governance and Social Capital



CAF'S AGENDA FOR
COMPREHENSIVE DEVELOPMENT

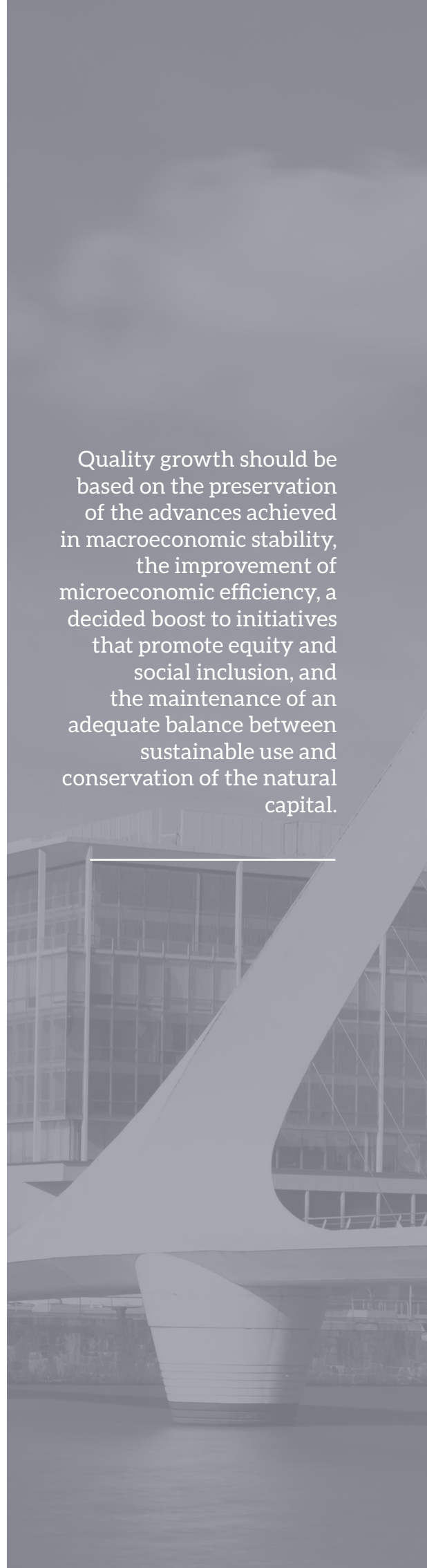


120	Infrastructure
132	Energy
136	Social Development
144	Social Innovation
146	Environmental Sustainability and Climate Change
152	Productive, Financial, and SME Sectors
154	Productive Transformation
158	Socio-Economic Research
162	Institutional Development

CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT

Quality growth should be based on the preservation of the advances achieved in macroeconomic stability, the improvement of microeconomic efficiency, a decided boost to initiatives that promote equity and social inclusion, and the maintenance of an adequate balance between sustainable use and conservation of the natural capital.

Infrastructure
Energy
Social Development
Social Innovation
Environmental Sustainability and Climate Change
Productive, Financial, and SME Sectors
Productive Transformation
Socio-Economic Research
Institutional Development



CAF's Agenda for Comprehensive Development aims at achieving high, sustained, sustainable, and quality growth in Latin America: high to correct the development gap with respect to high income countries and compensate for population growth; sustained to ensure the continuity of economic progress and social improvements in time; sustainable to ensure the inter-generational feasibility of the natural capital, respect cultural diversity, and support democratic governance in the region; and quality because it must benefit all the population in an equitable manner, favoring the disadvantaged sectors.

At the same time, improvement in microeconomic efficiency and productivity must be based on a transformation of the economies of Latin America to improve their productivity and add value to the national comparative advantages.

This requires an increase of investments in all forms of capital: human, social, natural, physical, productive, and financial, as to increase productivity and decrease the social gaps, a greater availability and quality of diverse forms of capital is necessary.

At the same time, the multiple integration and regional and international insertion processes under way in Latin America, which are promoted by CAF, acquire a special importance in generating economic growth that is less dependent on the changing conditions of the international economic environment.

In effect, since the beginning of the decade of the 90's, CAF led the widest South American and Latin American integration processes by expanding its membership, which currently

includes 18 shareholder countries, allowing itself to perform an integrationist role.

Integration processes have political, social, and economic dimensions. In the economic area, their purpose is to achieve economies of scale that facilitate efficiency and productivity advances while, at the same time, they promote a competitive international insertion through the development of integrated regional markets that become large "domestic" markets for Latin American countries.

CAF's integrated vision regarding sustainable development is a result of an important program of research and dissemination of knowledge regarding development and public policies, based on the intellectual effort of the Institution itself, and on the dialogue processes with the public, private, and academic sectors of Latin America. The strategic programs presented below respond to that vision.

Improvement in microeconomic efficiency and productivity must be based on a transformation of the economies of Latin America to improve their productivity and add value to the national comparative advantages.

Infrastructure

CAF's infrastructure agenda is aimed at developing better physical connections between the different regions of Latin America, as well as within each country.

The objective is to overcome the structural delays associated with the provision of infrastructure, and improve its quality and that of the services provided, by integrating the different regions of Latin America and creating a more coordinated and physically, economically, and socially connected continental territory. Thus, this agenda is an essential instrument both for economic growth as well as for the social development agenda, and to overcome poverty.

CAF also pays special attention to the facilities of the cities in the continent, where more than 80 percent of the population lives, in order to provide greater fluidity, efficiency, inclusion, and quality of life.

CAF's actions in the transportation, urbanism, and telecommunications sectors are aimed at supporting shareholder countries in their efforts to construct and maintain a sustainable, efficient, and up to date infrastructure as a basic condition to achieve the proposed economic competitiveness and social inclusion goals.

For the achievement of the objectives of the infrastructure agenda, the Institution promotes the application of novel financing mechanisms for public-private projects, through support to innovating structures for their execution. In addition, it continuously works in the development and dissemination of knowledge, and allocates efforts to the design and preparation of infrastructure projects by facilitating specialized technical advisory services and technical cooperation economic resources to the agents involved.

To support this agenda, the publication of the third report of the 2013 "Infrastructure in the Comprehensive Development of Latin

America” (IDeAL 2013) stands out. It describes the state of the infrastructure until that year, and was presented during the XXIII Ibero-American Summit of Chiefs of State and Government which took place in Panama on October 18th, 2013. In addition to providing a view of the new trends in the region, this report includes an analysis of the best practices that contribute to increase the productivity of the resources used for infrastructure, and a section that analyzes the logistic capacities of Latin America, and how to strengthen them to compete successfully in the world market of logistic services.

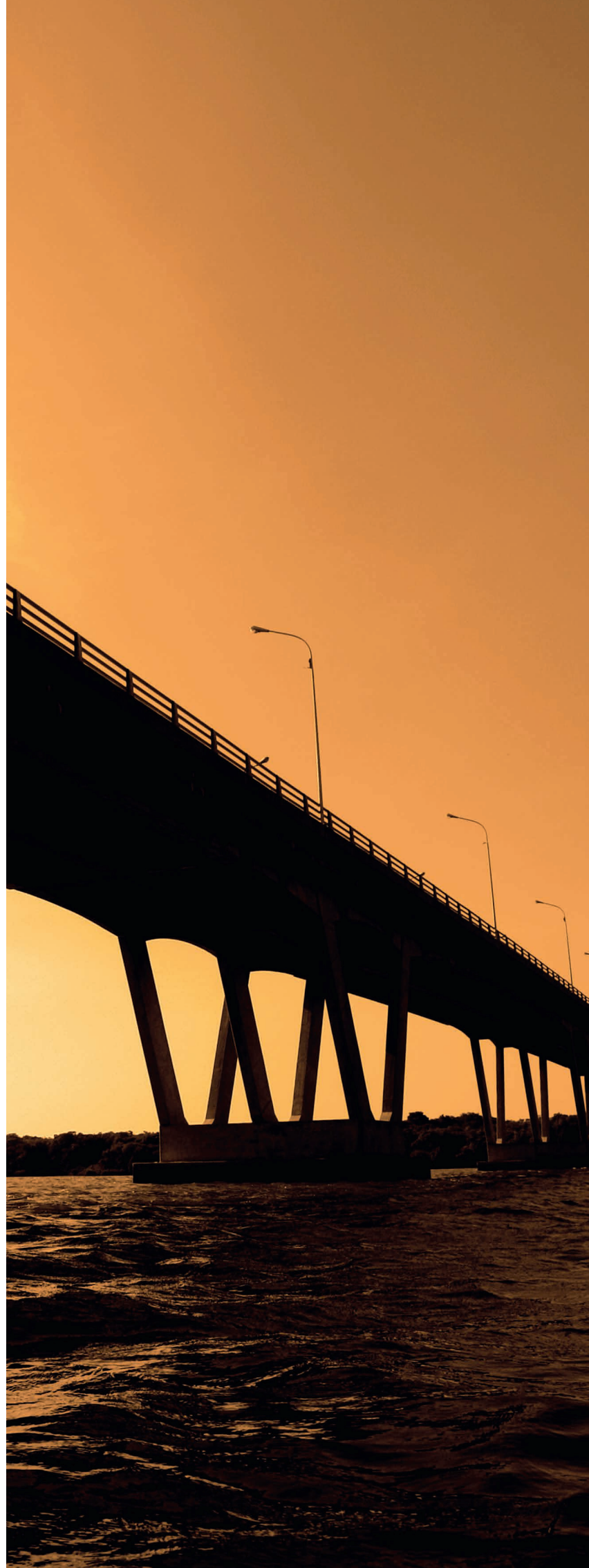
Following are the main strategic lines included in the infrastructure agenda.

Innovation and Sustainability of the Road Infrastructure

The road infrastructure agenda is aimed at promoting and supporting the transfer of best practices in the management and intervention of urban and inter-urban road infrastructure in the countries of the region, seeking to optimize the available resources and tending to conserve them in an efficient manner. The main objectives within the road infrastructure agenda are the following:

» Improvement of the technical and institutional capacity

Design and promote programs and actions to improve the technical and administrative capacity of public and private institutions in charge of the execution of road projects, and recognize the aspects of the road sector, which are a part of CAF’s knowledge agenda.



The following programs stand out:

Road safety

Seeks to promote positive changes in road safety in Latin America and the Caribbean, with a “safe system” approach to support technological innovation, transfer of best practices between countries in the region, and between these and other countries, with an emphasis on the materialization of programs and projects that reduce road accidents and their consequences.

Through the program, road safety audits have been carried out for CAF’s financing operations for new road projects in the region, in order to guarantee that starting with the design of the project, the risks for users are well known. In addition, work has been carried out regarding the analysis of various aspects of motorcycle safety, an issue that CAF leads in the Commission of Multilateral Credit Banks, providing advice and support for the development of a Motorcycle Safety Plan in Buenos Aires, and the development of a methodology for the development of Motorcycle Safety Plans. It should be noticed that CAF is a full member of the United Nations Road Safety Collaboration (UNRSC), a permanent United Nations committee presided by the WHO, where it participates in six working committees that include issues related

CAF supports the design of road policies, strategies, safety and conservation plans, to promote a safer and better preserved road infrastructure that contributes to the competitiveness of the countries of the region.



to infrastructure, vulnerable users, and road safety in the companies, and was responsible for preparing the Road Safety Guidelines in order to have a common approach regarding road safety for multilateral development banks.

Road conservation and sustainability

Support continues for the design of policies, strategies, and conservation plans for the urban and inter-urban road network. To do so, the program supports road agencies in the adjustment processes for the existing institutional structures at the level of national and subnational governments, generation of reliable road network inventories, design of innovative hiring models and management systems in order to also boost the generation of employment associated with the road infrastructure conservation activity.

Starting in 2014, CAF will lead the development of a Regional Road Maintenance and Management Observatory, which will constitute a valuable tool to improve policy development and management capacity of local organizations involved in decision making regarding investment; promote the exchange of information and best practices between countries; guide the debates regarding this matter, and allow for the participation of relevant actors; act as a catalyst of support

actions to finance projects, strengthen capacities, and establish regional cooperation networks.

Its entry into operations will manage the collection, management, analysis, and use of reliable information to develop more effective maintenance policies, thus contributing to the preservation of the road infrastructure assets and the competitiveness of the countries in the region.

Monitor and control construction risks and project development

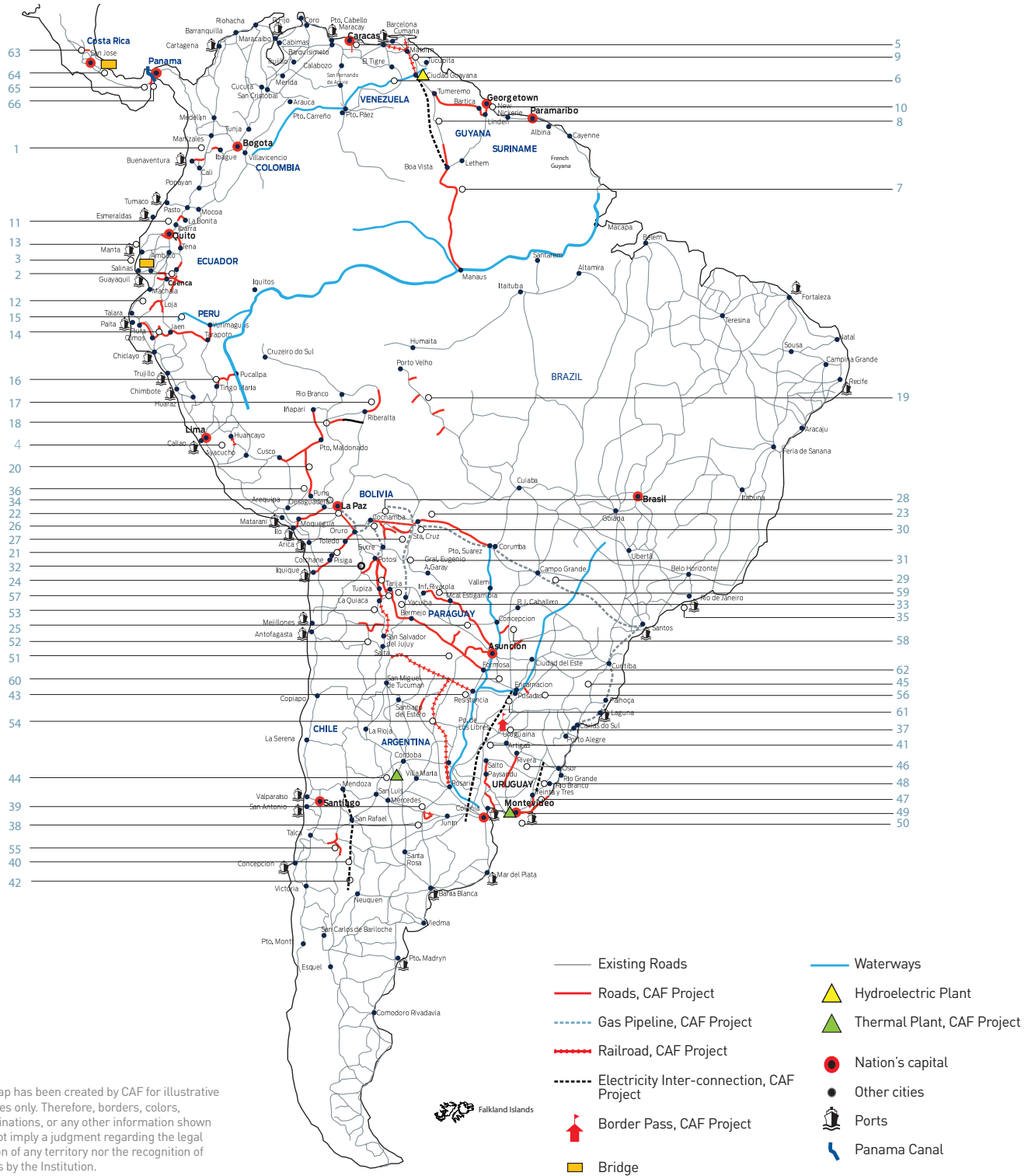
The purpose is to advise CAF's business units on evaluation and technical follow-up to reduce construction and project development risks with adequate mitigation measures. This support is specially associated with the use of the Operations Rating System (CALIOPE, for its acronym in Spanish), which has been applied since 2012 for all transportation infrastructure projects. This tool is based on monitoring the behavior of identified risk factors in the project's evaluation, and the effectiveness of the special conditions defined and applied in the loan contract to mitigate the identified risks. The CALIOPE tool was developed by CAF.



Physical integration projects financed by CAF

	CAF's CONTRIBUTION	TOTAL INVESTMENT (in millions of USD)	
ANDEAN AXIS			
1	Colombia: Bogota-Buenaventura Road Corridor	447.0	1,116.6
2	Ecuador: Amazon Juncture with Colombia and Peru (Carretera Troncal del Oriente) (Eastern Trunk Road)	93.8	152.7
3	Ecuador: Segmented Bridge Project over the Babahoyo River	123.0	133.9
4	Peru: Rehabilitation of the Huancayo Huancavelica Railroad	14.9	18.8
5	Venezuela: Caracas' Railroad Connection with the National Network	360.0	1,932.0
6	Venezuela: Support for the Commercial Navigation in the Orinoco-Apure River Axis	10.0	14.3
GUYANESE SHIELD AXIS			
7	Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8	Brazil: Venezuela Brazil Electricity Interconnection	86.0	210.9
9	Venezuela: Ciudad Guayana-Maturin-Estado Sucre Railroad Study	2.6	2.6
10	Venezuela: Ciudad Guayana (Venezuela) -Georgetown (Guyana) Road Study	0.8	0.8
AMAZON AXIS			
11	Ecuador: Central Trans-Andean Connection	33.7	54.5
12	Ecuador: Southern Trans-Andean Corridor	70.0	110.2
13	Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14	Peru: Northern Amazon Road Corridor	110.0	328.0
15	Peru: Pre-investment in the Border Region with Ecuador	5.3	8.7
16	Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa Tranche)	3.5	13.6
PERU-BRAZIL-BOLIVIA AXIS			
17	Bolivia: Guayaramerin-Riberalta Highway	42.0	45.5
18	Bolivia: Porvenir-Puerto Rico Highway	138.8	198.3
19	Brazil: Road Integration Program, State of Rondonia	56.4	134.2
20	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			
21	Bolivia: Bolivia-Chile Road Integration Corridor	316.7	473.2
22	Bolivia: La Paz-Oruro Double Lane Highway	250.0	265.1
23	Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (Tranches 3, 4, and 5)	280.0	585.5
24	Bolivia: Bolivia-Argentina Road Integration Corridor	422.2	792.9
25	Bolivia: Bolivia-Paraguay Road Integration Corridor	379.5	633.6
26	Bolivia: "Y" Road Integration Program	97.3	141.3
27	Bolivia: Rehabilitation of the La Guardia-Comarapa Highway	21.0	34.7
28	Bolivia: Epizama-Comarapa Road and construction of El Torno-Espejos Bridge.	132.2	190.1
29	Bolivia/Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
30	Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
31	Bolivia: YPFB <i>Transporte</i> Gas Pipeline	128.0	350.4
32	Bolivia: Complementary Road Works	70.0	73.0
33	Bolivia: Sectorial Transportation Program	150.0	221.2
34	Bolivia: <i>Puesta a Punto</i> (Fine Tuning) Program for Highways	75.0	107.1
35	Brazil: Complementary Works Program for the Metropolitan Arch of Rio de Janeiro	200.0	334.0
36	Peru: Bolivia-Peru Integration Road Program	48.9	176.6
MERCOSUR-CHILE AXIS			
37	Argentina/Brazil: Paso de los Libres-Uruguiana Border Centre	10.0	10.0
38	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa road turnoff)	10.0	10.0
39	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa railroad turnoff)	35.0	50.0
40	Argentina: Buenos Aires-Santiago Corridor (accesses to the Pehuenche Pass, RN40 and RN145)	106.7	188.1
41	Argentina: Rincon Santa Maria-Rodriguez Electric Inter-connection	400.0	635.0
42	Argentina: Cornahue-Cuyo Electricity Inter-connection	200.0	414.0
43	Argentina: Road Integration Program Between Argentina and Paraguay	110.0	182.0
44	Argentina: Extension of the Useful Life of the <i>Embalse</i> Nuclear Plant	240.0	1,026.7
45	Brazil: Regional Integration program, Phase I. State of Santa Caterina	32.6	65.5
46	Uruguay: Mega-concession of the Main Connection Roads with Argentina and Brazil	25.0	136.5
47	Uruguay: Road Infrastructure Program	240.0	757.1
48	Uruguay: Program to Strengthen the National Electricity System	150.0	621.0
49	Uruguay: Punta del Tigre Thermal Plant Project	208.0	814.4
50	Uruguay: Dredging and Gas Pipeline Project in Punta Sayado	86.2	104.2
CAPRICORN AXIS			
51	Argentina: Pavement of RN81	90.2	126.2
52	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0	54.0
53	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca railroad	1.0	1.0
54	Argentina: Recovery and Improvement of the General Belgrano Railroad	326.0	408.0
55	Argentina: Second Phase of the Road Development Program: National Route N0 40	168.0	240.0
56	Argentina: Regional Road Development Program II and III	340.0	485.0
57	Bolivia: Tarija-Bermejo Highway Program	74.8	200.0
58	Paraguay: Rehabilitation and Pavement of Integration Corridors RN10 and RN11 and Complementary Works	19.5	41.9
59	Paraguay: Integration Corridors and Road Reconstruction Program	222.1	285
PARAGUAY-PARANA WATERWAY AXIS			
60	Studies for the Improvement of navigation, Institutional Management and Operational Financial Scheme of the Waterway (Argentina, Bolivia, Brazil, Paraguay, and Uruguay)	0.9	1.1
61	Argentina: Railroad Integration Program Between Argentina and Paraguay	100.0	166.0
62	Paraguay: Program for the River Transportation of Iron for the Productive and Commercial Integration between Brazil and Argentina	33.0	63.3
MESOAMERICA			
63	Costa Rica: Investment Program in the Atlantic Corridor	60.0	80.2
64	Panama: Rehabilitation and Highway Improvement Program	80.0	125.6
65	Panama: Bi-national Bridge Over the Sixaola River	5.5	13.4
66	Panama: Authority of the Panama Canal, Expansion Program	300.0	5,250.0
Others		210.0	812.0
TOTAL		9,470.0	27,092.8

> Physical Integration Projects Financed by CAF



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Mobility and Urban Transportation

As part of its objective to promote the development of sustainable cities, CAF carries out comprehensive interventions that respond to the renovation needs of urban transportation systems. Thus, the Institution has become an innovative problem solver for Latin America's cities, while at the same time supporting the development of an urban road network and its associated public spaces, and the development and implementation of integrated mobility schemes where public transportation systems, the analysis of the urban space, territorial planning, and the uses of the soil play an essential role.

In this sphere, a knowledge generation initiative regarding the dynamics of the city was developed. The Urban Mobility Observatory of Latin America (OMU, for its acronym in Spanish), contains information from the 25 largest cities in Latin America with the main

variables that characterize their mobility, and studies and analyses that correlate the indicators to explain the main characteristics of these urban areas in order to develop better public policies regarding mobility. At the same time, every year an international workshop takes place with urban specialists and authorities to comment and discuss the results of the latest OMU data and the characteristics of mobility. The development of the OMU is a part of the "voluntary commitments" assumed at the United Nations Rio+20 Conference, which reinforces CAF's role in the promotion of sustainable development.

With respect to urban mobility, technical and institutional support is provided to the main Bolivian cities of La Paz, Cochabamba, and Santa Cruz to overcome the current problems and imbalances in their traffic and transportation systems.

Information and Communication Technologies

Different CAF studies for the ICT sector conclude that in Latin America there is a marked lack of communication networks to guarantee universal access to these services. Fixed broadband penetration is still considerably lower than in other regions of the world. As a result, broadband access disparities persist, mainly for low-income populations, some public and educational institutions, and a large part of the SMEs productive sector that has not yet incorporated advanced communications services and technologies in their productive processes.

To combat this problem, and taking into consideration the positive impact of broadband on growth and poverty reduction, during 2013 CAF promoted the development of digital inclusion in several countries of the region which seeks to develop high speed communication networks, and the improvement of the skills of the population to receive the benefits of its applications.

Studies were developed to support the integration of fiber and submarine cable trunk networks of the countries of South America in an optic ring, in accordance with the action route defined within UNASUR, and a comprehensive action framework was promoted to unfold Traffic Exchange Points (IXP). Finally, jointly with the International Telecommunications Union (ITU), a study was developed to facilitate the digitalization of ground radio broadcasting networks, in addition to updating the diagnosis to understand the current development level of the telecommunications infrastructures and the advances in the development of ICT services in all of CAF's shareholder countries. This will enable an evaluation of future investment needs that promote Latin America's international integration and competitiveness through the dynamics of the ICT sector.

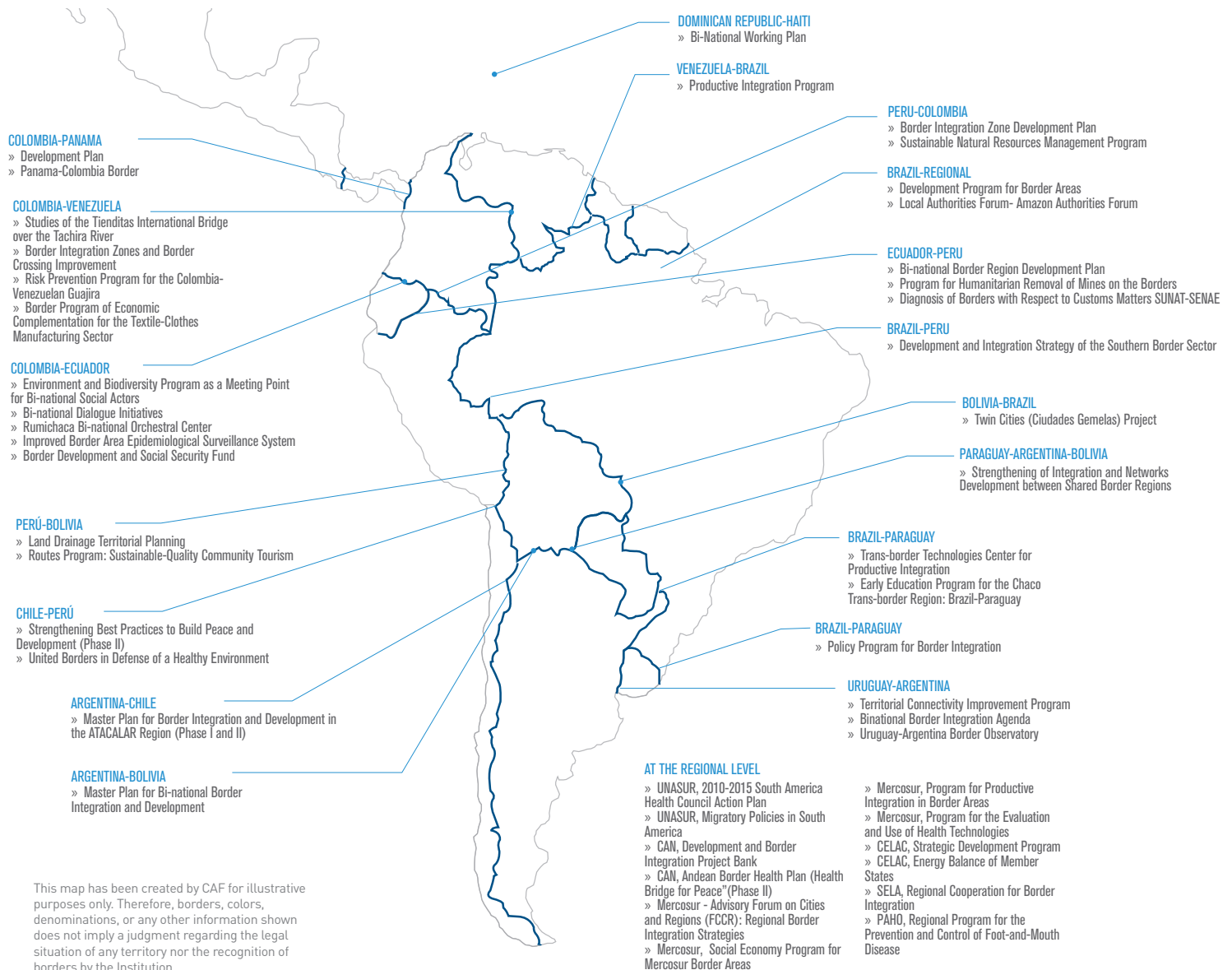
Program in Support of Border Development and Integration (PADIF, for its acronym in Spanish)

CAF promotes a strategic border integration vision that allows its shareholder countries to plan and coordinate programs and projects for the best use of the shared potential, cooperation opportunities, and stronger dialogue and mutual trust in border regions.

Through PADIF, CAF promotes Bi-national Development and Border Integration Plans and fosters Border Integration Zones (ZIF, for its

acronym in Spanish), as well as sub-regional policies among the countries of UNASUR, CAN, Mercosur and Celac, aimed at promoting territorial planning, physical, economic, and productive integration projects, promotion of sustainable human development, institutional strengthening, and community cohesion to encourage dialogue and cooperation in border regions.

> Programs in Support of Border Development and Integration (PADIF)



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Logistics and Ports

Ports are critical logistic nodes for national and international trade, constituting platforms for the flow of more than 80% of exports and imports. CAF executes the First-Class Ports Program as a structured initiative to promote improvements in the logistic platform and efficiency of ports, to strengthen the competitive advantages for their countries.

The First-Class Ports Program has started a new phase aimed at supporting the equipment and efficiency of the port-logistic communities and the optimization of their integration with the cities. One of the tools is the development of a Latin American and Caribbean Network of Digital Ports that promotes service standards of technological innovation for globalized foreign trade. The countries chosen as pilots are Chile, Colombia, Mexico, Peru, Panama, and Uruguay.

At the same time, in 2014 CAF will start a new program for the generation and dissemination of knowledge regarding national and urban logistic development, in order to contribute to improve the competitive performance of the economies through logistic planning and the creation of logistic parks and their gradual integration to ports, airports, railroads, and highways, as corresponding. In the first phase of the program, an analysis will be developed regarding the regional logistic level: Logistic profile of the countries, including the identification of potential infrastructure projects and programs to improve logistic services, as well as generation of knowledge and dissemination through workshops.

The First-Class Ports Program has started a new phase aimed at supporting the equipment and efficiency of the port-logistic communities and the optimization of their integration with the cities.

Cities with a Future

With the goal of promoting more inclusive, competitive, efficient, intelligent, and sustainable cities that seek to improve the quality of life of the urban population, CAF has developed the initiative Cities with a Future. The program proposes common guidelines for all CAF interventions in urban areas, which enable the use of multisectorial synergies under a comprehensive perspective of the initiatives that are currently promoted by the Institution to benefit the cities.

Cities with a Future is a program that supports and develops multiple actions for cities that have the conditions to increase their development level and quality of life. In 2013, the first five cities were selected: Quito, Guayaquil, Lima, Panama, and Fortaleza, where a coordinated action of CAF's units has been carried out to promote urban infrastructure, social and environmental development, institutional development, and productive transformation.

GeoSUR – Digital Cartography for the Development of Latin America

Starting in 2007, CAF started the development of the GeoSUR Program, jointly with the OAS's Pan-American Geography and History Institute (IPGH, for its acronym in Spanish) which makes geographic information on Latin America and the Caribbean easily available to the public, accessible, duly integrated, geo-referenced, and standardized, to aid investment planning for infrastructure projects for local economic development and regional integration.

GeoSUR provides geographic services, developed or sponsored by the program, on a web platform that offers access to spatial information on Latin American and Caribbean countries by means of official maps, aerial photos, and geographic data prepared by diverse sources that generate geographical information on subjects such as topography, hydrology, population, population centers, environment, and infrastructure, among other subjects.

With the participation of 90 institutions that provide geo-spatial information in 25 countries of Latin America and the Caribbean,

GeoSUR has become the most advanced regional geographic information network in the developing world, and has received five international awards in recognition of its achievements and trajectory. In 2013, GeoSUR incorporated 30 new institutions to the initiative, registered 25 new national maps services in its platform, incorporated 30 new regional maps to its map viewer, provided support for the culmination of the first Central American integrated map, consolidated the study of hydroelectricity potential in Peru, and strengthened cooperation links with the Eye on Earth Initiative, with the European Environmental Agency, and the European network of geographic information INSPIRE.

GeoSUR intends to continue expanding the regional network with more spatial information and more participating institutions, including flood mapping in real time in Latin America, the development of the integrated digital map of the Andean countries, and the beginning of the preparation of urban geographic data to support the Urban Mobility Observatory (OMU, for its acronym in Spanish).

GEOPOLIS: Infrastructure in Harmony with the Forces of the Earth

GEOPOLIS is a Latin American network created to encourage a culture of prevention and public policies that help reduce the risks associated with natural phenomena in the continent, as well as promote the adaptation of infrastructure to climate change and to the best practices in managing seismic risks. GEOPOLIS addresses three areas in its first Phase: prevention through planning and institutional development, climate change, and seismic-resistant engineering. In the first area, work is being carried out to strengthen the capacity to reduce the risks of disaster in interurban roads, energy generation and

transmission systems, and ports in Peru, Ecuador, and Bolivia. In the second area, the behavior of glaciers and moors was evaluated to determine the water availability in close-by cities and analyze the impact caused by climate change on the water resources and the countries' capacity to adapt. Finally, an evaluation is advancing regarding the current seismic-resistant engineering norms in the region, as well as a comparison of the different criteria used, the determination of the minimum aspects that the regulations must include, and the development of an initial network and an analysis group.

IIRSA. Integration of the South American Regional Infrastructure

South America's physical integration process has a new and significant support from UNASUR's South American Infrastructure and Planning Council (COSIPLAN, for its acronym in Spanish), of which the IIRSA constitutes its technical forum. The Declaration of the Cosiplan Authorities in Lima, on November 16th, 2012, renewed and emphasized "the need of the South American people to increase its infrastructure with high standards, including the related logistic services, in order to strengthen integration and regional union and thus, improve internal efficiency and their insertion in the globalization process." At the same time, the authorities reaffirmed the "commitment to continue supporting physical infrastructure projects and improvement of national and sub-regional logistics services, making it a priority in their public policies and development strategies, for the connectivity and integration of its different areas". Thus, the authorities meeting in Lima provided a wide support to the execution of the projects in the Priority Agenda for Integration Projects (API, for its acronym in Spanish) adopted by Cosiplan.

CAF offers comprehensive support that goes from technical assistance to financing for countries in the preparation of infrastructure projects with possibilities of execution through public-private associations.



During 2013, the IIRSA-Cosiplan Strategic Action Plan included actions in three strategic lines: (i) Cosiplan projects: work was carried out to update and enrich the information on the 583 projects that make up the portfolio, and on the entry into operations of an on-line monitoring system for the 31 projects of API; (ii) planning methodologies and tools: where the most significant activity was the application of the Environmental and Social Evaluation Methodology with a Strategic Approach (EASE, for its acronym in Spanish) to the API Bi-national Project “Laguna Marin and Lagos Dos Patos Multimodal Transportation” fully financed by CAF; and (iii) sectorial integration processes: where a first proposal of “Management Standards and Indicators for Border Passes” was developed to provide continuous support to the programs and projects that contribute to the development and maintenance of border passes through CAF’s technical cooperation resources. This proposal will be incorporated during 2014.

Public-Private Associations (PPA)

Through a PPA, the public and private sectors combine their efforts to execute complex long-term projects through a wide range of options where concessions predominate. CAF has been participating in the concessions processes of the road, transportation, and telecommunications sectors of several countries in the region. CAF’s comprehensive support addresses the whole spectrum of interventions: from support to the countries’ preparation to improve the possibilities of execution of infrastructure projects through PPAs, which includes comprehensive consulting and technical cooperation resources to the governments in order to strengthen and adapt the regulatory frameworks and the institutional capacity in order to improve the business climate and facilitate private investment, to direct financing to projects which will be under concession, as well as capital investments in companies that own concessions. CAF’s consultancies stand out in the different phases of the PPA structuring for the construction and operation of toll highways and incarceration centers in Colombia and Uruguay, as well as the development of a high level workshop to advice the Government of Paraguay regarding the definition of the regulations of the PPA law and institutional model.



Energy

Latin America and the Caribbean have abundant energy resources, both hydrocarbons as well as renewable, which may be developed to guarantee energy security in the region and attract investments, as well as serving as a productive driver in the generation of high value exports.

These resources are distributed heterogeneously so that, in order to achieve the stated objectives and face the financing barriers demanded by the energy sector, it is necessary to promote regional integration in such matters. In this respect, CAF promotes five strategic areas or guidelines and, in each, it develops actions for decision making and the design of public policies that, in turn, promote the development of energy projects.

Coordination of Regional Networks

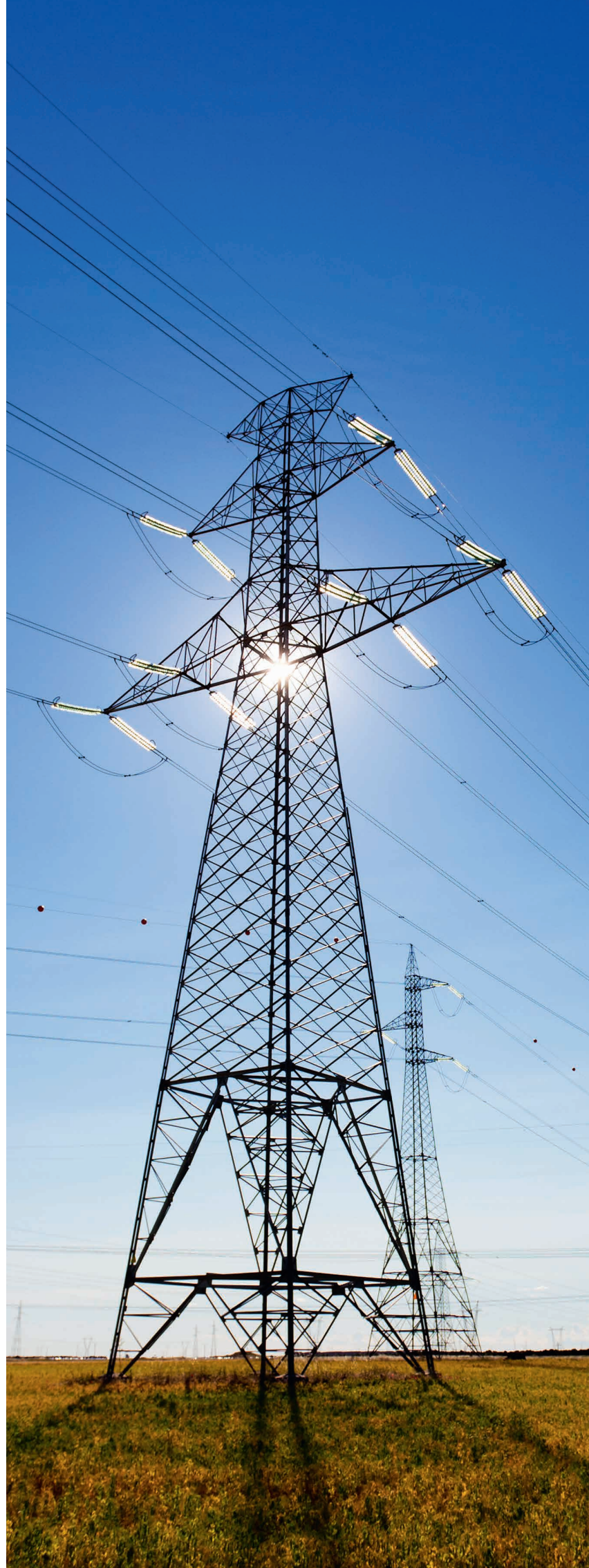
CAF considers it is important to promote the institutional synergies of the region to join the efforts and prevent the overlapping of energy related initiatives. For this reason, it promotes a shared working agenda for the energy sector jointly with the Latin American Energy Organization (OLADE, for its acronym in Spanish), the Regional Association of Enterprises of the Oil, Gas, and Biofuel Sector in Latin America and the Caribbean (ARPEL, for its acronym in Spanish), the Regional Electricity Integration Commission (CIER, for its acronym in Spanish), the World Energy Council (WEC), the Economic Commission for Latin America and the Caribbean (ECLAC), the Organization of American States (OAS), and the Latin American Integration Association (ALADI, for its acronym in Spanish).

The first result of this joint effort was the publication of the study “Energy: a Vision of Challenges and Opportunities in Latin America and the Caribbean”, presented in October of 2013, offering a shared approach regarding the state of the art of the energy sector in the region, the problems it faces, and the pending

tasks. From the results of this study, a decision has been made to work on the design of a regional program to promote the development of the market of energy efficient projects in Latin America and the Caribbean, made up of a strategy adapted to the region's current situation, with specific tasks to be undertaken by the regional organizations which will participate in this program from their respective mandates. In addition, work has been established in monitoring integration projects, analyses of energy scenarios, and training, among others.

Promotion of Integrating Projects

During 2013, at the request of the governments of Uruguay, Paraguay, and Bolivia, CAF supported studies to analyze the feasibility of a gas interconnection between Bolivia, Uruguay, and Paraguay under the so called URUPABOL Project. At the same time, at the request of the Government of Bolivia, CAF started studies to analyze the feasibility of electricity interconnections between Bolivia and its neighboring countries. In addition, a study is about to start regarding the hydroelectric potential of the Artibonito river basin, located on the border between the Dominican Republic and Haiti, which could generate bi-national projects of hydroelectricity plants. Finally, jointly with the United Nations Development Program (UNDP), a study is being prepared regarding the hydroelectricity potential and a Multiple Use Plan of the Water Resources in the bi-national basin of the Bermejo River between Argentina and Bolivia.



Support for Energy Efficiency

In the region there is an enormous potential to develop plans and projects that save energy and financial resources through energy efficiency measures, without limiting the growth in the demand for energy that is necessary for development.

This requires innovating solutions that help the demand sector overcome the difficulties in access to financing for energy efficiency projects, as well as support for the governments in the development of mechanisms and regulations that promote efficient consumption. In this regard, in 2013 CAF and the KfW structured a Regional Program for Energy Efficiency aimed at stimulating actions from the energy supply and demand sectors. These funds will be operational through the following instruments:

A financing line for energy efficiency projects on the supply side. This line will finance projects in the following energy generation, transmission, and distribution sub-sectors.

A financing line for energy efficiency projects on the demand side which will also be able to finance renewable energy initiatives. This will be done through a development loan at a subsidized interest rate. The line will finance energy efficiency projects in the energy demand sub-sector, through two complementary mechanisms:

- * Direct financing to companies, with a focus on large industries.
- * Financing through credit lines for financial institutions. In this case, the financial institutions will prepare standardized financial products, such as the substitution of appliances for efficient ones to finance small and medium-sized enterprises that invest in energy efficiency measures.

A Technical Assistance Fund with non-reimbursable funds applied to projects in the demand sub-sector that may potentially receive a direct financing from CAF. The funds are aimed at supporting the identification, structuring, and monitoring of energy efficiency projects.

At the same time, jointly with the World Bank, studies are being developed to determine the potential of improvements in the hydroelectricity infrastructure in the region. These studies plan to evaluate plants that have been in operation for over 35 years, with an

installed capacity exceeding 100 MW, to obtain details of the investment required at a project level, so that these plants may be modernized.

Boost of the Renewable, Clean Energy

Latin America and the Caribbean is the region with the cleanest energy matrix in the world. This is possible as a result of the intensive use of hydroelectric energy, which represents 25 percent of its total energy consumption, and 52 percent of the electricity it produces. It has been estimated that only 23 percent of its hydroelectricity potential has been developed, and it also has an enormous potential in other areas of renewable energies to develop, such as aeolic, solar, and geothermal among other types.

In this respect, CAF is sponsoring surveys of the hydroelectric potential in the countries of Latin America. During 2013, those carried out in the State of Sao Paulo in Brazil, and Peru were finished, and one is about to begin in Bolivia, as well as of the bi-national basin of the Artibonito river, between the Dominican Republic and Haiti. The study of the basin of the Bermejo River between Argentina and Bolivia is also about to be finished. At the same time, support was also provided



to the development of a study that seeks to develop tools for the dispatch coordination of renewable energy to Uruguay's electricity network, in the framework of the significant entry of aeolic energy into the network.

At the same time, agreements were established with the KfW to carry out a study of the geothermal potential in Latin America, with an emphasis on Bolivia, Chile, Colombia, Ecuador, and Peru. The idea is that from the survey on the region's potential, a proposal may be designed which is feasible for the operation of a Development Fund for Geothermal Projects aimed at mitigating the risks of the initial exploration and drilling phases, but that at the same time, allows for the establishment of public-private alliances during the investment stage to expand the scale of the geothermal projects to be developed.

In addition, a feasibility study is about to begin for the introduction of air conditioning technologies with deep ocean waters in the Caribbean. A focus is suggested over the Dominican Republic, Jamaica, and Guadalupe and Martinique. The study will include the identification of geographic, climate, engineering, and economic factors that may enable or prevent the development of the projects.

Technological Innovation

Latin America and the Caribbean have the potential to generate productive exports, and high technology innovation is one of the alternative ways. In this respect, CAF identified the need to promote the generation of innovating patentable technologies aimed at using those resources, and is interested in encouraging the countries' own research and technology development so as to support the development of new industries and sources of income.

During 2013, the development of the Technological Patents Regional Initiative concluded. This is a platform for the generation of international applications for patents from Latin America and the Caribbean, as well as the creation of incubators that facilitate investment in prototypes and the marketing of technologies. In addition, training workshops were carried out regarding the technological conceptualization and industrial protection (patents) processes in six countries of the region, through which close to 300 innovators/inventors were trained, and a study is being prepared regarding the state of technological innovation in the region.



Social Development

CAF's commitment with the sustainable development of Latin America has consolidated to become one of the main actors in financing investments in the social sectors of the region.

CAF supports the countries to improve the quality of life of their inhabitants through interventions that contribute, from a comprehensive perspective, to social inclusion, reduction of poverty and inequality, and facilitate the access of the whole population to quality public services. These interventions materialize through three operating axis:

- * Financing of investment projects and programs with high social impact to improve life conditions, mainly to the most vulnerable population.
- * Technical assistance to improve the institutional framework of the social sectors and strengthen the planning and public policy generation processes that tend to ensure the pertinence, effectiveness, and sustainability of the interventions.
- * Generation of knowledge in the social areas, through research, systematization and dissemination initiatives related to the best working practices with innovating approaches.

In this respect, CAF structures its Social Development Agenda around a series of strategic guidelines that propose a comprehensive support to the social sectors of the region, according to their priorities and needs.

Comprehensive Water Management

From a comprehensive vision of the cycle of water, CAF supports its shareholder countries through the development and financing of investment studies, projects, and programs that contribute to improve the quality of life of the population through four lines of action:

1. Management and protection of basins.
2. Drinking water and basic sanitation services.
3. Irrigation and agricultural development.
4. Drainage, flood control, and climate change.

In addition, CAF seeks to generate the conditions to ensure an adequate management of the basic services through strengthening the institutional framework and governance of enterprises and institutions that are responsible for the management of water in the region.



During 2013, projects and programs were approved for the provision of drinking water services, basic sanitation, treatment of residual waters, irrigation, and flood control systems in Argentina, Bolivia, Brazil, Ecuador, Peru, and Venezuela. In the framework of the initiative to generate knowledge, CAF participated in the World Water Week in Stockholm, Sweden, which included the participation of high representatives from national governments, international organizations, and bilateral cooperation agencies, where policies and mechanisms were discussed to advance effectively toward the materialization of the human right to water. Within the strategy to disseminate knowledge in the sector, several events were organized in several countries of the region to reflect on CAF's publication "Equity and Social Inclusion in Latin America: Access to Water and Sanitation." The purpose was to promote a wide discussion regarding the public policies required to address the deficit of drinking water and sanitation services and advance toward universal coverage of urban services, emphasizing on the poorest and most vulnerable groups of society. In addition, support was provided to finance sectorial studies in different countries, and the organization of training workshops regarding the comprehensive management of water in Bolivia, Brazil, Ecuador, and Colombia.

Strengthening of Educational Quality

Quality education is an essential pillar to generate structural changes and promote sustainable and equitable growth. Responding to the challenges of the region of increasing educational quality and consolidating the universalization of education at a secondary level, CAF prepared an Education Agenda 2013-2016, which proposes the following program lines:

1. Education for employment.
2. Education for productivity.
3. Education for citizenship.

With these guidelines, CAF aims to increase qualifications, productivity, and employment opportunities, as well as the labor and interpersonal skills of the young people, and

CAF seeks to generate the conditions to ensure an adequate management of basic services through strengthening of the institutional framework and governance of the companies and institutions that are responsible for the management of water in the region.

strengthen the competencies of the already employed labor force, particularly that of a vocational or technical profile.

With this orientation, CAF continued to support actions to improve the capacities of school directors and teachers. In November, as a result of the launching of the Framework for the Good Performance of School Managers, prepared by the Ministry of Education of Peru, an international seminar was organized in Lima, Peru, to show successful school management experiences. Advances were presented regarding the systematization study of the management modernization programs in several countries of the region.

In the framework of quality education, CAF supported two education and training projects for teachers: (1) the development of the community made up of 300 teachers from Argentina, Venezuela, and Uruguay, from the most vulnerable urban and rural areas, who exchange and improve their pedagogical practices using the CAMPUS CAF portal; and (2) the design, implementation, and evaluation of the certificate in quality improvement for teachers *PIO-Docente*, jointly with the

Universidad Simón Bolívar, which benefits 100 school teachers and managers of vulnerable areas of Caracas and the states of Vargas and Miranda.

As a complement, CAF prepared the first ICT Comprehensive Development Report, which analyzes 18 CAF shareholder countries through a four dimensional evaluation: institutional, infrastructure, economic, and human capital, developing a comprehensive index of the ICT development as a CAF proposal, to compare and improve the practices and public policies for the region. In addition, as part of the Digital Convergence project, workshops were carried out in CAF's offices in Lima, Panama, and Quito, to increase awareness regarding the use of ICTs.

Within the support that CAF has provided to the universalization efforts of early childhood education, the Organization of Ibero-American States (OEI, for its acronym in Spanish) jointly with the Ministry of Education of Paraguay organized the International Seminar on Early Childhood, which included the presentation of the study Policies and Programs for Early Childhood Education in the Andean Area and Southern Cone.

Comprehensive Management of the Risks of Disaster Resulting from Natural Phenomena

This initiative seeks to support CAF's shareholder countries with resources and technical assistance that contribute to gain knowledge, attention, prevention, and mitigation of human and material impacts generated by the occurrence of disasters resulting from natural phenomena. During 2013, a new financing facility was approved in favor of Peru to Address the Emergency Resulting from Natural Phenomena. At the same time, in Santiago, Chile, the international forum Strengthening Resilience in the Face of Natural Disasters in Latin American Cities

took place, with the objective of exchanging knowledge and best practices regarding the management and reduction of these types of risks resulting from natural phenomena, and resilience, in alliance with UNITAR and the Chilean Ministry of Housing and Urbanism, showing Japan's experience on the subject. A regional course was organized in Guayaquil, Ecuador, regarding the Comprehensive Management of urban Floods, which included the participation of employees from public agencies in the region, in charge of the subject of risks resulting from natural disasters.

Comprehensive Urban Development

In 2013, CAF launched its Cities with a Future Program, as a tool for the comprehensive development of cities, suggesting common guidelines for all its interventions in urban areas which would take advantage of the synergies of the different initiatives that the Institution promotes in the areas of public management, citizen safety, productive transformation, infrastructure, inclusive urban development, environment, energy, and ICT. In this framework, from the perspective of a comprehensive urban development, CAF supports the cities in the region in sectors such as housing, urban development, education, health, and basic social services, emphasizing the most precarious and marginal areas. In this context, different activities have been promoted in the areas of financing, technical assistance, institutional strengthening, and knowledge management. During 2013, urban development loan operations were approved, such as the Fortaleza - City with a Future Program (Brazil), and the second phase of the Urban Development and Habitat Project (Dominican Republic). In addition, support was provided to FLACSO for the development of a study regarding the new Latin American dimensions in social sciences, the state, scope and limitations of public policies aimed at reducing poverty, and improving equality in different sub-regions of Latin America. In alliance with UN-Habitat, CAF joined the Global Initiative for Prosperous Cities

with a Future, to analyze diverse dimensions of urban development in five Latin American cities in order to improve the wellbeing of its inhabitants. With respect to research and the promotion of initiatives to improve the quality of life in the cities, CAF organized the third edition of the International Competition for Urban Development and Social Inclusion Projects, and launched the publication "Inclusion de Habitantes en la Ciudadanía Plena" ("Inclusion of Inhabitants in Full Citizenship") regarding processes to improve informal settlements in Latin America through the experience of La Moran neighborhood in Caracas, Venezuela.

For more than 12 years CAF has been promoting the Growing through Music Program, characterized by taking Venezuelan instructors of a renowned trajectory to different beneficiary countries, to train children and youths with a novel and effective technology.

Growing through Music

Musical education has been proven to be an excellent tool to provide a positive influence in the comprehensive training of children and youths, especially low income children who do not have alternatives for the use of free time. Music has positive effects in the development of cognitive abilities, such as reading and mathematics, as well as non-cognitive abilities, such as discipline, sense of belonging, team work, and respect, among others.

CAF is proud of its involvement of over 12 years promoting this program which has been characterized since its beginning, for taking Venezuelan instructors of a renown trajectory to different beneficiary countries to train children and youths with a new and effective methodology that consists of learning by playing. During 2013, 35 orchestral, choral, and luthier workshops were carried out in Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Thus, 5,900 children and youths received training, together with 580 teachers/multipliers.

In order to strengthen the impact of this program on the region, the goal for the next five years is to expand the coverage by providing musical education to a larger number of children and youths, as an alternative to transform their lives. To achieve this objective, work is carried out to design a strategy to add public and private allies at a regional level in each country that has benefitted from this initiative, as well as deepen the institutional strengthening process of the counterparts that are a part of this program.



SOMOS: Sports Network for the Development of Latin America

Through its SOMOS initiative, CAF ratifies its commitment with the Latin American movement to promote sports as a right of girls, boys, and youths, as well as its dissemination as an effective tools for their development and social inclusion.

SOMOS, which is the evolution of CAF's Andean initiative "Social Actions through Sports", is not only the growth of the initiative to a Latin American dimension, but it also reconsiders and strengthens its methodology and field of action to go from the so called assistance to comprehensive human development. SOMOS has become a mechanism for social inclusion that promotes the generation of equality of competencies in girls, boys, and youths, so they can be capable of taking advantage of the opportunities under equal conditions.

The network is a Latin American platform that facilitates and stimulates the connection of different actors and resources (human and financial) so that together they can contribute to the human development of the region through the practice of soccer.

As a result of the support of our international allies Right to Play and Special Olympics Latin America, as of 2013 the SOMOS network is made up by 15 social organizations from nine Latin American countries. Currently, 32,000 children and youths, as well as 851 trainers and sports technicians participate in programs training in the adequate use of sports for development.

In 2013, SOMOS participated in the 2013 Beyond Sports event, which included the participation of 300 of the main sports organizations that work to promote sports around the world.

Among the partners that entered this year stands out the Real Madrid Foundation through its socio-sports schools in Paraguay and Argentina, as well as the Gol de Letra Foundation, an organization founded by Rai Oliveira and Leonardo Araujo, figures of the Brazilian soccer. In Peru, thanks to the alliance between CAF and private enterprises, a program called Un Gol por la Vida (A Goal for Life) was started, benefiting children and youths of communities located around three projects: Mass Transportation of Lima and Callao, New Roads of Lima, and Olmos Irrigation.

During 2013, 24 projects of the PASOS Program were supported and are being implemented in rural and urban areas to benefit more than 75,000 low income families.



PASOS Program for Inclusion

The objective of the PASOS Program for inclusion is to favor the most vulnerable Latin American population through the strengthening of capacities and talents so that those who participate may become agents of their own development. The program is aimed at the base of the socio-economic pyramid which is found in the area of influence of CAF's credits. During 2013, the activities focused on two lines of action:

- * Socio-productive inclusion in rural areas: seeks to improve the quality of life of

rural families through the development of productive, organizational, and financial capacities which, as a result, increase their income level in a sustained manner.

- * Socio-productive inclusion in cities: focused on generating employment opportunities and micro-entrepreneurships to low income youths.

During 2013, 24 projects were supported and are being implemented in urban and rural areas, to benefit more than 75,000 low income families.

Vit@l Program (Lets go for the Technological Inclusion of Latin America)

The Vit@l Program started in 2013 seeking to provide access to quality health in a sustained manner to people who, as a result of their poverty, geographic location, and lack of resources, currently lack this service.

Vit@l emerges as a result of CAF's experience in telemedicine projects in Bolivia, Ecuador,

and Venezuela, where the inclusion of micro-insurance in the current model was identified as an opportunity to improve sustainability and an increase in coverage.

This program has three strategic lines: (i) health service platform, (ii) training, and (iii) evaluation and dissemination of results.



Social Innovation

Social innovation is an imperative to solve the great development challenges of the XXI century. In July of 2013, CAF created the Social Innovation Initiative (IIS, for its acronym in Spanish) as a laboratory for experiences that add value to the region by boosting and promoting creative alliances that contribute to solve the social problems in the framework of the United Nations Millennium Objectives and the Post 2015 Agenda.

This new area understands CAF's role in the field of social innovation as a facilitator and "pollinator" of actors and innovating initiatives, connecting different stakeholders —governments, corporate sector, academia, civil society, and NGOs— though their respective competencies in order to contribute with solutions through public policies and/or market solutions.

Social innovation evolves continuously, which implies flexible processes and working dynamics that assume risks and certain levels of uncertainty. Thus, the preliminary route of CAF's work includes two levels of intervention that go hand in hand with the civil society: one local, and another regional. As examples in local interventions, the following are mentioned: i) support to the role of the radio as an innovating tool to complement public policies in matters regarding education, health, and natural disasters; ii) a business model for imprisoned women that converts an idle labor force into a productive one, reducing reoccurrences and the costs for the State and society; iii) local gastronomy as a pole of innovation to strengthen economic development, tourism, the creation of employment for young people, the generation of income for small agricultural producers, and the sustainable diversification of agriculture.

With respect to regional interventions, CAF has started to recognize social challenges that transcend frontiers hand in hand with pioneer actors who break paradigms to solve problems, such as: i) the establishment of a pioneer alliance with System B, to lead the global movement of the B Corp in Latin America

which, from the private sector, promotes a new sector of the economy to maximize earnings and social impact; ii) the identification and strengthening of social innovators such as Sociallab, through the use of an open platform that brings together the collective intelligence (crowdsourcing) to design solutions to social challenges that are of CAF's interest; and iii) the creation of a CAF- World Fund social co-investment mechanism that contributes to a global bag of resources and knowledge to eliminate malaria.

In addition, through the Social Innovation Initiative, CAF explores its participation in networks such as Six Exchange Innovation, Oxford University's Skoll Centre for Social Entrepreneurship, MIT's Innovation Lab, the Business School of IESE (Spain) and Harvard (United States), and Ashoka, among others.

CAF's role in the field of social innovation is that of a facilitator and "pollinator" of actors and innovating initiatives, connecting different interest groups through their respective competencies.



Environmental Sustainability and Climate Change

CAF continues to support the promotion and consolidation of the region's environmental sector through programs and actions aimed at promoting a sustainable productive transformation in its shareholder countries, as well as through its financing operations, which are environmentally sustainable and socially responsible.

Institutional Environmental Management

In the area of evaluation and follow-up of loan operations, 57 environmental and social evaluations were carried out in 2013. In addition, 60 missions were carried out to follow up the projects that are in the administration and disbursement phase.

As part of the development process and application of new instruments, three sectorial environmental guidelines were designed for the construction and maintenance projects in road works in the primary network, installation of electricity power lines, and small hydroelectric plants, with the purpose of establishing the minimal technical requirements that must be incorporated both in the design as well as the construction and functioning of said activities.

In addition, the application of the Environmental and Social Evaluation Methodology with a Strategic Approach – EASE, was applied in the Bi-national Brazil-Uruguay Project: Multimodal Transportation in the Laguna Merin-Lagoa Dos Patos System. This strategic environmental and social management tool contributed to improve the understanding of the current and future territorial dynamics, the optimization of the benefits of the Multimodal Transportation Macro-Project, and decision making at a supra-national, national-central, and regional-local level, with respect to the limitations and possibilities of generating more sustainable development processes in the territory where the project takes place.

During the year, CAF continued its accreditation process as an implementing agency of the Global Environment Facility

(GEF). Currently, the Policy Guidelines for the Compliance of Environmental and Social Safeguards is being prepared, as a final part of the commitments with the Fund.

In 2013, with the purpose of promoting and encouraging environmental responsibility within the Institution, the first internal competition of "Sustainable Ideas: Less %" was carried out. Eighteen working groups from the 11 Country Offices participated, and there were three winning ideas that were implemented at CAF. One was the project "Reduction of residential electricity consumption of CAF employees", which suggests an attractive lottery system of energy efficiency to reduce consumption which, in addition, transfers the spirit of environmental responsibility to the staff's families.

During the CAF-Marathon Caracas 2013, two important activities were carried out: (i) with the support of the First Climate Consulting Company, the event's carbon footprint was determined (GHG emissions), and the results were published in CAF's and First Climate's web sites; (ii) the collection of solid residues generated on the day of the event was carried out through recycling companies. A strategy was also developed to minimize the material used for publicity and information, and to reuse banners, fences, and signs.

Ninety percent of the registrations were carried out through the marathon's web page. In this same line, the Leadership in Energy and Environmental Design (LEED) Certification Process of the Bolivia Country Office stands out. It started in 2012, with the support of the



Green Management SPA consulting company. The implementation of the working plan, which started in 2013, will help obtain the certification.

In the framework of the Environmental Management Program for Financial Institutions, the course "Analysis of Environmental and Social Risks (ARAS, for its acronym in Spanish)" was carried out between October 7 and 25. Twenty-three professionals in the analysis of credit risks participated, from 21 financial institutions from

eight countries of Latin America. The course's objective was to provide knowledge and tools to the financial institutions of the region, so that they may incorporate the identification, evaluation, and management of environmental and social risks of their operations in their loan valuation processes. This seeks to minimize operational, legal, financial, and reputation risks for these institutions, and maximize their contribution to the sustainable development of the countries where they operate.

Climate Change

In response to the demand of the countries of the region, CAF established the Latin American Climate Change Program (PLACC, for its acronym in Spanish), which has four strategic lines: Climate Change Mitigation and Carbon Markets, Adaptation to Climate Change, Coordination of the climate sources and funds and the Regional Cooperation Center (CRC, for its acronym in Spanish), which conducts mitigation activities and markets under the framework of the Clean Development Mechanism in association with the United Nations.

Climate Change Mitigation Program and Carbon Markets

In 2013, the countries received support in the establishment of mitigation policies with the

preparation of the first National Appropriate Mitigation Action (NAMA) notes which were adopted by the countries under different modalities of public policy. NAMA's notes were developed in areas such as the sustainable housing sector in Peru, the domestic residual waters in Colombia, urban solid residues in Ecuador, solar heating in homes in Uruguay, renewable energy in Panama, and the co-generation with biomass in Argentina. These NAMA ideas achieved the allocation of technical assistance resources of the Latin America Investment Facility (LAIF) for the implementation of the NAMA's for solid residues in Ecuador, and residual waters in Colombia. In addition, advances were achieved in the LAIF studies for mitigation activities in the cement sector in Ecuador, Mexico, and Peru, and the co-generation sector in

CAF established the Latin American Climate Change Program, with four strategic lines: Climate Change Mitigation and Carbon Markets, Adaptation to Climate Change, Coordination between climate sources and funds and the Regional Cooperation Center (CRC, for its acronym in Spanish).



Uruguay, Colombia, and Mexico, which will originate new NAMAs or mitigation policies of a different nature. Advances were achieved in the research and mapping of mitigation actions in the countries of Latin America and the Caribbean, and in the preparation of CAF's Mitigation Program. Finally, with the European Union, it was agreed to modify the LAIF-LACF (Latin American Carbon Facility), dedicated to the establishment of a guarantee fund to grant loans to the projects of the Kyoto Protocol's Clean Development Mechanism, to a facility dedicated to New Market Mechanisms (NMM) in Latin America.

Climate Change Adaptation Program

In 2013, the Climate Change Adaptation Program was developed, launched, and disseminated. Work was carried out regarding best practices guidelines to include the adaptation component in projects financed by CAF in its credit portfolio.

In Lima, a workshop was carried out on specific adaptation measures, with the participation of Argentina, Chile, Colombia, Ecuador, Peru, Bolivia, Uruguay and Paraguay, to contribute to strengthen the capacity of public institutions and the non-governmental sector, calculate the financing needs associated to the national adaptation efforts, and identify the existing financing options. In addition, the configuration of a portfolio of climate change adaptation projects was started in Argentina, Bolivia,

Chile, Colombia, Ecuador, Peru, Uruguay and Paraguay.

Coordination of climate sources and funds

The application to become an implementing agency of the United Nations' Adaptation Fund concluded, providing access to funds for the development of climate change adaptation projects in countries of the region, and the fiduciary standard component of the GEF application was developed, which will provide access to resources for climate change and other environmental subjects. Support continued for the IDFC as a technical leader of the special interest group in climate financing, through the launching of the 2012 IDFC's Green Financing Mapping Report in international events on climate change, such as the COP19 in Warsaw, providing a significant positioning for the IDFC and CAF in these types of exercises. Support was also provided for the follow-up and calculations of emission reduction and/or carbon footprint in 23 operations financed by the specialized loans for climate change with the KfW.

Regional Cooperation Center (CRC for its acronym in Spanish)

CAF and the United Nations Framework Convention on Climate Change (UNFCCC) signed an agreement to establish a Regional Cooperation Center which started its



operations in September of 2013 in Bogota, Colombia. The objectives of the CRC Bogota are: i) identification of priority sectors for the development of standardized base lines, which will be the starting point for mitigation actions at a country level; ii) direct support to projects of the Clean Development Mechanism (CDM) and Activities Programs in the stage of Validation, Monitoring, and Verification, so that carbon bonds are produced; iii) identification and promotion of demand for CDM carbon bonds in different market niches, particularly within enterprises and sectors with social and environmental responsibility programs.

Green Businesses

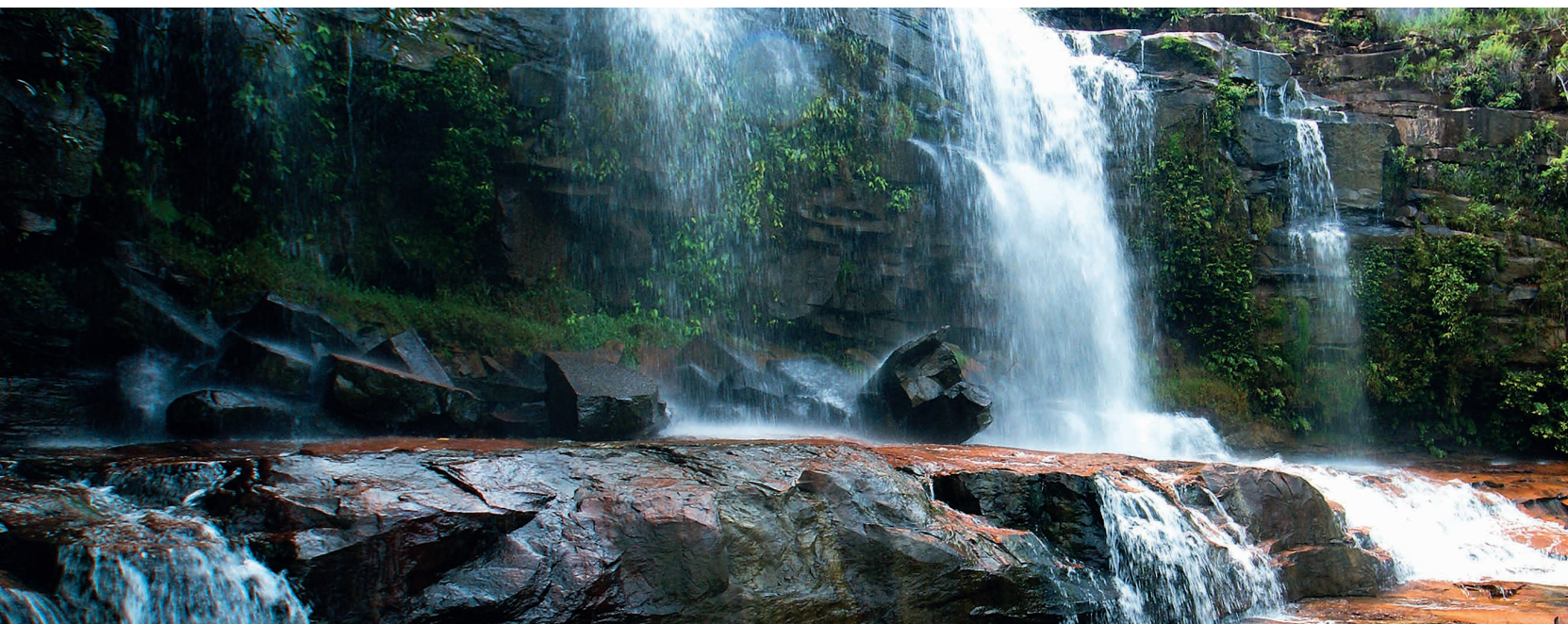
In the framework of the Biodiversity Program, during 2013 technical assistance projects were approved for the conservation of biodiversity, sustainable management of natural protected areas, and promotion of ecosystemic services as well as strengthening of the value chains of products from the areas of conservation. At the same time, credit operations, both public and private, were analyzed in their environmental and social evaluation component to identify impacts and prevention and/or mitigation actions in conservation areas and in the value chains of the natural products of these areas.

As a result of this analysis, action plans for conservation and sustainable management of

The initial results of the CRC are the following: close to 20 applications of a technical character for CDM projects have been reviewed, mainly in Colombia, Ecuador and Mexico; support and promotion has been provided for the use and implementation of instruments to measure emission reductions at a sectorial level, as well as CER market instruments in countries of the region such as Ecuador, Panama, Mexico, Chile, Argentina and some in Central America. At the same time, business opportunities have been preliminary identified in credit operations in Mexico; solar energy projects of up to 15 Mw, and a generation and transmission project with PetroAmazonas in Ecuador.

vulnerable areas were developed. CAF approved the credit operation for the Environmental and Social Management Program for the Mitigation of the Indirect Impact of the Southern Inter-Oceanic Road Corridor in Peru, to develop actions in the area of conservation of biodiversity.

The objective of the Andean Biotrade project, which started in December of 2010, is to facilitate the national and regional productive chains of native products in Colombia, Ecuador, and Peru. The catalyzing condition of biotrade allows for the implementation of entrepreneurial activities which, conserving and sustainably using biodiversity, main natural capital of Latin



America, are economically sustainable, ethical, and inclusive. In the framework of the Program, support was provided for the reformulation of the National Strategic Green Markets Plan in Colombia; the improvement of the regulations regarding the use of biodiversity in Ecuador; the regulatory proposal to overcome the problems of the private sector regarding the inclusion of Biotrade in Politics, and in the National Development Strategy of Peru.

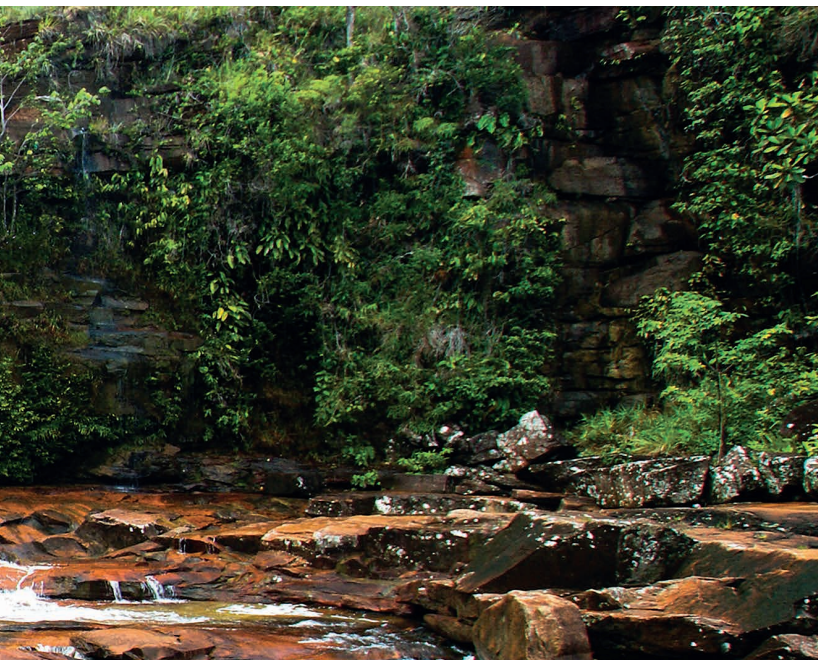
In terms of the access of Biotrade to the markets, six fairs were organized in four business rounds in Ecuador, Colombia, and Peru, including the *Feria de Mistura* (Gastronomical and Cultural Fair) in Lima, Peru, where at the same time the first Cocoa and Chocolate Fair was taking place. In addition, support was provided for the Food Expo Fair and Peru Natura, the most important food fairs in Latin America. Businesses for a minimum of USD 83 million were reported in the business rounds.

Support was also provided to guarantee the presence of at least 62 entrepreneurships of the region in the international fairs such as Biofach (Germany), In Cosmetics (France), Biofach (Brazil), World Travel Mart (UK) and Bird Watchers (UK). In these fairs, USD 213 million were reported by entrepreneurships in the area of the Andean Biotrade project, in a context of total sales for the region which reached USD 2.9 billion (UNCTAD, 2011).

Thirty five workshops and seminars were carried out in Colombia, Ecuador, and Peru, to train entrepreneurs in processes of certification, legislation, markets, brands, packaging, logistics, access to fair resources and benefits, traceability, fair market, costing, and credit management. Strategic alliances were established with universities in Bogota and Guayaquil, with the Catholic University of Peru, where the first Master's Program in Biotrade was started.

To support the leverage of financial resources, the Agreement on Complementary Guarantees was established in Colombia, which has placed guarantees for up to USD 1.6 million for the users of the system. The agreement between CORPEI and CORPEI CAPITAL was signed in Ecuador, for the creation of a credit fund for Biotrade initiatives. CORPEI CAPITAL has approved credits for USD 390,000 for five pilot initiatives. In Peru, co-financing for pilot projects reached USD 1.38 million. In the three countries there are 115 pilot projects which use close to 60,000 hectares under sustainable management, to comply with a rating which exceeds the Biotrade principle of 65%.

The project was invited to present experiences and results in the most important international conferences around the world: Assembly of the Union for Ethical Biotrade, Paris (April); Secretariat of the Biological Diversity Convention, Montreal (November), and II Biotrade Congress – UNCTAD, Geneva (December).



The catalyzing condition of biotrade allows for the implementation of entrepreneurial activities which, by conserving and sustainably using biodiversity – main natural capital of Latin America – are economically sustainable, ethical, and inclusive.

Productive, Financial, and SME Sectors

CAF's support to the productive and financial sectors of its shareholder countries is implemented through a wide range of financing and investment operations. The objective is the sustainable productive transformation of the economies, strengthening of public and private financial institutions, promotion of access to financing for micro, small, and medium-sized enterprises, and support for innovative entrepreneurship.

Productive and Financial Sectors

In each economy where CAF operates, aligned with the relevant public policies, the competitive sectors with a potential to generate products and services with high value added are identified. CAF offers financial services that are adequate for the needs of the enterprises within these sectors, such as loans for working capital and expansion projects, A/B loans, structured financing, financial consultancies, and capital investments, among others.

The strength of the financial systems is a critical factor for economic development. For this reason, CAF supports financial institutions through credit operations which facilitate international trade operations and financing of the productive sectors. The relationship between CAF and the financial institutions also has a counter-cyclical function which is manifested when the capital flows toward member countries decrease. With financial institutions –such as development banks– CAF maintains very special relationships as they are essential allies in the identification and promotion of the sectors of the economy that are susceptible to change. CAF also participates in the optimization processes of regulatory frameworks.

Through the institutions that provide services to micro-entrepreneurs, CAF promotes access to financial services for that important group of entrepreneurs that face limitations in obtaining banking services such as credit and savings. CAF offers each micro-financial institution that product that best adapts to their specific needs. Thus, it offers for example, credit lines in US

Dollars and local currency, subordinated loans, and capital investments.

Credit guarantee systems are very important allies of the small and medium-sized enterprises for obtaining credit. CAF supports those entities through technical cooperation operations, retro-guarantees, and co-investments.

CAF supports innovating entrepreneurships through capital investments in the capital of risk capital funds. At the same time, these funds invest in small and medium-sized innovating companies in the beginning stage of their operations or growth, with the potential of becoming large enterprises which generate new products and services.

Through the institutions that provide services to micro-entrepreneurs, CAF promotes access to financial services for that important group of entrepreneurs that face limitations to obtain banking services.



Productive Transformation

CAF designs and implements programs that promote entrepreneurial development and competitiveness with productive and social inclusion criteria.

These programs seek to promote innovating entrepreneurships, as well as generating knowledge that enables copying successful experiences, mobilize international resources toward national and local companies, create institutional capacities, and strengthen productive chains that facilitate access to international markets. Entrepreneurships and innovation are the starting point for the generation of new productive units that result in greater socio-economic wellbeing for the population. Given the results of the coordination of the public, private, and non-governmental sectors for the construction and implementation of national policies to support entrepreneurships and innovation carried out in 2012, in 2013 CAF focused on the diagnosis and evaluation of the regulatory frameworks that regulate investments in private capital funds and risk capital funds, as well as the performance of entrepreneurial policies, mainly in Chile, Mexico, and Colombia.

With respect to competitiveness and local economic development, the development of clusters chains, and enterprises that add value to the products combine within a territorial framework where entrepreneurial development is the superior objective. During 2013, support continued for the coffee, cereals, and wood productive chains, as well as for the fishing, tourism, logistics, and textile sectors, by carrying out interventions that provide the necessary capacities for a productive and sustainable transformation. At the same time, local productive clusters started developing

in Ecuador and Peru as pilot projects in the region, including the electrical appliances sector, wooden furniture, clothes making with alpaca wool, and metallurgical industry, respectively. This will generate cooperation schemes with anchor enterprises of a larger size, support for the insertion of SMEs in international markets, and the promotion of entrepreneurial association schemes that guarantee the sustainability of such interventions.

In addition, CAF seeks to influence the integration processes of its shareholder countries through the consolidation of the regional value chains, by leveraging the efforts for the reduction or elimination of obstacles and impediments that affect the optimal trade operations of exporters, in addition to the coordination of the actors from the public, private, and academic sectors. During this year, interventions were carried out that focused on the logistics development of ports in Uruguay, the evaluation of the industrial sectors in Brazil and Venezuela, and support to enterprises with exporting excellence in Colombia.

In 2013, the education for productivity component was incorporated to the productive transformation agenda, which promotes technical and technological training activities in order to improve the quality of the human resources in enterprises, generate innovation, and improve productivity in the competitive clusters. At the same time, a diagnosis of the financial education in Latin America was carried out during the year, which used surveys to identify the national

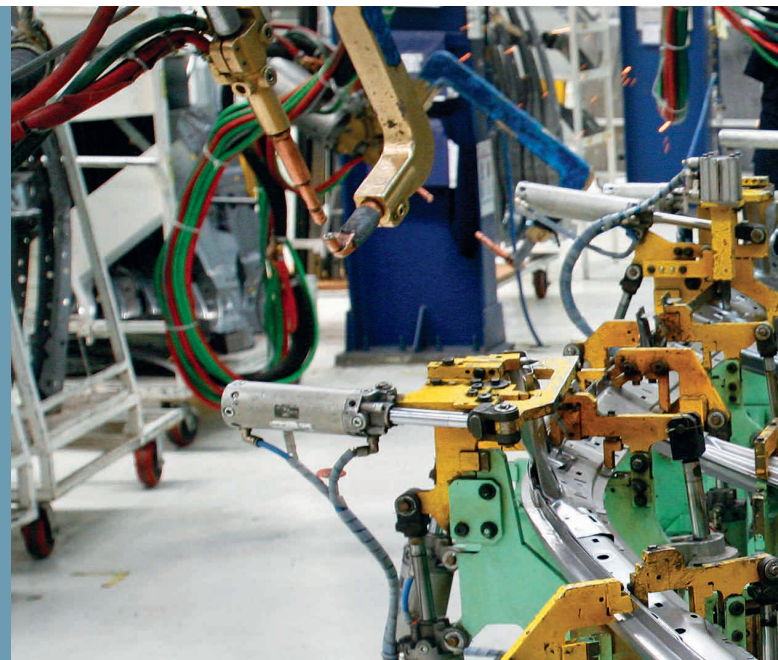


strategies aimed at the promotion of financial education and innovating practices and relevant cases of inter-institutional cooperation. This is a subject of vital importance to favor the productive inclusion in the region and the effective insertion of the population to the productive processes.

In the area of technical and technological training, during 2013 a pilot operation started in Panama with the objective of promoting technical and vocational education as a driver for entrepreneurial innovation and the increase of productivity in economic sectors considered strategic. Another objective is to close the gaps between supply and demand for technical and vocational education, and facilitate a sustained growth in the competitiveness of enterprises.

Companies that are already operating, require a set of formal and informal practices that regulate the relationships between the administrators and all those who invest their resources in those companies, whether public or private. For CAF, it is of great importance to encourage the Best Practices in Corporate Governance, and therefore, projects are carried out to provide support and training to diverse companies in the region whether they are state-owned, family owned, or SMEs. In 2004, CAF

For CAF, encouraging Best Practices in Corporate Governance is of great importance; for this reason, projects to support training are carried out for diverse enterprises in the region, whether they are state-owned, family owned, or SMEs.



published the “Guidelines for an Andean Code of Corporate Governance”, a publication which submitted a set of basic norms that constitute a good Corporate Governance to the consideration of the actors of the Andean region. In 2013, the “Guidelines for a Latin American Code of Corporate Governance” were updated, with the incorporation of the implications of the international crisis and the new trends in the region.

Across the board, and in the framework of the Latin American Productive Transformation Observatory, which seeks to integrate these subjects that are relevant for the sustainable development of Latin America through the generation and dissemination of knowledge and successful practices, five research works were carried out regarding the implementation of One-Stop Export Windows (VUCE, for its acronym in Spanish) in Latin America; the demand for innovation and design of SMEs in Buenos Aires, Argentina; the trends and realities regarding direct foreign investment; the productive inclusion and rural development, and finally, the current situation and prospects of financial education being the first diagnoses of the subject in the region.



Socio-Economic Research

The link between research and development is very tight. Research constitutes a direct vehicle for the advance of societies and the promotion of their productive capacities.

There is an exchange between the research processes and the startup of effective policies for productive development: policy makers in the region use the research to make decision that facilitate and encourage economic and social development.

According to this logic, CAF's Program in Support of Research (PAI, for its acronym in Spanish) seeks to promote the design and execution of public policies and development strategies of the countries of the region through the generation and dissemination of knowledge. The Institution benefits from the development of subjects of interest for its agenda, and participates in the debate regarding relevant issues for the economic and social development of Latin America.

During 2013, 16 publications were prepared through the PAI. In first place, the 2012 RED was published, "Public Finance for Development: strengthening the connection between income and expenditure", and the 2013 Economy and Development Report *Emprendimientos en América Latina: desde la subsistencia hacia la transformación productiva* (Entrepreneurships in Latin America: from subsistence toward productive transformation) in two different formats: Spanish and digital version.

In addition, volume N° 10 of the review "*Perspectivas sobre Finanzas Públicas y Desarrollo*" ("Perspectives on Public Finances and Development") was published. The objective of this edition is to contribute to the discussion on public finances and development, connecting policy makers with academics to promote an essential debate for the good performance of public policies.

In addition, two editions of the FOCUS bulletin were published. The first edition, published

in February of 2013, focused on the subject of knowledge to improve public policies and summarizes the impact evaluations carried out by CAF; it also analyzes data regarding employment decisions and entrepreneurship in Latin America, which emerge from the CAF survey and summarizes the working documents published in 2012. The second edition of the bulletin was published in May, 2013, and describes the most important messages of the 2013 RED regarding entrepreneurship and development, while at the same time dedicating a brief section to the main results of the CAF survey regarding the personality of Latin American entrepreneurs.

At the same time, a series CAF working documents were published in digital format with the following research titles: "Crime Protection Investment Spillovers: Theory and Evidence" by F. Amodio; "Agricultural Shocks, Crime and the Drug Trade in Mexico" by O. Dube, O. García-Ponte, and K. Thom; "Deterrence and Reciprocity Effects on Tax Compliance: Experimental evidence from Venezuela" by D. Ortega and P. Sanguinetti; "Job Training Selection and Self Discovery" by D. Ortega and A. Mata; "Drug Battles and School Achievements: Evidence from Rio de Janeiro's Favelas" by J. Monteiro and R. Rocha; "The Pharmacological Channel Revisited: Alcohol Sales Restrictions and Crime in Bogota" by J. De Mello, D. Mejía and L. Suarez; "Institutions, Sectorial Dynamics and Foreign Direct Investment in Latin America: a New Emerging Reality" by M. Penfold; "The effect of Property Division laws on divorce and Labor Supply: evidence from Spain" by P. Brassiolo; "Police Reform, Training and Crime: Experimental Evidence from Colombia's Plan Cuadrantes" by J. F. García, D. Mejía and D. Ortega.

Research projects associated to CAF's priority agenda were developed; studies were



commissioned which will serve as inputs for the 2014 RED, dealing with the subject of development and citizen safety. In addition, the 11th edition of the Competition Program in Support of Research took place, dedicated to the subject of citizen safety in Latin America. Forty-three proposals were presented, and four of them were selected: "Crime Protection Investment Spillovers: Theory and Evidence" (F. Amodio); "Mi Parque: Experimental Evidence on the Impact of Public Park Upgrading on Citizen Security and Social Capital" (F. Gallego, R. Soares and M. Braun); "Agricultural Shocks, Crime and the Drug Trade in Mexico" (O. Dube, O. García-Ponte, and K. Thom) and "The Origins of Citizen Support for Narcos: An Empirical Investigation" (F. Machado, K. Imai, G. Blair and C. Velasco).

In addition, the first edition of the Research Competition regarding the CAF Survey took place, to promote the use of said measuring document. The six winners were hired to develop the following research work: *Brecha de felicidad por género: evidencia de 24 ciudades de América Latina* (Happiness Gap by Gender: evidence from 24 Latin American cities (M. L. Arroza); *¿Subiendo la escalera social? Un estudio empírico sobre la calidad de vida y la movilidad social en América Latina* (Going up the Social Ladder? An empirical study about the quality of life and social mobility in Latin America) (S. Rodríguez-Raga and F. Riaño Rodríguez); *Explorando los determinantes de la desigualdad en América Latina: nueva evidencia de la Encuesta CAF* (Exploring the determinants of Inequality in Latin America: new evidence from the CAF

survey) (A. César and P. Garriga); *Desigualdad en el acceso a los servicios públicos y efectos sobre los niveles de satisfacción de los individuos* (Inequality in access to public services and effects on the levels of satisfaction of individuals) (D. Campoy and C. Parada) and *Desigualdad de Oportunidades en el acceso al Emprendimiento en América Latina* (Inequality in Access Opportunities for Entrepreneurship in Latin America) (N. Paleo, P. Ramírez Letelier and S. Reitze Dômas).

During the year, activities aimed at disseminating the main conclusions and lessons from the RED 2012 *Public Finances for development: Strengthening the connection between incomes and expenditures* continued in presentations carried out at IESA (Venezuela), ECLAC (Chile), CIEPLAN (Chile), Brookings Institution, Washington D.C. (United States); The Ramon Areces Foundation, Madrid (Spain); the third CAF-ILAS Conference, Beijing (China); Oxford University (United Kingdom), and "L'Institut d'études politiques Science Politiques (SciencePo)", CERI (France).

At the same time, in view of the preliminary tasks for the edition of the periodical publication *Perspectivas on Entrepreneurships and Development*, CAF, jointly with the Universidad de Los Andes, organized the III International Seminar "Prospects for Development" in Bogota, Colombia.

In addition, the regional launching of the 2013 RED on entrepreneurship and development was carried out, in the framework of the XX CAF Board, which took place in Lima, Peru, and national seminars were carried out in Buenos Aires (Argentina), Bogota (Colombia), La Paz (Bolivia), Lima (Peru), Montevideo (Uruguay), Panama (Panama City), Rio de Janeiro (Brazil) and Quito (Ecuador).

Work was also advanced in the preparation of the 2014 RED, dedicated to citizen safety and development in Latin America. For this reason, a workshop was organized at the University of Pennsylvania with the authors of the research documents that serve as a support for the preparation of the report. This event was co-sponsored by the IDB and the University of Pennsylvania. In addition, CAF actively participated in the XVIII Annual Meeting of LACEA, carried out in Mexico D.F. This forum annually brings together the main researchers and academics of the region. CAF sponsored one presentation session of research works regarding citizen safety and organized a special session on the subject of State Capacity, where Harvard University professor Lant Pritchett made a

In 2013, the development of an Impact Measurement Unit in CAF stands out. This area has the purpose of continuing and deepening a working agenda that was already under way about the use of measurements with respect to the impact of public policies as a tool for learning and public management.

presentation. CAF also participated in a panel where the 2013 RED was presented together with the World Bank report on the same subject.

In addition, economists from CAF's Socioeconomic Research Direction participated in several conferences and seminars: "Second Forum on Exchange between Think Tanks" in China, Latin America, and the Caribbean, "Foundation for International Studies", China; "Entrepreneurial Forum Expo China", China; "Ecuadorean-Chinese Chamber of Commerce", Ecuador; "II Sessions on Local Financing", Universidad de la Plata, Argentina; "ALCAPONE - CAF-IADB Conference on Crime in Latin America", University of Pennsylvania, United States; "DIA 2014 Workshop: Policies and institutions for productive development", Inter-American Development Bank, United States; Latin American Think Tanks Meeting", Getulio Vargas Foundation, Brazil; "Capital flows, Capital Controls and Monetary policy", International Economic Association and Central Bank of Uruguay, Uruguay; and the Latin American Steel Congress", Alacero, Peru; "Economics Seminar", Universidad del Rosario, Colombia; Colombia; "Migration: Global Development, New Frontiers", University College London, London; "The Reforms that the Argentinean Economy Needs", Mediterranea Foundation, Argentina; "Keys for an Innovating, Prosperous, and Inclusive Economy", CAINCO, Bolivia; "Economics Seminar", Universidad Torcuato Di Tella, Argentina; "Fourth Meeting of the Impact Evaluation Network of Latin America", Peru; "Jerry Lee Lecture", Stockholm criminology

symposium, Sweden; "Social experiments in policing in Latin America", Cambridge, England; and "Measuring the costs of crime in Latin America and the Caribbean", Inter-American Development Bank, United States.

At the same time, CAF sponsored and actively participated in the meetings organized by the applied research network regarding citizen safety, "America Latina Crime and Policy Network" (ALCAPONE) which were carried out in Medellin, Colombia. Finally, CAF also was part of the events organized by the applied research network regarding international trade "Trade Integration and Growth Network" (TIGN) carried out on April 12th and 13th in Buenos Aires, Argentina.

It is also important to highlight the creation of the Impact Measurement Unit at CAF. The purpose of this area is to continue and deepen a working agenda that was already developing about the use of measurements for the impact of public policies as a tool of learning and public management. This work is done together with the authorities through the use of the best empirical research techniques to estimate the impacts of the initiatives considered a priority, as for example training police employees (Colombia and Argentina), tax collection (Venezuela and Colombia), or the effect of programs to support sports for children and youths on their cognitive and socio-emotional development (Peru). The focus is on how the measuring process in itself is able to generate learning regarding the best use of resources in a really useful manner for public management.



Institutional Development

The institutional quality of the countries is essential for the effectiveness in the supply of services for the citizens, an adequate evolution of the public policies, and sustainable development.

In 2013, CAF continued to deepen its agenda for institutional strengthening under the strategic vision of generating knowledge, increasing the presence of the Institution on these subjects, and promoting opportunities to support shareholder countries.

In this regard, the objective is to contribute to improve public management and institutional quality; support the countries in their search for solutions for the problems of citizen safety; and contribute to the development and identification of young emerging leaders. The approach of the projects is based on implementing a differentiated working agenda that recognizes the heterogeneity of the needs of our countries, diagnose problems; support the implementation of solutions; drive the State to the frontier of knowledge, and prioritize interventions in local government and in the provision of services in a sectorial manner.

Public Management and Institutional Quality

In 2013, the Public Management and Institutional Quality Area allocated a large part of its efforts to the design, approval, and launching of a CAF program that guides the institutional work in sectors and with local governments. This agenda seeks to optimize the State's level of provision of public services, developing tools in management by results, human resources, strategic planning, and administrative simplification, among others.

In addition, the governance programs continued their execution, supported by a re-formulation process to allow their

consolidation and extension to other shareholder countries.

Governance and Public Management Program

The Governance, Policy Management, and Public Management Program started in 2001 in Bolivia as a pilot project. On 2002, it extended to Argentina, Colombia, Ecuador, Mexico, Panama, Peru and Venezuela. It is an initiative designed by CAF, academically developed by the George Washington University, and adapted to the reality of each country by local participating universities. The program's objective is to train a critical mass of public employees in hierarchical positions at a local government level, and their support teams in government management so they can contribute with actions that seek the sustainable development of their communities.

In 2013, there was a greater emphasis on public management issues. During the year, 1,851 public employees participated from Argentina, Bolivia, Colombia, Ecuador, Panama, Peru and Venezuela.

Leadership for Change Program

The Leadership for Change Program, conceived under the principle that social coexistence in any sphere demands that the actions of the participants be guided by ethical values and principles, started as a pilot project in 2002 in Colombia, and in later years extended to Bolivia, Ecuador, Panama, Peru and Venezuela.

The objective is the identification, selection, and training of natural leaders, men and women, with a country vision and civic-democratic values, so that they can exercise their citizenship and community action with



a responsible leadership, aware and with knowledge about the reality of their countries.

In 2013, the courses' syllabus was adjusted. This year, 2,622 renowned leaders accredited by their communities participated from Bolivia, Ecuador, Panama, Peru and Venezuela.

Regional Program for the Update and Improvement of Local Management (Prameg, for its acronym in Spanish)

The Regional Program for the Update and Improvement of Local Management (Prameg) seeks to support municipal offices to transform them into efficient organizations with a modern management structure and planning capacity,

to manage and increase their incomes and coordinate their actions. Thus, it seeks to generate greater efficiency in the provision of services.

In 2013, efforts concentrated on the institutional strengthening of local governments. This has promoted a new stage of the program, emphasizing local governments and CAF's structuring projects, an implementation focused on assistance for the transformation of the municipalities, and granting a protagonist role to the staff as agents of change. In 2013, the first projects started under this modality in the municipality of Penonome, in Panama. Since the beginning of the Prameg, work has been carried out in 62 municipalities in six countries.

Citizen safety

In terms of citizen safety, in 2013 technical cooperation operations and credit operations were carried out, which included initiatives such as the Citizen Safety Program and the development of a prevention initiative against gender violence in Argentina; the strengthening of prevention plans in citizen safety in Bolivia, and the development of

initiatives in Brazil and Ecuador, framed within CAF's Cities with a Future Program.

Regarding to inter-institutional cooperation tasks, cooperation deepened with the Foro de Seguridad in Brazil for the publication of an annual report of best practices regarding safety in Latin America.

Youths

In the area of youths, the 4th Meeting of Young Leaders took place in Mexico D.F. with the participation of more than 35 leaders from Latin America. At the same time, the first Latin American Survey on Youth was published, led by the Ibero-American Youth Organization (OIJ, for its acronym in Spanish) in cooperation with CAF and the IDB. Finally, work is being carried out in a strategic alliance with AVINA, to promote entrepreneurial programs and innovation with youths of the region.

The objective of the Leadership for Change Program is to identify, select, and train natural leaders, men and women, with a country vision and civic-democratic values so that they can exercise their citizenship and community action with a responsible leadership, with awareness and knowledge of the reality of their countries.



Gobierno de Chile
Ing. Miguel Ángel...

Fernando...

Equipo...

Ing. Mercedes...

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Compañía de Radios
El Correo Huasteco

Fundación Welter
Edu. Regis Bazar y
Soc. Deberes Chabonaga High

Asilo Cileco de Smezzani
Edu. Donde Comenzó el Mundo

Fundación Escuela
Pedro Aguirre Castillo

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Universidad
Alonso Fernández Ojeda

REGIONAL PROMOTION AND INTERNATIONAL RELATIONS

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CAF's Active Presence in the Main Regional Integration Meetings

In accordance with its commitment with Latin America, throughout 2013, CAF continued to actively support the agenda of the diverse ongoing regional integration mechanisms and instances, to which it contributed significantly to strengthen the recent integration spaces in Latin America and the Caribbean. In this area, it is important to highlight the dynamics of the countries of the region in the promotion of an agenda focused on strengthening the diverse integration initiatives aimed at encouraging political dialogue, intra-regional cooperation, international insertion, and the agreement on joint positions regarding subjects of the global agenda.

Through the definition and beginning of comprehensive working programs with the different regional organizations and schemes, the Institution decidedly contributed to the implementation of sub-regional, regional, and hemispheric integration and agreement agendas. At the same time, during 2013, CAF consolidated as an important bridge to strengthen the bi-regional integration agenda between Latin America, Europe, and Asia.

The permanent participation and technical support for the development of the region's integration agenda, as well as the presence of CAF's Executive President in each presidential summit, allowed the Institution to become a key piece to consolidate priority projects for the integration objectives of the shareholder countries. In 2013, CAF promoted projects mainly in the area of regional physical infrastructure and energy markets, financial integration, productive integration, strengthening and financial support of MSMEs, and encouragement for the consolidation of



I CELAC Summit of Chiefs of State and Government

Santiago, Chile, January 26-27

productive value chains, while at the same time, promoting regional projects that are specific for environmental, social, educational, and cultural development, as well as multiple integration programs and bi-national and sub-regional trans-border cooperation focused on the reduction of asymmetries.

CAF's presence and active participation should be highlighted in the I CELAC-European Union Summit and the I CELAC Summit of Chiefs of State and Government in Santiago, Chile; the XLV Summit of Chiefs of State of Mercosur in Montevideo, Uruguay; the VII Summit of Chiefs of State of the Pacific Alliance in Cali, Colombia; the XXIV Iberian-American Summit of Chiefs of State and Government in Panama City, Panama; as well as in the Joint Work Group of Summits in the framework of the Summit of the Americas in CELAC's Ministerial Meetings on Infrastructure, Telecommunications, Border Integration, and Energy; the Ministerial Councils of Unasur, in the diverse work meetings of the Andean Community, the Andean Integration System of Mercosur, and the Meso-America Project, as well as the II and III Meeting of the Regional and Sub-Regional Integration Mechanisms of Latin America and the Caribbean.

Through a comprehensive approach of complementarity and convergence, throughout 2013, CAF started working on cooperation programs agreed upon with different regional integration organizations and secretariats, among which the following stand out: projects advanced with the pro tempore presidency of CELAC and its Ministerial Meetings, the Ministerial Councils and Secretariat of Unasur, the Meso-America Project, the Pacific Alliance, the OAS, the SEGIB, the Iberian-American Youth Organization, the Iberian-American States Organization for Education, CAN's General Secretariat, the Andean Parliament, the Andean Health Organization Hipolito Unanue Agreement, Mercosur's Common Market Group, Mercosur's Consultant Forum for Municipalities, Federal States, Provinces, and Departments, the Social Institute of Mercosur, the pro tempore Secretariats of the Americas, the Iberian-American Summit, of CELAC, Unasur, Mercosur, the Roads to Prosperity in the Americas Forum, the Meso-America Initiative, the Latin American Integration Association (ALADI, for its acronym in Spanish), the Latin American Energy Organization (OLADE, for its acronym in Spanish), the Amazon Cooperation Treaty, the Association of Caribbean States, the Economic Commission for

Latin America and the Caribbean (ECLAC), and the Latin American Faculty of Social Sciences (FLACSO, for its acronym in Spanish), as well as an important network of multilateral institutions, academic entities, and social organization that promote programs and projects in the area of regional integration.



XXIII Ibero-American Summit of Chiefs of State and Government
Panama City, Panama, October 18-19



VII Summit of Chiefs of State of the Pacific Alliance
Cali, Colombia, May 20-24

GLOBAL OUTREACH

CAF advanced a dynamic program of activities regarding external relations in order to strengthen its international presence and contribute to Latin America's global projection.

The main events in which the Institution was present in 2013 are the following:

- » **Atlantic Basin Initiative. La Romana, Dominican Republic, January 18-19.** This forum sought to promote cooperation initiatives between the countries of the Atlantic Basin to face the common challenges regarding trade, energy, and safety, among others.
- » **World Economic Forum (WEF) Annual Meeting 2013. Davos, Switzerland, January 23-27.** The meeting focused on "Resilient Dynamism" and promoted a debate regarding global and regional transformation of the industrial sector. CAF's Executive President was one of the panelists in the session "Connecting Latin America", where the new emerging economic integration models in the region were analyzed.
- » **ICELAC-EU Summit, and ICELAC Summit. Santiago, Chile, January 26-28.** Chile was the host of the first summit of the Latin American and Caribbean States, and also of its first meeting as a block with the European Union. CAF reaffirmed its support to these integration and cooperation mechanisms.
- » **CAF-United Kingdom Seminar on Infrastructure. London, United Kingdom, February 11.** The Executive President was the guest of honor in a special session organized in the British Parliament by the Henry Jackson Society to debate about the economic development prospects of Latin America and its relationships with the United Kingdom.
- » **Presentation in the British Parliament, London, United Kingdom. February 11th.** The Executive President was the guest of honor in a special session organized at the British Parliament by the Henry Jackson Society to debate about the prospects for economic development in Latin America and its relationships with the United Kingdom.
- » **"The Challenges of Latin America and the New Global South" Conference. London, United Kingdom, February 12.** While on an official visit to the London School of Economics to sign a framework cooperation agreement, CAF's Executive President presented a master lecture in which he showed the advances of the region in economic subjects, as well as the challenges faced to become relevant actors at a global level in the context of the emergency of the southern countries.
- » **II CAF-Sciences Po Conference "Relationships Between Latin America and Europe", organized by CAF and Sciences Po, Paris, France, February 14.** This forum gathered more than 400 Latin American and European authorities, diplomats, entrepreneurs, journalists, academics, and students for an in

depth analysis of the relationships between Latin America and Europe from a political, economic, and entrepreneurial perspective. Enrique Iglesias, Ibero-American General Secretary, was in charge of the keynote address.

- » **“The Debt Crisis 30 Years Later” Conference. Mexico, D.F., February 18-19**
This international conference, organized by ECLAC, promoted reflections regarding the debt crisis in Latin America 30 years after its onset, with the participation of renowned actors and analysts of the recent economic history of the region.
- » **III South America-Africa Summit. Malabo, Equatorial Guinea, February 20-23.**
CAF was invited as a speaker to one of the sessions in this summit, which focused on strengthening the South-South Cooperation.
- » **CAF-LatinFinance Analysts’ Round Table, London, United Kingdom, February 21.** This round table allowed CAF to gather analysts from investment banks based in London to promote its positioning in the international financial markets.
- » **LIV Annual Meeting of the IDB’s Assembly of Governors, Panama, March 14-17.** CAF was present at the IDB’s Main Annual Meeting. In this context, it developed a full agenda of bilateral meetings, and subscribed important cooperation agreements with international partners.
- » **Latin Trade CFO Events. Miami, United States, March 15.** This forum was the first in a series that invited entrepreneurial leaders to exchange points of view regarding the prospects of regional markets. CAF was also present in the events carried out in Buenos Aires (April 12), Bogota (July 30), and Sao Paulo (August 13).
- » **“Os desafios de desenvolvimento da America Latina e as suas relacoes com a Europa e Portugal” Seminar. Lisbon, Portugal, April 9.** Organized by the Bank of Portugal, this meeting allowed CAF to present its vision on the challenges of development in Latin America to representatives of the main Portuguese companies and Banks with presence in the region.
- » **“Latin American Cities” Conference. Rio de Janeiro, Brazil, April 11.**
Americas Society/Council of the Americas (AS/CoA) carried out a cycle of conferences in some of the main Latin American cities where central subjects were discussed regarding the progress of the region such as economic growth, education, technological innovation, and integration. CAF also participated in the events carried out in Bogota (June 13), Brasilia (June 18), Santiago (August 8), Montevideo (August 16), Buenos Aires (August 22), Lima (November 8), and Asuncion (November 11).
- » **WEF on Latin America: “Generating Growth, Strengthening Societies”. Lima, Peru, April 23-25.** This edition of the WEF gathered regional and global leaders to discuss the opportunities and challenges regarding socio economic and technological development in the region. CAF’s Executive President participated in the plenary session “Latin America in the Global Context”, and in diverse reflection sessions.
- » **Meeting of the Directive Committee of the International Development Finance Club (IDFC). Madrid, Spain, April 28-29.** CAF was the host in the meeting of the Directive Committee of the development banks’ club, whose objective was to discuss the group’s strategy to strengthen its participation in the international dialogue regarding development subjects.



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- » **XLVI Annual Meeting of the Asian Development Bank. New Delhi, India, May 2-5.** CAF was present in the main annual meeting of the Asian financial institution. The Executive President participated in a working session called, “Urban Asia: Financing Livable Cities” on the comparative vision of the challenges of urban development.
- » **III CAF-ILAS Conference: Development and Transformation: A Common Agenda for China and Latin America”, organized by CAF and the Institute for Latin America of the Chinese Academy of Social Sciences, Beijing, China, May 7.** More than 300 governmental representatives, diplomats, academics, and entrepreneurs attended this forum, which analyzed strategic opportunities in the relationships between Latin America and China, public finances for development, and SME policies from a comparative perspective. Enrique Iglesias, Ibero-American General Secretary was in charge of the keynote address.
- » **International Workshop “Latin America and its Insertion in the Global World of the XXI Century”. Bogota, Colombia, May 10.** The purpose of this workshop, organized by CIEPLAN, was to extract lessons from the recent evolution of the international economic relationships of Latin America, and to give researchers an opportunity to exchange their points of view regarding the factors that influence an effective international insertion of the economies.
- » **Structured Finance and Securitization in Latin America (SILAS). Miami, United States, May 16-17.** This event constitutes a key meeting in the region for the actors of structured financing. CAF participated in a panel regarding “The Role of Multilateral Organizations and Development Banks”.
- » **XXII Annual Conference on Energy. La Jolla, United States, May 20-22.** In this popular annual meeting on energy issues organized by the Institute of the Americas, CAF highlighted its contribution to financing for the energy sector in Latin America.

1. Ideas Economy: Mexico Summit.

Mexico D.F., November 7

2. World Economic Forum (WEF) Annual Meeting, 2013.

Davos, Switzerland, January 23-24

- » **XLIII Annual Meeting of the Assembly of Governors of the Development Bank of the Caribbean. Saint Lucia, May 22-23.** CAF participated as an observer in the main annual meeting of the multilateral financial institution of the Caribbean countries.
- » **VII Summit of the Pacific Alliance. Cali, Colombia, May 23.** The meeting of the Chiefs of State of the integration mechanism made up by Colombia, Chile, Mexico, and Peru, included the participation of CAF and other international organizations as observers.
- » **International Seminar “Latin America-Caribbean-European Union in the New International Context”, organized by CAF and the Universidad de Alcalá, Madrid, Spain, May 27.** From an interdisciplinary approach, the meeting addressed issues such as the functioning of institutions, taxation, social cohesion, citizen safety, regional integration, competitiveness and investment, education, new citizen participation trends, among others.
- » **II Edition of the Dona Maria de las Mercedes Humanitarian Action Award. Sevilla, Spain, May 28.** The second edition of the Dona Maria de las Mercedes Foundation Awards was sponsored by CAF. This award recognizes the social labor performed by different institutions in Ibero-American countries.
- » **V International Economic Forum Latin America and the Caribbean 2013. Paris, France, May 31.** The OECD, the IDB, and the Ministry of Economy of France gathered the main economic actors of the region to debate alternatives to promote entrepreneurship and competitiveness.
- » **XLIII General Assembly of the Organization of American States (OAS). Antigua, Guatemala, June 4-6.** “For A Comprehensive Policy for the World Problem of Drugs in the Americas” was the main discussion topic of the Ministers of Foreign Relations of the member states of the OAS.
- » **Trade Americas Expo. Miami, United States. June 20-21.** This conference, sponsored by CAF, gathered more than 40 international experts to discuss issues such as “The New Architecture of the SMEs to Grow Beyond Frontiers”, “How to Conduct Businesses in Latin America”, and the successful cases in the region.
- » **International Workshop “Latin America and its International Insertion in the 21st Century: Economic Policy Lessons and Inferences”. Lima, Peru, June 21.** This forum, organized by CIEPLAN, sought to evaluate the challenges of Latin America in the global economic scenario, taking into consideration factors such as direct foreign investment, global value chains, and policies for countries intensive in natural resources.
- » **VI Ibero-American Meeting of Ministers of Economy and Finance. Panama, June 26.** Together with the main regional organizations and Ministers of Economy from Iberian-America, CAF took part in a meeting focused on the region’s response to the effects of the international crisis.
- » **VIII International Conference on Economic Studies. Cartagena de Indias, Colombia, July 8-9.** This conference offered a space to debate about the macro-economic policies of the region, with an emphasis on the way to optimize the mechanisms and instruments for the provision of external liquidity.



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- » **XLV Meeting of the Common Market Council and the Summit of Chiefs of State of Mercosur and Associated States. Montevideo, Uruguay, July 11-12.** CAF participated in this summit in order to ratify its support in the sub-regional integration process.
- » **I Latin America-Australia Investors Forum (LA-AIF). Sydney, Australia, July 16.** This forum offered an extraordinary opportunity to promote economic relationships between Australia and Latin America in a context of increasing investments of Australia in the region.
- » **Ordinary Meeting of the International Development Finance Club. Moscow, Russia, July 17.** The leaders of the Development Banks' Club, where CAF's Executive President participates in the Directive Committee, held their annual meeting in Russia, in the framework of the meeting of Ministers of Finance and Central Banks of the G20.
- » **Academic Seminar "Trade Relationships Between Latin America and Asia Pacific: Challenges and Opportunities". Santiago, Chile, August 21.** The Latin America-Asia Pacific Observatory, a joint initiative of CAF, ECLAC, and ALADI, held an academic seminar to evaluate the evolution and perspectives of the economic relationships between these two dynamic regions.
- » **Forum "Doing Business with China: The Latin American Experience". Santiago, Chile, August 22.** Organized by the Institute of the Americas, this event focused on commercial and investment relationships between Latin America and China, business financing, and the challenges for exports.
- » **IV Round Table "Latin America: Challenges for the New Leaders", organized by CAF, the research and economic teaching center, and the Foreign Relations Secretariat of Mexico, Mexico, D.F., August 22-23.** A select group of young leaders from Latin America were invited to exchange points of view regarding the future challenges for development in the region with renowned political and academic leaders.

3. Latin-Asia Business Forum.

Singapore, October 2

4. LXVIII Period of Sessions of the General Assembly of the United Nations.

New York, United States, September 22-25

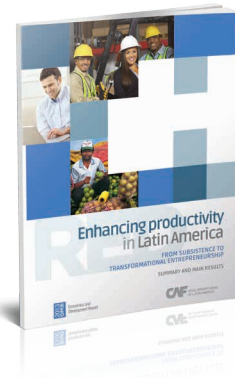
- » **XVII CAF Annual Conference, organized by CAF, the Inter-American Dialogue, and the OAS. Washington, D.C., United States, September 4-5.** Before an audience that exceeded 1,000 political and opinion leaders, high-ranking officials, academics, journalists, speakers from the Americas, Europe, Africa, and Asia, analyze the main political and economic trends of Latin America, the Immigration Reform of the United States, trans-Atlantic relationships, the drug problem, and the causes for social protests at a global level. Ricardo Lagos, former President of Chile, was in charge of the keynote address.
- » **II Latin America-Korea Investors Forum (LA-CIF). Seoul, Republic of Korea, September 13.** LatinFinance invited entrepreneurs, investors, and governmental representatives from Latin America and South Korea to examine new opportunities to promote investments between the two parties.
- » **LXVIII Period of Sessions of the General Assembly of the United Nations. New York, United States, September 22-25.** For the first time in its history, as a result of its incorporation as an observing organization, CAF participated in the General Debate of the deliberative body of the United Nations. In this context, the Executive President held an audience with the Secretary General Ban Ki-moon.
- » **The Global Borrowers & Asia Investors Forum. Singapore, September 23.** CAF sponsored this renowned investor forum organized by Euromoney Conferences and led a special working session on investment opportunities in Latin America.
- » **Latin-Asia Business Forum. Singapore, October 2.** This dynamic meeting space between leaders of the public and private sectors in Asia and Latin America, organized annually by IE Singapore, aimed at promoting the opportunities for trade and investment between both regions.
- » **VII Competitiveness Forum of the Americas. Panama, October 2-4.** CAF was one of the sponsors of this event, aimed at promoting the exchange of experiences regarding infrastructure and technology to improve competitiveness.
- » **V Meeting of Finance Ministers of the America. Washington, D.C., United States, October 9.** The purpose of this meeting was to address the recent changes in the conditions of international financial markets.
- » **Annual Meeting of the International Monetary Fund (IMF) and the World Bank (WB). Washington, D.C., United States, October 11-13.** CAF was also present in the main annual meeting of multilateral institutions, which focused on the analysis of the world economic prospects and global financial markets.
- » **IIF Annual Membership Meeting. Washington, D.C., United States, October 11-12.** In the framework of the IMF and WB Annual Meeting, the Institute of International Finance, sponsored by CAF, held this meeting which gathered high representatives of the financial, investor, and business sector to debate about the perspectives of finances and the global economy. CAF's Executive President participated in the panel called, "The Rise of Latin America - Reality or Illusion?"
- » **Global Meeting of the Emerging Markets Forum. Washington, D.C., United States, October 13-15.** CAF's Executive President co-chairs this forum

of reflection for leaders of the public and private sectors of emerging countries, where the challenges of the global economy are evaluated.

- » **XXII World Energy Congress. Daegu, Republic of Korea, October 13-17.** Renowned world leaders of the sector met in this event to debate the future challenges of energy safety. CAF participated in diverse working sessions focused on Latin America's prospects and financing for clean energies.
- » **Canning House Annual Conference. London, United Kingdom, October 16.** The event focused on discussing and analyzing the political and economic perspectives of Latin America, and the business opportunities of the United Kingdom in the region with the contributions of authorities and experts from both places.
- » **IX Iberian-American Entrepreneurial Meeting of the Entrepreneurial Council of Latin America (CEAL, for its acronym in Spanish). Panama, October 17-19.** This meeting gathered more than 500 entrepreneurial leaders of the region who evaluated the opportunities and challenges of the participation of the private sector in the development and integration of Latin America. CAF, as a co-sponsor of the meeting, participated in the session, "Entrepreneurships and Drivers of Latin American Development".
- » **XXIII Iberian-American Summit of Chiefs of State and Government. Panama, October 18-19.** CAF was present in this summit, whose main focus was the political, economic, social, and cultural role of the Iberian-American community in the new world context.
- » **III Multilatinas Forum. Panama, October 18-20.** Organizado por Organized by AmericaEconomia with CAF's sponsorship, this forum gathers the managers of the most internationalized Latin American enterprises. CAF participated in the inaugural session on "The Challenges of Latin America: Productive Transformation and the Role of *Multilatinas*."
- » **Ideas Economy: Mexico Summit. Mexico, D.F., November 7.** The Economist held this meeting, sponsored by CAF to bring together the leaders of the public and private sectors to discuss issues related with the reforms advanced in Mexico and the prospects of the regional and global economy.
- » **V Meeting of development banks in Latin America and Europe. Madrid, Spain, November 11-12.** This event, organized by ALIDE, focused on the cooperation between development banking institutions of both regions, and the identification of opportunities for their strengthening in the current economic-trade scenario. CAF participated in the session "What has changed in the past decade in both economic blocks and their commercial and financial relationships?"
- » **WEF Summit on the Global Agenda. Abu Dhabi, United Arab Emirates, November 18-20.** This reflection meeting, which gathers the leaders of the network of regional councils of the WEF every year, focused the discussion in the search for innovative solutions to face the main challenges of the global agenda. CAF's Executive President coordinated the regional council of Latin America.
- » **VI Italy-America Conference. Rome, Italy, December 12-13.** CAF supported the Latin American countries in their bi-annual meetings with Italy to strengthen the political and economic links of said country with the region.

SHARING KNOWLEDGE

CAF publications support implementation of the Institution's Comprehensive Development Agenda. Here are the titles published in 2013, which are available at publicaciones.caf.com.



Enhancing productivity in Latin America: from subsistence to transformational entrepreneurship

2013 REPORT ON ECONOMY
AND DEVELOPMENT

This new edition of the Report on Economy and Development (RED, for its acronym in Spanish), emphasizes the role of entrepreneurship, that is the development of enterprises that generate sustained increases in employment and productivity as a central factor in the development of Latin America. In this context, an important contrast between Latin America and the more developed nations, is the fact that, on the one hand, in the region there are a significant number of informal small and micro entrepreneurships and, on the other hand, the enterprises that are created have a weak growth dynamic.

Number of pages: 268

Language: Spanish and English

ISSN: 980-6810-01-5

Date of publication:

August 2013



Infrastructure in the Development of Latin America

IDEAL 2013

This document reviews the main advances and trends of infrastructure in Latin America, covering its main sectors: transportation, electric energy, gas transportation, telecommunications, comprehensive water management, and logistics.



Infrastructure in the Development of Latin America

IDEAL 2013

SECTORIAL REPORT

This document carries out an in-depth study of the increasing demand for infrastructure in Latin America and the transportation services, electric energy, gas transportation, telecommunications, water, and logistics, originated as a result of growth in the region. In addition, it analyzes the challenges that countries must face to offer infrastructure that helps support their development aspirations.



Infrastructure in the Development of Latin America.

IDEAL 2013

LOGISTIC CAPACITIES

This document explores the subject of logistics and its related services in Latin America. In addition, it suggests an agenda for service development and logistic nodes at a country level, and also regional initiatives to strengthen the role of the region in the ongoing agenda to reconfigure global value chains.



Infrastructure in the Development of Latin America.

IDEAL 2013

SOCIAL PRODUCTIVITY AND FINANCING FOR INFRASTRUCTURE INVESTMENT

This document reviews the main infrastructure advances and trends in Latin America, covering its main sectors: transportation, electric energy, gas transportation, telecommunications, comprehensive water management, and logistics.

Number of pages: 162

Language: Spanish, English, and Portuguese

ISBN:
978-980-6810-97-6

Date of publication:
October 2013

Number of pages: 224

Language: Spanish

Date of publication:
October 2013

Number of pages: 65

Language: Spanish

Date of publication:
October 2013

Number of pages: 162

Language: Spanish, English and Portuguese

Date of publication:
October 2013



Innovation and Design among industrial SMEs

PUBLIC POLICIES AND PRODUCTIVE TRANSFORMATION SERIES

This study focuses on the use of local strategies (especially those designed in the urban sphere) to encourage the adoption, by SMEs, of innovative processes based on design in the city of Buenos Aires, Argentina.

Number of pages: 54

Language: Spanish

ISBN Volume:

978-980-6810-84-6

ISBN Complete work:

978-980-6810-67-9

Date of publication: April 2013



Toward a new direct foreign investment agenda. Trends and realities in Latin America

PUBLIC POLICIES AND PRODUCTIVE TRANSFORMATION SERIES

This study presents three aspects; the behavior of foreign investment in Latin America based on diverse indicators, the relevance that Asian investments have acquired with a special focus on China, as well as the investment of multi-Latin organizations as an intra-regional integration mechanism, and finally the identification of the new challenges that Latin American countries are going to face to increase direct foreign investment and, above all, to capitalize its impact on the different economies of the region.

Number of pages: 36

Language: English and Spanish

ISBN Volume:

978-980-6810-88-4

ISBN Complete work:

978-980-6810-67-9

Date of publication: June 2013



Productive inclusion and rural development. Access to markets in low income localities

PUBLIC POLICIES AND PRODUCTIVE TRANSFORMATION SERIES

This study places its emphasis on the connection between productive inclusion initiatives and the strengthening of productive chains as a potential vehicle for market access, which helps increase the productivity of these low income sectors in rural populations.

Number of pages: 64

Language: Spanish

ISBN Volume:

978-980-6810-87-7

ISBN Complete work:

978-980-6810-67-9

Date of publication: July 2013



Financial education in Latin America and the Caribbean. Current status and prospects

PUBLIC POLICIES AND PRODUCTIVE TRANSFORMATION SERIES

This publication analyzes the current situation and prospects of financial education in Latin America and the Caribbean, taking into account the existence of common challenges and the development of policies in the region regarding that subject.

Number of pages : 94

Language: Spanish

ISBN Complete work:

978-980-6810-67-9

ISBN Volume:

978-980-6810-67-9

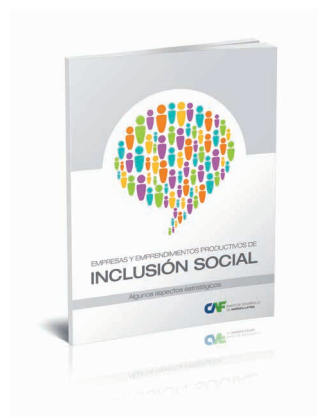
Date of publication: October 2013



Guidelines for a Latin American Code of Corporate Governance

The object of the update of the document originally published in 2004, is to place a series of basic norms that constitute the basis of a good Corporate Government to the consideration of the companies of the region, the operators of capital markets, and those responsible for public policies.

Number of pages: 160
Language: Spanish
ISBN: 978-980-6810-93-8
Date of publication:
 August 2013



Socially inclusive productive enterprises and entrepreneurs

This document offers key aspects regarding the relationship between enterprises and socio-productive entrepreneurs, which show this connection in its complexity, providing elements for analysis as well as actions.

Number of pages: 44
Language: Spanish
ISBN: 978-980-6810-95-2
Date of publication:
 August 2013



2013 Global microscope regarding the business environment for microfinances

This report points out the findings of The Economist Intelligence Unit after an in-depth analysis of the business environment for micro-finances in 55 countries. The index on which the report is based, allows for the comparison of countries and regions in two wide categories: regulatory framework and practice, which examines the regulatory conditions and the conditions for market entry, and the institutional support framework, which evaluates the business practices and interaction with clients.

Number of pages: 87
Language: Spanish and English
Date of publication:
 August 2013



Methodology to develop road safety plans for motorcyclists

The composition of the automotive park of the region is changing. In some countries the number of motorcycles exceeds the total automotive park by 50 percent, and in all the countries it is growing. It is for this reason that CAF created this methodology, which was used for the development of the Motorcyclist Safety Plan in the city of Buenos Aires, Argentina.

Number of pages: 32
Language: Spanish
ISBN: 978-980-6810-96-9
Date of publication:
 August 2013



Challenges and Opportunities for Latin America's Sustainable Energy Development

Number of pages: 86

Language: English and Spanish

ISBN: 978-980-6810-90-7

Date of publication:

September 2013 **Número de**

This report offers a view of the determinants of the world economic and energy context, and its impacts on Latin America and the Caribbean. In addition, it analyzes the legal, regulatory, and institutional frameworks in which the energy sectors operate, presenting the advances and barriers to the energy integration process and the reliability of the supply.



Inter-Oceanic Southern Highway of Peru.

CHALLENGES AND INNOVATION

This publication seeks to disseminate the experience of one of the most important integration projects of the Peruvian State in the past years: The Southern Interoceanic Road Corridor (IIRSA South). The report describes the contractual model, the financing schemes, innovations in engineering, the socio-environmental management, and the public management of the project.



Inclusion of inhabitants in full citizenship.

EXPERIENCES OF URBAN DEVELOPMENT AND INCLUSION IN LATIN AMERICA

"*Inclusión de habitantes en la ciudadanía plena*" is among the initiatives supported by CAF to promote greater social equity in the region. This report provides knowledge on best practices in social inclusion, urban improvement, and environmental sanitation.



Equality and social inclusion in Latin America: Universal access to water and sanitation

REFLEXIONES SERIES ON SOCIAL AND ENVIRONMENTAL POLICIES. No. 2

This second number of the Reflections on Social and Environmental Policies Series presents documents developed by researchers of the region regarding water and sanitation in Latin America. The purpose is to promote a wide discussion regarding equity and social inclusion public policies that may address the deficit in potable water and sanitation services, while at the same time support the advance toward universal coverage of urban services, with an emphasis on the poorest and most vulnerable populations of society.

Number of pages: 86

Language: English and Spanish

ISBN: 978-980-6810-90-7

Date of publication:

September 2013

Number of pages: 182

Language: Spanish

ISBN: 978-980-6810-89-1

Date of publication:

September 2013

Number of pages: 137

Language: Spanish

ISBN: 978-980-6810-91-4

Date of publication:

October 2013

Number of pages: 190

Language: Spanish, English and Portuguese

ISBN: 978-980-6810-81-5

Date of publication:

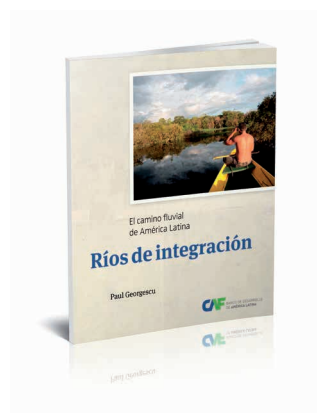
October 2013



**Latin American
Economic Outlook 2014.**
LOGISTICS AND COMPETITIVENESS
FOR DEVELOPMENT

This document suggests specific recommendations for the region to improve its competitiveness and diversify its productive structure, through the adoption of policies aimed at promoting innovation and increasing the technological content of the region's exports, as well as through improvements in logistics that enable a reduction in transportation costs.

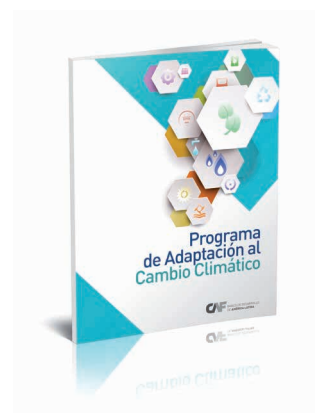
Number of pages: 164
Language: English and Spanish
ISSN: 9789264203655
Date of publication:
October 2013



Rivers of integration.
THE WATER ROADS
OF LATIN AMERICA

This publication is a log of the experiences of brothers Paul and Constantino Georgescu on their trips through the rivers of the American continent. On board a rustic ship, the Georgescu brothers and their team navigated from Isla de Margarita in the Venezuelan Caribbean to the port of Buenos Aires, in Argentina, and back. After their South American achievement they went north and, travelling through rivers, they crossed the United States and arrived in Quebec, Canada.

Number of pages: 176
Language: Spanish
ISBN: 978-980-6810-79-2
Date of publication:
November 2013



**Adaptation to Climate
Change Program**

This document describes CAF's Adaptation to Climate Change Program. The initiative offers a series of proposals and specific actions to promote and support the adaptation processes that have been planned at the level of policies, plans, programs, and projects, that guide the construction of equitable and balanced development, based on the general analysis of the impacts of climate change, and those associated to vulnerability.

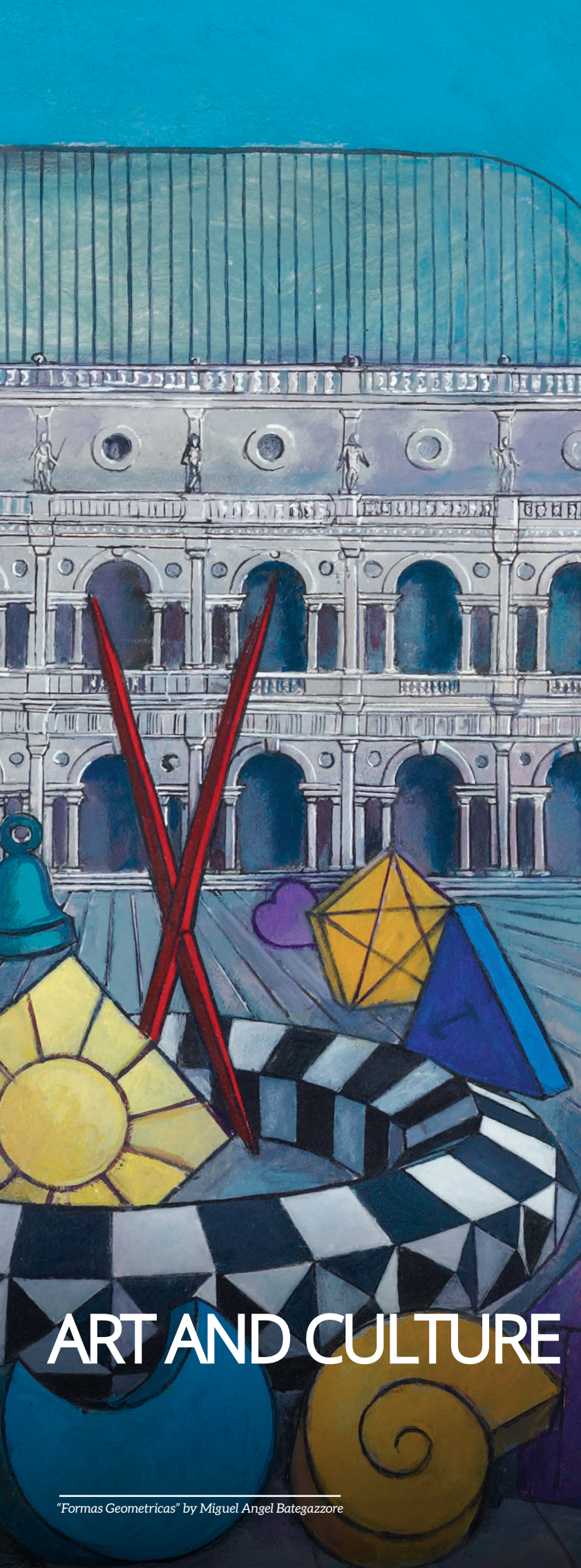
Number of pages: 41
Language: Spanish
ISBN: 978-980-6810-99-0
Date of publication:
November 2013



**Perspectives for
development.**
TOWARD A BETTER STATE
IN LATIN AMERICA. VOL. 10

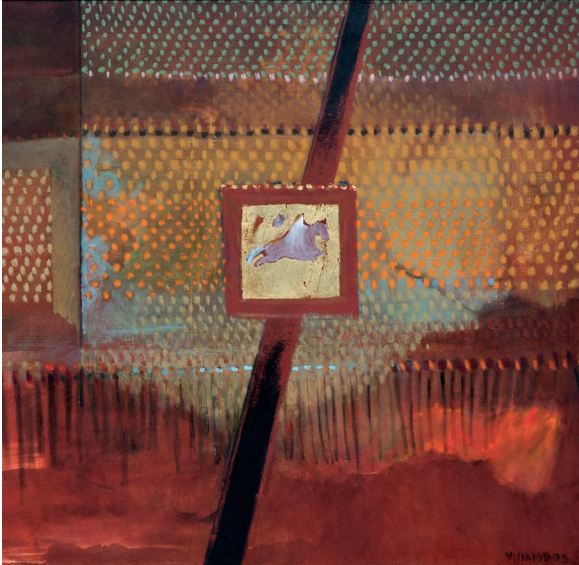
This *Perspectivas* issue, dealing with development, contributes to the debate of the State's participation in the countries' development processes, considering four documents that complement each other. In the recent past, Latin America has experienced a significant increase in the size of its States both in terms of expenditures as well as in terms of taxes. In the face of this trend, the discussion about public finances in the region, and its role as a driver of development, becomes a crucial and pertinent matter.

Number of pages: 167
Language: Spanish
ISBN: 1690-6268
Date of publication:
November 2013



The Latin American identity may be understood through the artistic representations of the countries that make up the region: a territorial extension with differences, but also with many historical and cultural similarities.

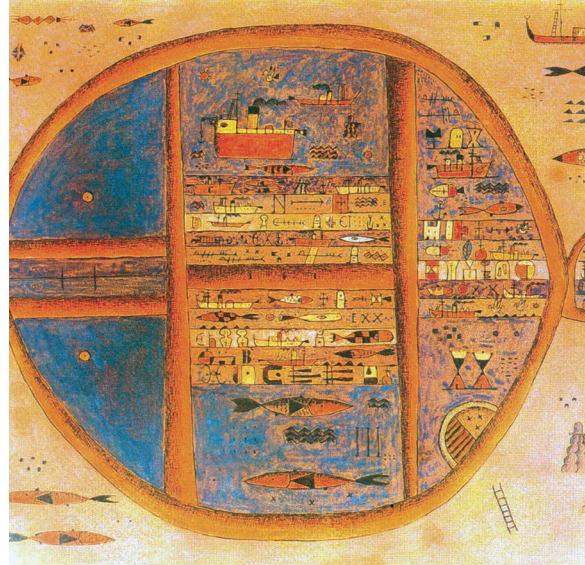
ART AND CULTURE



"Coro" by Hector Villalobos

Aware of the transforming power of art and its potential for the Latin American integration, CAF, throughout its history, has been a permanent promoter of culture and art in its 18 countries.

CAF has two venues for regional artistic promotion: Galeria CAF (CAF Gallery) at the headquarters in Caracas, Venezuela, and Artespacio in CAF's building in La Paz, Bolivia. During 2013, the following exhibitions took place in Galeria CAF: "Arte chileno en Venezuela", "Mirar el olvido", "Obras selectas. Coleccion Universidad Simon Bolivar" and "El imaginario urbano en el arte uruguayo. Coleccion Banco Central del Uruguay".



"Pez Madre" by Manuel Pailos

At the same time, Artespacio offered the following exhibitions to the public: "Paisajes y memoria etnográfica 1925-1928" by Robert Gerstmann; "Margen" by Douglas Rodrigo Rada; "Registro de olvido" by Erika Ewel; participation in Larga Noche de Museos by Joaquín Sanchez; "Fin de ciclo" by Christian Lombardi; "Exposicion de pinturas y dibujos" by Carlos San Millan; "El Baño de Frida Kahlo" by Graciela Iturbide; "Basto Mundo del No-yo" by Ivan Caceres, and participation in the Bienal of the Cartel Bolivia BICeBe by Cedimir Kostovic

CAF has two venues for regional artistic promotion: Galeria CAF in Caracas, Venezuela, and Artespacio in CAF's building in La Paz, Bolivia.



SPORTS AND
INTEGRATION



For the third consecutive year, CAF reinforced its commitment to sports as a factor of inclusion and social development for Latin America, by organizing the third edition of the CAF Marathon – Caracas, and the La Paz 3600 race, which took place in Bolivia in February of 2013.



With a new participation record reaching 8,225 registered runners, and 34 different nationalities, the CAF Marathon – Caracas continued to be ranked as one of the most important competitions in the region, certified by the International Association of Athletic Federations and sponsored by the International Association of Marathons and Long-Distance Races. These certifications, added to the quality standards of its organization, allowed the CAF-Marathon – Caracas to be a qualifier for the World Athletic Championship in Moscow, and the Bolivarian Games of Trujillo, Peru. At the same time, the competition was named National Marathon Championship of Venezuela by the Venezuelan Athletic Federation.

At the same time, the La Paz 3600 10 K race, in its fifth competitive year, concentrated more than 8,000 participants and confirmed, once more, that the Bolivian city is an ideal site for high altitude competitions. The theme of the race was the responsible use of water for humanity.

With a new participation record of 8,225 registered runners and 34 different nationalities, the CAF Marathon – Caracas continued to be ranked as one of the most important competitions in the region.



SPECIAL FOCUS:
ENTREPRENEURSHIP
AND PRODUCTIVITY
IN LATIN AMERICA



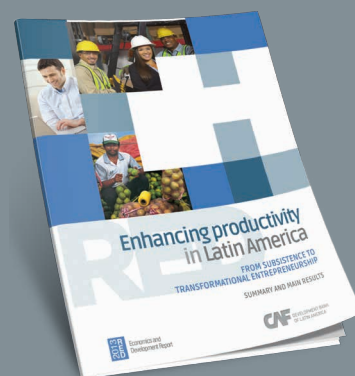
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SPECIAL FOCUS: ENTREPRENEURSHIP AND PRODUCTIVITY IN LATIN AMERICA

Any notion of development must value the material wellbeing of the population. Unfortunately, in the past decades the region has been lagging in this respect. In effect, between 1960 and 2009, the GDP per inhabitant in Latin America went from representing 30 percent of that of the United States to only 23 percent. There is consensus regarding the fact that the evolution of productivity is behind the lack of convergence between the per capita income of the countries of the region and that of the developed world.

Productivity measures the efficiency or quality with which the inputs to produce goods and services combine. Taking this into account, we can speak about the productivity of a country, of enterprises, or of public institutions. Undoubtedly, the productivity of enterprises affects a country (the more productive they are, the more they contribute to the general productivity of the economy). This is understood as follows: as a company becomes more productive, it will produce more using the same amount of factors and inputs. However, this productivity largely depends on the skills of entrepreneurs, as it is them who organize production, take and manage risks, promote competition, and are also the source of inspiration and training of new entrepreneurs (spin-off).

So that entrepreneurs may be drivers of development, it is necessary, in the first place, that they have certain personal resources which are appropriate for these types of activities, such as skills, talents, motivations, and education.



The 2013 Report on Economy and Development “Enhancing productivity in Latin America: from subsistence to transformational entrepreneurship” is available at publicaciones.caf.com.

In other words, not just any individual has the potential to be a transforming entrepreneur. We have been able to verify the importance of these individual factors through diverse statistical exercises of the CAF survey (ECAAF, for its acronym in Spanish), carried out in households of 17 cities in Latin America, and a survey for students of MBA programs in four universities of the region.

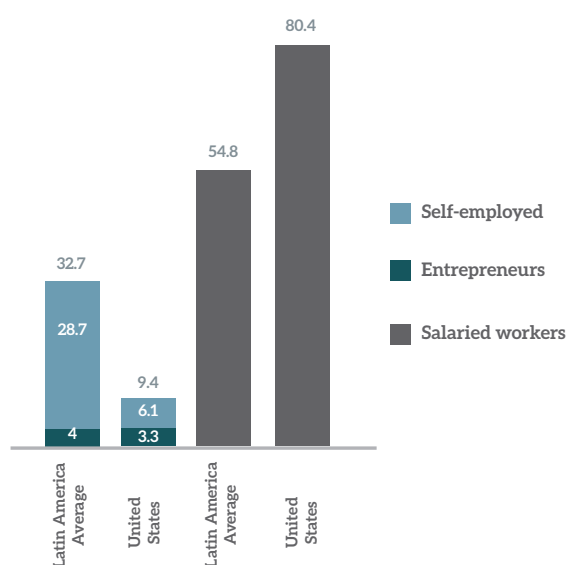
These individual conditions are necessary but not enough to achieve a successful enterprise. In addition, entrepreneurs must

have complementary elements that come from the environment where they operate, such as financing, quality of inputs, contact networks and an appropriate macroeconomic environment. Public policies play an essential role in the provision of this environment for the development of economic activity. Given the importance of the entrepreneurs' individual factors and of an appropriate environment, the productive transformation will depend on the entrepreneur-State relationship, in which each one assumes complementary roles.

Employment Structure and Size of Latin American Enterprises

Due to the entrepreneur's important role in the dynamics of productivity, a question arises as to whether in Latin America this resource is scarce. If we follow the simple definition of an entrepreneur (any person who has his own business), when comparing the Latin American average with that of the United States using the information of the household surveys, the first finding is that in the region we have a larger share of citizens that start businesses than the United States (37.2 percent of the Active Population versus 9.5 percent), as shown in Graph 1.

Graph 1. Entrepreneurs, Self-Employed, and Salaried Workers. Latin America vs United States



Note: The base (adds to 100) includes: entrepreneurs of any size, salaried workers, non-remunerated employees, and people looking for jobs.

Source: 2012 CAF Survey

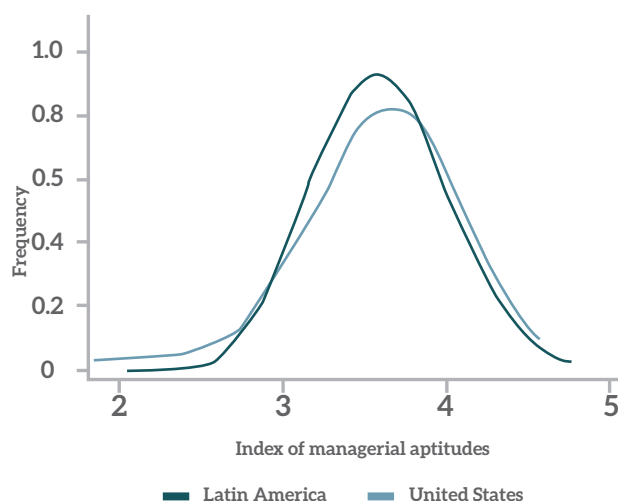
This group of "entrepreneurs" may be very heterogeneous. A first distinction within this group is to separate the entrepreneurs that provide employment for other workers from individual entrepreneurs or self-employment. When this distinction is made, it can be concluded that the entrepreneurship rate is mainly explained by self-employment, with the proportion of entrepreneurs at a relatively similar level. As shown in Graph 1, this means that a large quantity of entrepreneurs in the region (approximately 29 percent) is made up of self-employed workers, while in the United States the rate reaches 6 percent of the economically active population.

Continuing with the analysis of Graph 1, in Latin America only 55 percent of the economically active population is a salaried worker, while in the United States it reaches 80 percent. When looking at entrepreneurs, there is no great difference (4 percent versus 3.3 percent). This obviously implies that these entrepreneurs manage enterprises that, on average, are much smaller: only 9 percent have enterprises with more than 10 workers in the region, compared with 31 percent in the United States.

This employment structure of the Latin America adult population reveals an important problem with the distribution of sizes of enterprises in the region. There are too many micro and small enterprises which only provide employment to the owner and just a few

medium and large-sized enterprises. However, as it may be observed in Graph 2 (for more details see the 2013 Economy and Development Report), this diagnosis is not a result of a lack of talented entrepreneurial individuals in the region. The distribution of the values for the average characteristics that define managerial skills in Latin America is very similar to that of the city of Los Angeles in the United States¹.

Graph 2. Distribution of the Managerial Aptitudes Index



Source: 2012 CAF Survey

We have seen that a distinctive characteristic of the productive scenario is the lack of medium- and large-sized entrepreneurs, which implies that vast sectors of the population are employed in very small entrepreneurs, which are typically unipersonal. This scenario affects productivity as there is evidence that the size of the company is positively related with productivity. For example, companies of 4 or more employees, on average, pay salaries that are 24 percent higher than those in companies of 3 or less employees, no matter what the characteristics of the employees are. In addition, in larger companies the working conditions are better and incomes more stable, providing greater working satisfaction.

However, enterprises with growth potential not only pay better salaries but, in time, they also favor working capacities through formal training within the company, and also as a result of the interaction of learning by doing and by working. Analyzed from a complementary angle, employment in informal enterprises and self-employment may weaken the accumulation of skills for work, which

makes the transition of these workers to larger companies difficult and represents an obstacle for enterprises to grow, worsening the vicious circle of companies that do not grow, and citizens that do not find quality jobs.

At the same time, employment in dynamic companies may also favor the accumulation of entrepreneurial skills, promoting spin-offs, understood as those entrepreneurs that emerge as a result of the capitalization of ideas, resources, knowledge, and /or contacts from other productive organizations. In fact, surveys (ECAF and surveys to MBA students) suggest that an important fraction of entrepreneurs originate from spin-offs and that these entrepreneurs have a greater probability (13 percentage points) of employing 5 or more employees.

Given the large number of self-employed workers and microenterprises in the region, it is important to ask if these small productive units may truly grow and become medium or large-sized companies. One way to answer this question is by re-classifying micro-entrepreneurs (that is, to see how similar they are) between those that manage larger companies (more than five employees), formal salaried workers (in companies of more than five workers), and informal workers (in companies with less than five workers). This may be done with a statistical model that takes into account the different characteristics (education, family environment, pro-entrepreneurial traits, preference for salaried employment, and previous working trajectory). This exercise is carried out through the ECAF carried out in 17 of the main cities of Latin America.

The analysis suggests that only one fourth of the region's micro-entrepreneurs have similar characteristics to those entrepreneurs that provide employment in larger companies. This analysis is consistent with the evidence that also points out that just a few of them manage to become employers in a period of one year. Based on the household surveys, in the region only between 5 and 6 percent of self-employed workers become employers, while the corresponding value for the United States reaches 10 percent.

Facing this situation, a logical question is why these subsistence micro-entrepreneurs do not

¹This index includes characteristics such as goal orientation, creativity, multi-tasking capacity, self-effectiveness, and perception regarding internal control. For details of definitions, see CAF (2013).

find salaried work, as they are similar to these workers. This does not happen because micro-entrepreneurs with a low growth potential are more similar to informal salaried workers than to formal salaried workers (workers in companies with less than 5 employees). That is, the micro-entrepreneurs of the region have a low employability level and their employment alternative is informal employment, where they would have incomes and working satisfaction levels similar to the ones they have as micro-entrepreneurs.

The data shows that few micro-entrepreneurs become salaried workers because they have a low employability level, but another hypothesis that could explain and reinforce this low level of transition that has not been analyzed until now, is the fact that medium and large-sized companies in the region are not very dynamic, that is, they do not grow much, and demand less employment.

The lack of dynamism in formal enterprises, which limits the options for transition to employment for some “entrepreneurs without potential”, is documented in a study (Hsieh y Klenow, 2012) based on manufacturing surveys of companies in the United States, Mexico, and India. The conclusion is that when companies reach 35 years of age, they multiply their size by 8 in the United States, while they only double their size in Mexico.

The 2013 RED explores the validity of this dynamic in a larger regional sphere and, with that purpose, it used the World Business Environment Survey (WBES). This survey contains information about the size of companies when they start. With this variable, the study verifies that companies in the region do not grow much. This comparison carried out between companies of Latin America and of Eastern Europe (many of them with development levels similar to those of our region), shows that after 26 years, an enterprise in the region is 7.7 times larger than at the time of its creation, while in Eastern Europe it is 12 times larger.

This slow growth may be seen in an employment distribution which is biased toward small enterprises. Does this mean that the lack of dynamisms of formal enterprises may be due to the fact that few enterprises are created (and die) in Latin America? No, the enterprise entry rate (between 5 percent and 15 percent) and exit rate (between 5 percent and 10 percent) is similar between the region and the

United States. Although heterogeneity exists in Latin America and in general between countries, it is difficult to infer significant differences in the degree of development of the productive weave from these flows. This leads us to state the hypothesis that maybe the selection of entrepreneurs is not adequate. It could be, as it may be observed, that enterprises that exit are not always those with a lower productivity, and there seems to be a lag in the exit. Problems of access to credit and prolonged subsidies to inefficient enterprises could be reasons behind this situation.

As a company evolves, its productivity becomes more complex and will not only depend on the characteristics of the owners or founders, but rather on the diverse strategies or corporate strategies it adopts. Among these strategies, several stand out: decentralization in decision making, promotion of “intra-entrepreneurship” or “corporate entrepreneurship”, or the adoption of managerial techniques that favor the operation and documentation of the operations, monitoring, establishment of goals, and strategic planning, and incentives. The evidence shows that medium or large-sized enterprises in the region (more than 50 employees) are lagging in these aspects.

A low innovating intensity is also verified, where enterprises dedicate less than 3 percent of their sales to innovation and improvements in technology. In addition, entrepreneurs mention that they lack a critical input which is quality labor force. This is definitely an issue that worries most enterprises. They not only demand workers with specific cognitive capacities for the productive process, but it has also been found that enterprises have difficulties to hire workers (especially young ones) with non-cognitive skills, that is, individuals that commit themselves to their work, that know how to interact with other workers, that not how to relate to superiors, among other characteristics. These basic skills could deteriorate greatly if the person is self-employed for a prolonged period of time.

Finally, there are other restrictions in the environment that have been identified as responsible for the low growth of employment and productivity in enterprises. Among these stand out the lack of access to capital and financing. Evidence that is consistent with this fact is that the wealth of a family is positively correlated with the decision to start an entrepreneurial activity. Other factors, such as high tax levels, labor regulations, or lack of infrastructure could also play a relevant role.

Pro-Entrepreneurship Public Policies

Given this diagnosis, we see that Latin America requires a productive transformation that modifies the employment structure of the countries and, at the same time, the size structure of enterprises. It is necessary to create enterprises with a higher growth potential (and existing firms that also expand) so that this size distribution changes, increasing the number of medium and large-sized companies. This will imply a greater demand for salaried employment, which would reduce self-employment and micro-entrepreneurship, which would generate an increase in the productivity of the economy.

This change in the employment structure is not automatic, a product of the “invisible hand of the market”. Something that should be highlighted is that since the problem of employability of micro-entrepreneurs is a central issue, and it is a variable that moves slowly, it is difficult to think about an immediate change, but rather a gradual one. To effectively help achieve this gradual transformation of the employment structure, public policies with a multi-dimensional approach are needed. These policy interventions are sometimes encompassed in what is called the “entrepreneurship ecosystem”, usually made up of three elements: entrepreneurial talent, innovation, and financing.

On one hand, an individual not always has all the necessary attributes (for example, may be an innovator but maybe lacking managerial capacity) to exploit the potential of the company. This problem may be solved with policies for training plans (that correct the shortages of some potential entrepreneurs) or with the creation of entrepreneurship networks (connecting individuals with complementary talents so that the number of feasible businesses may increase).

At the same time, great innovations may present problems of appropriateness. Public policies may reduce the cost of innovating and promote innovation with productive purposes at the level of universities. These may also create and/or support innovation centers that help create technological transfer programs. On the other hand, the promotion of productive clusters and the association between different links of the value chain may also promote improvements of products and processes.

Finally, through its cycle of life, the enterprise requires financial resources. Studies show a relative lag in the region with respect to access to financial services for enterprises (2011 RED). The problem is more acute when referring to start ups. In this case, instruments of access to capital that are different from bank loans are required. For example: seed capital, angel investor networks, and venture capital. These instruments lack development in the region.

The previous descriptive diagnosis of the productive scenario in the region suggests that there is a fourth element that is also very relevant for entrepreneurial policy interventions: work training or working talent. As has been mentioned, enterprises of the region face restrictions when trying to find workers with the required skills. Above all, the problem is to offer alternative formal employment to young people to prevent them from engaging in informal jobs where possibilities for accumulation of human capital are very limited.

Countries have implemented diverse training programs, but they have not always been connected with the demands of the productive sector. These programs must be a part of pro-entrepreneurship policies, that is, training must be looked upon as an instrument that promotes growth and innovation in formal enterprises, thus adjusting to their needs.

The entrepreneurship ecosystem that has interconnected these four great elements (entrepreneurial talent, innovation, financing, and working talent) will promote the creation of more and better enterprises, and will facilitate the transition of workers toward the formal/productive sector of the economy. An example of a country that has adopted an entrepreneurship ecosystem that successfully integrates the four elements is Singapore, with the Spring Agency and the Workforce Development Agency. Other noteworthy experiences are those of Israel, the Basque Country, Silicon Valley, and the case of Boulder, in Colorado. Some common elements to be highlighted in these successful experiences are the wide range of programs, the leadership of the private sector, the role of the State through universities and public organizations, and the cooperation and coordination with local governments.

In general, the biggest challenge for pro-entrepreneurship public policies is that the potential of the company is not easily observable, and this may lead to poorly designed policies. For example, focusing the aid according to the size of the company (favoring micro-enterprises) may generate incentives to remain small or prolong the existence of inefficient companies. Focusing on the age of the company could solve some of these problems as the potential should appear in the company's youth. On the other hand, it is convenient to favor the employment of the micro-entrepreneurs with lower growth

possibilities (subsistence); this will require improving their employability conditions. Obviously, a group of entrepreneurships (including a share of very small ones) will have a transforming potential and they must be supported so they can achieve that potential. The use of surveys that inquire about the motivations, and measure the characteristics of the personality (including psychological traits) of the potential entrepreneurs associated with entrepreneurial talent, could be a first step. There already are some financial institutions in the region that are using these surveys to grant micro-credits.

Conclusions

Latin America has a productivity problem, that is, the human and physical capital of the economies is not being used to maximize the production of goods and services. This article has emphasized the role of entrepreneurship, that is, the creation of enterprises that generate sustained increases in employment and incomes as a key factor for the development of the region. However, this analysis must not only focus on why potential innovating entrepreneurs with a high capacity, cannot materialize their projects, but also on why those low capacity or subsistence entrepreneurs make decisions to start businesses instead of

looking for salaried employment. One of the main messages advanced here is that it is crucial to understand the strong connection between these two phenomena. Pro-entrepreneurship policies should take this interaction into consideration. This is the only way in which it will be possible to take the region out of this sort of informality and low productivity trap, where a slow entrepreneurial growth persists because, among other things, there are few workers with the required skills. This is also a result of the lack of enterprises that generate working opportunities to discourage informal micro-entrepreneurship.

A photograph of the CAF building facade. The building is modern with a grey and white facade. A large 'CAF' logo is visible at the top. In the foreground, several flags of different countries are flying on poles. The text 'INTERNAL MANAGEMENT' is overlaid in white on the left side of the image.

INTERNAL MANAGEMENT

During 2013, CAF continued promoting a process of internal restructuring according to the requirements of its growth and the needs of its clients. Since 2012, the restructuring has included the integration of Divisions, improvement of processes, and the redefinition of goals, to optimize the corporate model of credit management and promotion of sectorial knowledge to benefit the region.

In this regard, throughout the year, the sectorialization of the business vice-presidencies was strengthened by assigning sovereign and non-sovereign risk operations to the energy, infrastructure, and social, productive, and financial development sectors. At the same time, aiming to strengthen the comprehensive dimension of the analysis and identification, measurement, control, and report of the strategic corporate risks, the Direction of Private Risk and the Direction of Risk Control were brought together into a single unit. With respect to the corporate strategy of knowledge management, the transformation process of CAF's Information and Documentation center started.

In order to provide continuity to the strengthening of CAF's presence in its shareholder countries, the Direction of Logistics and Administrative Services focused its efforts on the opening of the Country Offices in Mexico City, Mexico, and Port of Spain, Trinidad and Tobago; the development of the architectural project for the construction of the new office in Montevideo, Uruguay; the expansion of the infrastructure to address the growth requirements of the Country Offices in Brazil, Colombia, Panama and Paraguay; and the start of the expansion project in Europe and Venezuela.

With respect to the management of human resources, initiatives consolidated from the Direction of Human Capital, such as the strengthening of the corporate program of pre and post graduate internships, which allowed the participation of 60 interns and exchange

CAF continued to strengthen the sectorialization of the business vice-presidencies by assigning sovereign and non-sovereign risk operations to the energy, infrastructure, and social, productive, and financial development sectors.

personnel, and the expansion of CAF's Virtual University (UVCAF) offer of in person and on-line education. The number of graduates increased, with 60 staff members in Diploma programs from the Tecnológico de Monterrey in Mexico and the Universidad Abierta in Cataluña. In addition, the corporate program for management skills was strengthened, including activities such as coaching, leadership, feedback, goals, objectives, and communication, to promote and maintain the values of CAF's corporate culture in its management team.

With respect to technology and operations, during 2013 activities were developed such as the publication of operating manuals for the Direction of Technology and Operations, based on the Information Technology Infrastructure Library (ITIL) practices, the design of the models for data and information generation that support the businesses' decision making processes, the increase of new users of the Business Portal, and the entry into operations of the CAF Marathon-Caracas 2014 portal. Among the initiatives that support mobility and work at a distance, the coordinates card was implemented to access the information systems, the CAFmovil wi-fi network was activated at the Headquarters in Caracas, tools were implemented for technological support for the new Board room, a technological update was carried out in five Country Offices, and updates were carried out in the workstations of CAF's personnel to the Windows 7 and Office 2013 operating systems.

With respect to internal audits, risk control, ex-post evaluations, and regulation management, CAF's Comptroller and Auditing area continued developing a series of initiatives such as the implementation of the annual audit plan and preparation of the Internal Auditing area for the Quality Evaluation in the International Framework for the Professional Practice of Internal Auditing according to the Institute of Internal Auditors (IIA). In addition, a re-certification audit was carried out to obtain the corresponding ISO 9001:2008 certification for all the processes of CAF's Comptroller and Auditing Area.

With respect to strategic communications, some aspect that stand out are the deepening of CAF's image strategy as an Institution that generates knowledge through the dissemination of publications in digital format, bulletins, web pages, social networks, as well as events that bring together interested parties in each of the subjects and sectors involved; the development of micro sites for events, the creation of multiple development for QR code, and the incorporation of live transmissions through streaming in the main events. With respect to the third edition of CAF's Maraton-Caracas, which included the participation of 7,000 runners from the entire region, a broader communication plan was developed and, as a complement, a marketing strategy was implemented. The objectives were achieved by raising third party resources as institutional allies.



MANAGEMENT'S
DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION



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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

In 2013, the credit rating agencies Fitch Ratings and Japan Credit Rating Agency upgraded CAF's long term debt rating to AA- and AA, respectively, in recognition of the Institution's credit quality and financial strength. In addition, Moody's Investor Service and Standard & Poor's ratified their Aa3 and AA- ratings, respectively, maintaining a stable outlook, as seen in Table 1.

The improvements in ratings achieved in 2013, added to those obtained during 2012, consolidated CAF as a supra-national in the AA category. These upgrades were based, among other factors, on the capital strengthening that was consolidated through the expansion of the shareholder base, the support of shareholder countries through repeated increases in subscribed and paid-in capital, and a greater diversification of the loan portfolio.

In 2013, CAF reaffirmed its role as the main source of multilateral financing for its founding countries, and as an important provider of resources for its shareholder countries in Latin America and the Caribbean, by approving operations totaling USD 12.1 billion, and disbursing USD 7.4 billion, mainly aimed at financing medium and long-term projects.

The improvements in CAF's credit ratings in 2013, added to those obtained in 2012, consolidated the Institution as a supra-national in the AA category.

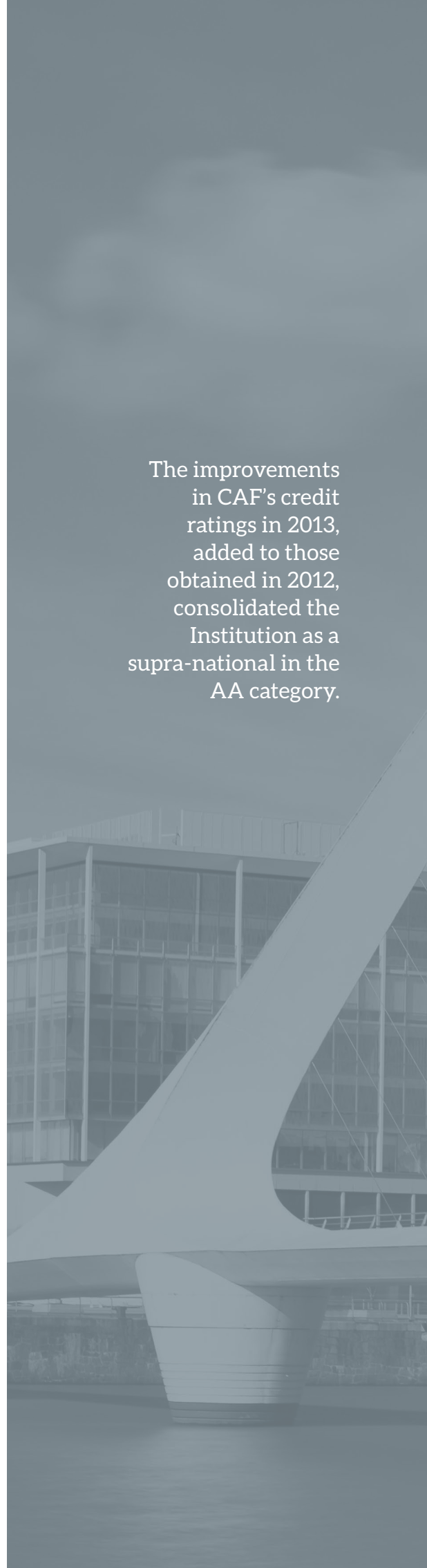


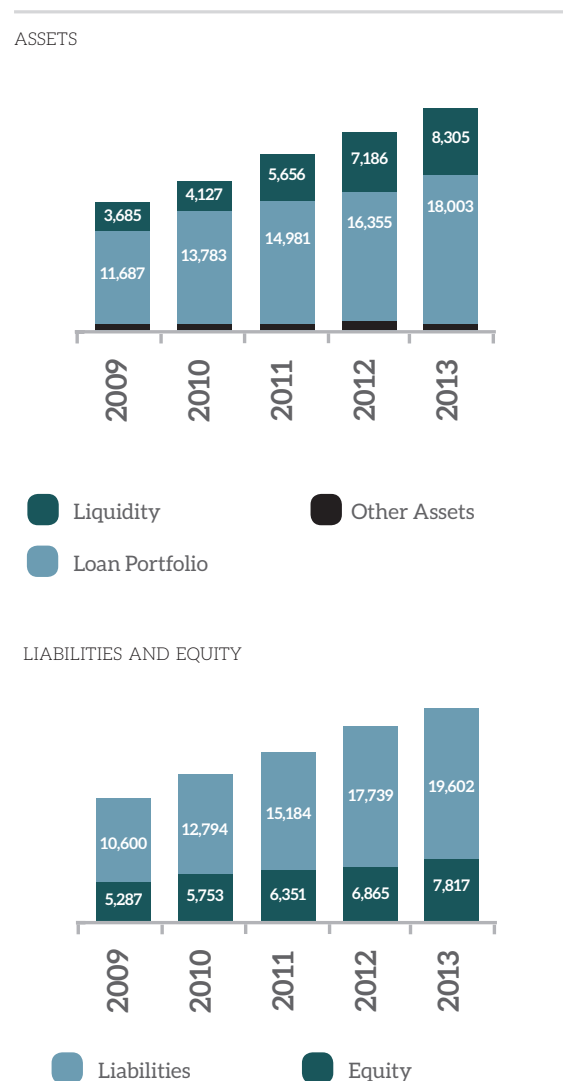
Table 1. CREDIT RATINGS

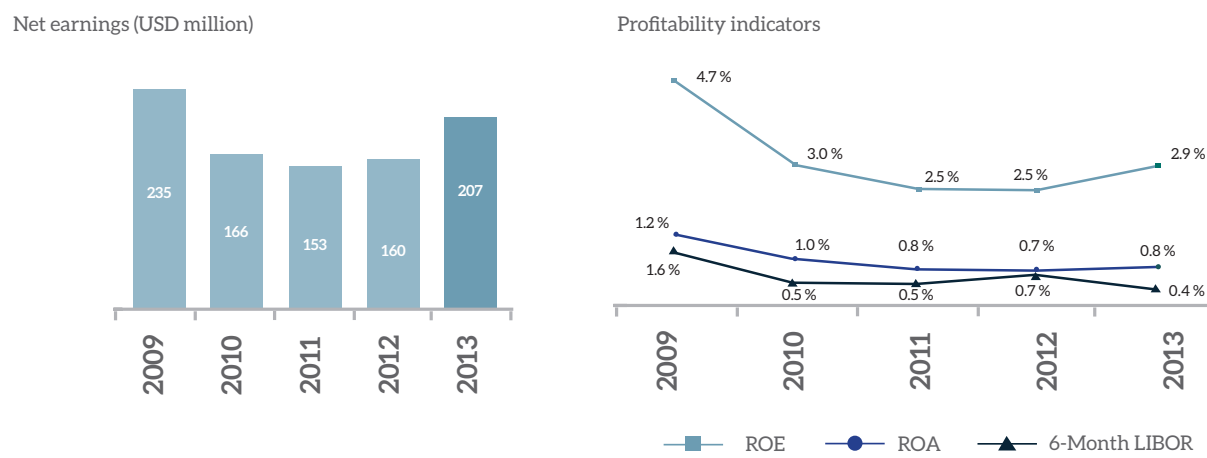
	Long-term	Short-term	Outlook
Fitch Ratings	AA-	F1+	Stable
Japan Credit Rating Agency	AA	-	Stable
Moody's Investors Service	Aa3	P-1	Stable
Standard & Poor's	AA-	A-1+	Stable

During 2013, shareholder countries continued paying their subscribed capital contributions in a timely manner, for a total of USD 865 million. Also in 2013, net income reached USD 207 million, exceeding the amount registered in 2012, partly as a result of the adjustments to the methodology for calculating allowance for loan losses, which resulted in a one-off credit to the allowance. Operating earnings continued to be negatively affected by the reduction of the average LIBOR rate, which went from 0.69 percent in 2012 to 0.41 percent in 2013. As a result, the main profitability indicator, Return on Equity was 2.9 percent.

With respect to bond issues in international markets, 2013 marked a record breaking year in regards to the number of transactions in CAF's history. The Institution completed 14 bond placements for approximately USD 2.7 billion. In addition, CAF continued diversifying its investor base, issuing in America, Europe, Asia, and Oceania.

Regarding short-term borrowing, deposits received represented the main source of funding, with a year-end closing balance of USD 3.3 billion. Commercial papers in the US and European markets constituted another important source of resources, with a total balance of USD 2.9 billion.

Graph 1. Balance Sheet as of December 31 of each Year (in USD million)

Graph 2. Net Earnings and Profitability for the Period Ending on December 31st of each Year

Summary of financial statements

During 2013, CAF's total assets reached USD 27.4 billion, representing an increase of 11 percent with respect to the previous year (Graph 1). This rise was not only due to an increase in the loan portfolio -which closed at USD 18.0 billion, exceeding the previous year by 10 percent-, but also to a growth in liquidity, which totaled USD 8.3 billion, 16 percent higher than 2012, and equivalent to 30.3 percent of total assets and 43.7 percent of total indebtedness.

As of December 31st of 2013, CAF's net worth reached USD 7.8 billion, with a paid-in capital of USD 3.9 billion, additional paid-in capital of USD 1.3 billion, and USD 2.5 billion between reserves and retained earnings. At year-end 2013, net worth represented 28.5 percent of total assets and 39.3 percent of risk-weighted assets, according to the methodology established in the Basel Agreement.

Net interest income in 2013 was reduced by 2.3 percent due to the declining trend of the LIBOR rate during most of the year. It should be noted that LIBOR rate is the principal benchmark for setting interest rates for CAF's assets and liabilities and, given the high capitalization of the Institution, there is a positive correlation between net income and the movements of this rate.

Net income and ROE remained in line with the established benchmarks. Net income reached USD 207 million in 2013, and ROE was 2.9 percent, while the average yield of the ten-year US Treasury bonds reached 2.4 percent and the average six-month LIBOR rate was 0.41 percent (Graph 2). The Return on Assets (ROA) for the year was 0.8 percent. It should be noted that these indicators were affected by the change in the methodology for calculating the allowance for loan losses, which resulted in an increase of earnings due to a one-off credit to the allowance.

Loan portfolio

At the end of 2013, the total loan portfolio was USD 18.0 billion, which represented an increase of 10 percent with respect to the USD 16.4 billion of the previous year.

Loan portfolio distribution continued to be largely concentrated in public sector projects, representing 83.2 percent of the total portfolio as of December 31st, 2013. Looking at the distribution of the portfolio by countries, Venezuela had the largest exposure, with 16.5 percent of the total, followed by Ecuador with 15.2 percent, Peru with 13.8 percent,

Argentina with 13.7 percent, Colombia with 10.0 percent, Bolivia with 9.7 percent, Brazil with 9.2 percent, Panama with 4.9 percent, and Uruguay with 2.1 percent. The increasing participation of the new full-member shareholders contributes to the diversification of the the loan portfolio. In this respect, the new full-members represented 30.9 percent of the loan portfolio at year-end 2013.

The main activities financed by CAF at the end of 2013 are transportation infrastructure projects which represented 34.4 percent of the

loan portfolio, energy projects with 28.1 percent, social services and health projects with 10.5 percent, and commercial banking with 7.7 percent, among others.

In addition, the loan portfolio maintained its excellent credit quality (Table 2). At year-end 2013, there were no loans in non-accrual status and provisions for loan loss totaled USD 38 million, representing 0.2 percent of the loan portfolio. During 2013, a single loan for USD 4.1 million was written-off.

The loan portfolio totaled USD 18.0 billion at the end of 2013, which represents an increase of 10 percent with respect to the 16.4 billion registered the previous year.

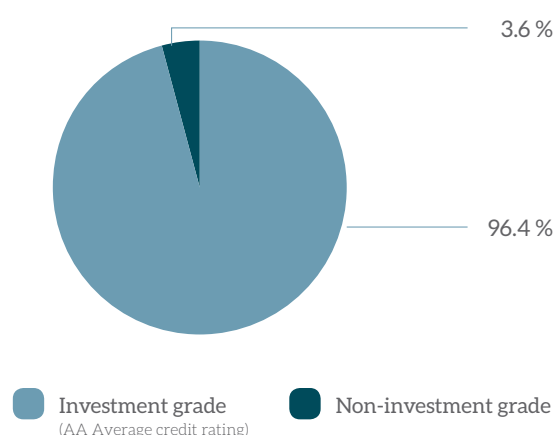
Table 2. PORTFOLIO QUALITY (IN USD MILLION)

	2009	2010	2011	2012	2013
Overdue loans	0.0	0.0	0.0	0.0	0.0
Non-accrual Loans	0.0	0.0	8.2	7.9	0.0
Allowance for Loan Losses	143.9	141.4	130.0	125.8	38.0
Overdue 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	0.00 %	0.00 %	0.05 %	0.05 %	0.00 %
Loan Loss Provisions as a Percentage of Loan Portfolio	1.23 %	1.03 %	0.87 %	0.77 %	0.21 %

Liquid assets

As of December 2013, liquid assets totaled USD 8.3 billion, equivalent to 30.3 percent of total assets and 43.7 percent of the Institution's total indebtedness. The investment portfolio was characterized by its short duration, which averaged 0.48 years, and its excellent credit quality (Graph 3). 96.4 percent of this portfolio was rated A-/A3 or above, with an average rating of AA/Aa2, and only 3.6 percent was rated below A-/A3. CAF's policies require that at least 90 percent of the liquid assets be held in instruments with investment grade, and with credit ratings of at least A-/A3.

Graph 3. Liquid Assets as of December 31, 2013



Funding

At year-end 2013, total financial liabilities were USD 19.0 billion, while total liabilities reached USD 19.6 billion.

2013 was a very active year for CAF in the international bond markets. The Institution completed 14 bond placements for an approximate amount of USD 2.7 billion. To date, this amount represents the largest number of transactions conducted in a single year. In addition, CAF continued diversifying its geographic distribution, issuing in America, Europe, Asia, and Oceania. CAF made its debut in the exclusive Australian market with 2 issues with three and ten year maturity for

AUD 350 million and AUF 225 million, respectively, becoming the first Latin American issuer to access this prestigious market and its investor base.

The Institution returned to the Swiss market with three bond issues for a total of CHF 600 million (approximately USD 644 million) to consolidate its curve in Swiss Francs, reaffirming itself as the most frequent Latin American issuer in that market.

At the same time, CAF once again tapped into the German Schuldschein market with a 20-year issue for EUR 200 million (USD 265 million),

consolidating its presence in this market. Finally, several placements were made in different currencies such as USD, Euros, Yens, and Hong Kong Dollars, aimed at investors that represent a great strategic value for CAF.

With respect to short-term borrowings, CAF has maintained its presence in the commercial papers markets both in the United States and Europe. It should be noted that borrowing spreads have remained at competitive levels, and the Commercial Papers program in Europe increased from USD 2 billion to USD 3 billion to accommodate a larger demand.

In 2013, deposits received represented the most important source of short-term funding, reaching an amount exceeding USD 3.3 billion at the end of the year. Thus, these instruments have maintained their importance as a stable and competitive source of funding.

With respect to medium- and long-term loans from development financial institutions from developed countries, international agencies, and multilateral banks, new credit facilities have been negotiated for USD 230 million to support the financing of projects in the transportation and trade financing

sectors, of which USD 200 million were contracted with KfW and USD 30 million with the Swedish Export Credit Corporation (SEK). In addition, total disbursements reached USD 316 million, corresponding to current facilities with JBIC, KfW, NIB and SEK. The loan program in local currencies for microfinance institutions continued, specifically in Bolivia, Mexico, and Peru. Additionally, USD 51 million were obtained through loan portfolio sales.

Graph 4. Composition of Financial Liabilities as of December 31st, 2013.

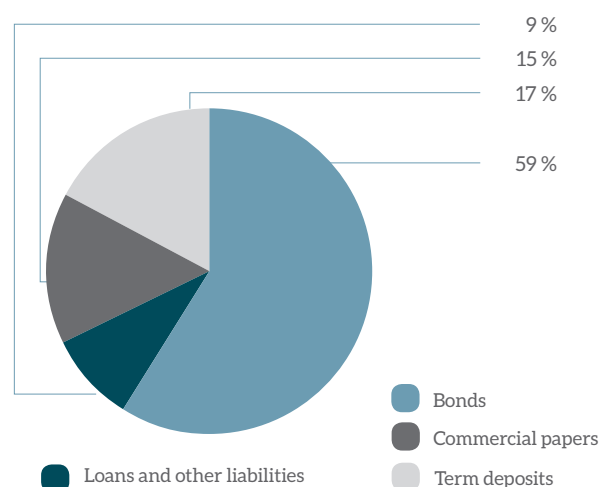


Table 3. BOND ISSUES IN 2013

DATE	MARKET	AMOUNT IN ORIGINAL CURRENCY (IN MILLIONS)	EQUIVALENT IN MILLIONS OF USD
BOND ISSUES			
February	Euro	EUR 100	135
February	Swiss	CHF 250	272
February	Yankee	USD 100	100
April	Swiss	CHF 100	107
May	Euro	EUR 100	129
July	Hong Kong	HKD 940	121
August	Swiss	CHF 250	265
August	Japan	USD 100	100
August	Japan	JPY 4.600	47
August	Euro	EUR 200	265
August	Australia	AUD 350	314
September	Euro	EUR 51	68
October	Yankee	USD 200	200
November	Kangaroo	AUD 225	213
December	Euro	EUR 251	341
	Sub-total 2013		2,677
	Total 1993-2013		19,265
SHORT-TERM ISSUANCE PROGRAMS			
	Commercial papers (USA)	USD 2,000	2,000
	Commercial papers (Europe)	USD 3,000	3,000

As of December 31st, 2013, 74 percent of CAF's funding came from international capital markets. Bond issues represented the main source, with 59 percent of total funding (Graph 4). Deposits received from institutional investors in the region represented 17 percent, followed

by commercial papers, with 15 percent, and other medium- and long-term loans and credit lines, which represented 9 percent.

Details of bonds issued in 2013 can be seen in Table 3.

Capital

During 2013, CAF received USD 865 million in new capital contributions from its shareholder countries. Most of these contributions came from payments from the capital increases approved in 2009 and 2011, for a total of USD 2.5 billion, and USD 2 billion, respectively. The remaining contributions corresponded to the remaining payments of the capital increases subscribed since 2007 by countries that have become full members. It should be noted that during 2013, Trinidad and Tobago paid its second installment of USD 108 million to become a full member.

At the end of 2013, the Institution's net worth reached USD 7.8 billion, 14 percent over the amount registered at the end of the previous year, strengthened by the capital contributions made by the shareholder countries and by retained earnings.

Favored by the increase in shareholders' equity, the capitalization ratios remained above the levels established by the Institution's internal policies (Table 4).

Table 4. CAPITALIZATION RATIOS

	2009	2010	2011	2012	2013
Loan Portfolio/Net Worth (times) ¹	2.3	2.5	2.4	2.4	2.4
Debt/Net worth (times) ²	2.0	2.2	2.3	2.5	2.4
Net Worth/Risk-weighted Assets (BIS) ³	41.7%	37.2%	38.7%	40.2%	39.3%

¹ According to CAF's Establishing Agreement, the exposure ratio must be less than or equal to 4.0.

² According to CAF's Establishing Agreement, the ratio of indebtedness must be less than or equal to 3.5.

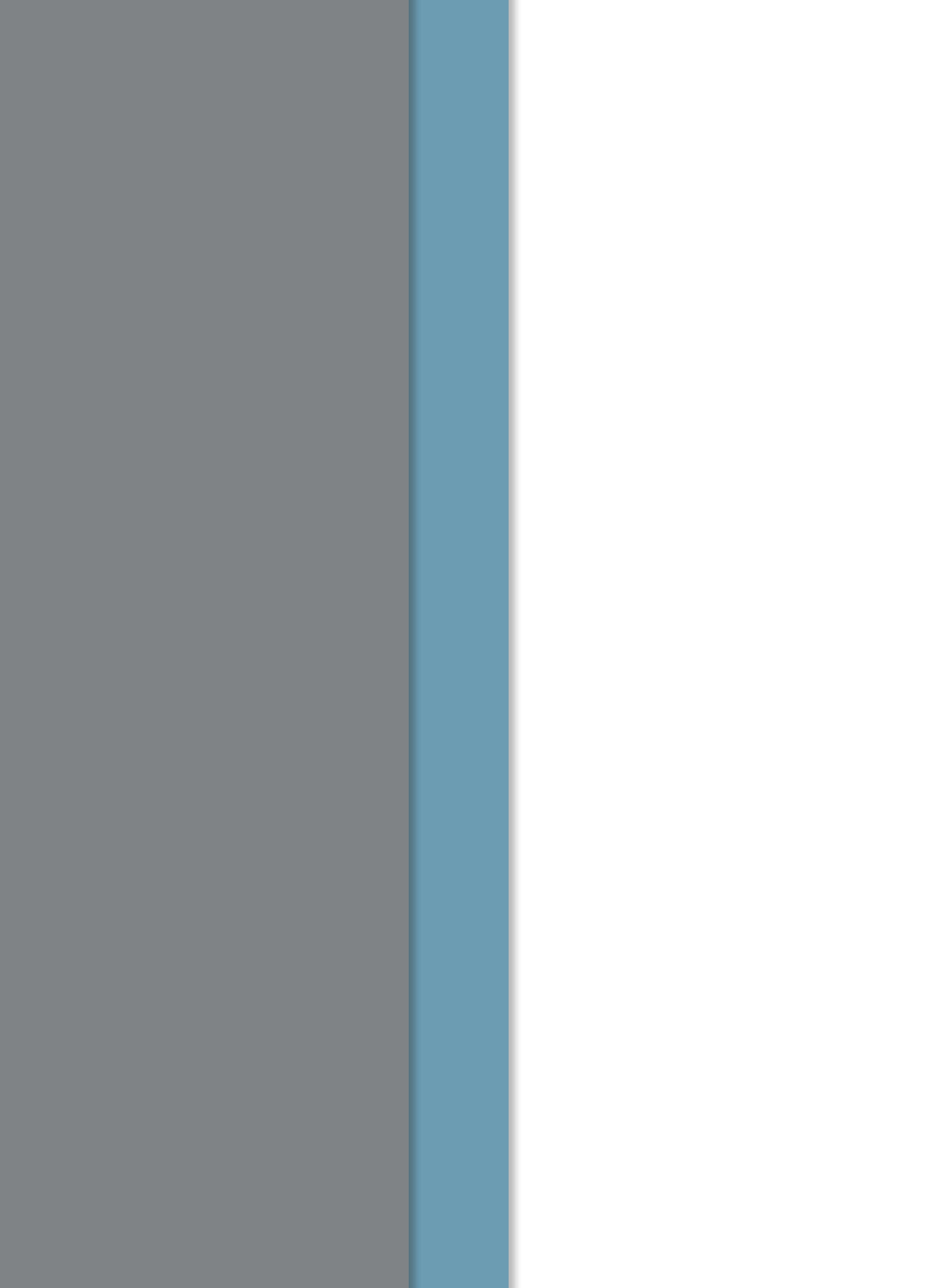
³ According to the CAF's Board of Directors policy, the capitalization level calculated in accordance with the Basel methodology, must be greater than or equal to 30%.

Asset Liability Management

In order to mitigate foreign exchange and interest rate risks, CAF's lending and borrowing activities are primarily conducted in floating rate U.S. Dollars. As of December 31st, 2013, 99.8 percent of assets and 99.7 percent of liabilities were denominated in U.S. Dollars after swaps, while 99.4 percent of the loans and 97.2 percent of the financial liabilities were based on the LIBOR rate after swaps. Transactions that are not denominated in US Dollars and based on the 6-month LIBOR rate are converted through swaps to those terms. The swaps book reached USD 11 billion at year-end 2013. CAF's policies establish that swap counterparties must be rated at least A/A2, or have a collateral agreement. Thus, CAF establishes Collateral Agreements (CSA)

with its derivatives counterparts, reducing the credit risk, since valuations are made on a market-to-market basis and the debtor party must place the corresponding collateral within certain predetermined parameters. CAF does not trade derivatives on its own account. These instruments are used solely for hedging purposes.

CAF seeks to maintain a conservative relationship between the average term of its assets and liabilities. As of December 31st, 2013, the average life of its assets was 4.3 years, and that of its liabilities was 4.5 years. The latter value does not include the portion corresponding to capital, which constitutes a high percentage of CAF's funding, and favors the maturity profile of liabilities.



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, 2013, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework (1992) 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 charge 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, 2013. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2013.

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. Furthermore, because of changes in conditions, the effectiveness of internal control may vary over time.

CAF's financial statements as of December 31, 2013, 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 unmodified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2013.

L. Enrique García

Presidente Ejecutivo

Hugo Sarmiento K.

Vicepresidente Corporativo de
Finanzas

Marcos Subía G.

Director, Contabilidad y
Presupuesto

January 31, 2014

Independent Auditors' Report on Management's Assertion on Effectiveness of Internal Control over Financial Reporting



Lara Marambio & Asociados.

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To the Board of Directors and Stockholders of

Corporación Andina de Fomento (CAF)

We have audited 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, 2013, based on criteria established in *Internal Control - Integrated Framework (1992)* 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 of 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 audit.

We conducted our audit in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit 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 accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected and corrected on a timely basis. Also, projections of any evaluation of effectiveness of the internal control over financial reporting 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, 2013 is fairly stated, in all material respects, based on the criteria established in *Internal Control - Integrated Framework (1992)* issued by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We have also audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements as of and for the year ended December 31, 2013 of CAF and our report dated January 31, 2014 expressed an unmodified opinion on those financial statements.



January 31, 2014
Caracas - Venezuela

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Independent Auditors' Report



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To the Board of Directors and Stockholders of

Corporación Andina de Fomento (CAF)

We have audited the accompanying financial statements of **Corporación Andina de Fomento (CAF)**, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Corporación Andina de Fomento (CAF)** as of December 31, 2013 and 2012, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Management's Assertion on Effectiveness of Internal Control over Financial Reporting

We have also audited, in accordance with attestation standards established by the American Institute of Certified Public Accountants, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2013, based on criteria established in *Internal Control – Integrated Framework (1992)* issued by the *Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and our report dated January 31, 2014 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

January 31, 2014

Caracas - Venezuela

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets

December 31, 2013 and 2012

(In thousands of U.S. dollars)

	NOTES	2013	2012
ASSETS			
Cash and due from banks	2	230,051	141,720
Deposits with banks	2	1,462,208	1,490,049
Cash and deposits with banks		1,692,259	1,631,769
Marketable securities:			
Trading	4 and 19	5,831,244	5,453,137
Other investments	3	781,219	100,910
Loans (US\$ 48,358 and US\$ 72,354 at fair value as of December 31, 2013 and 2012)	5 and 19	18,003,271	16,355,410
Less loan commissions, net of origination costs		80,373	76,837
Less allowance for loan losses	5	38,336	125,799
Loans, net		17,884,562	16,152,774
Accrued interest and commissions receivable		242,153	216,323
Equity investments	6	228,385	146,811
Derivative financial instruments	18 and 19	417,658	772,448
Property and equipment, net	7	66,909	62,667
Other assets	8	273,931	281,496
TOTAL		27,418,320	24,818,335
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	9	3,263,674	3,121,843
Commercial paper	10	2,936,496	3,174,927
Borrowings (US\$ 495,947 and US\$ 341,553 at fair value as of December 31, 2013 and 2012)	11 and 19	1,628,863	1,391,093
Bonds (US\$ 10,659,931 and US\$ 9,595,784 at fair value as of December 31, 2013 and 2012)	12 and 19	11,192,501	9,742,852
Accrued interest payable		200,013	180,597
Derivative financial instruments	18 and 19	182,824	60,067
Accrued expenses and other liabilities	13	197,400	281,894
Total liabilities		19,601,771	17,953,273
STOCKHOLDERS' EQUITY:			
Subscribed and paid-in capital (authorized capital US\$10,000 million)	15	3,941,380	3,636,715
Additional paid-in capital		1,342,903	782,523
Reserves		2,325,826	2,285,655
Other comprehensive income		(317)	-
Retained earnings		206,757	160,169
Total stockholders' equity		7,816,549	6,865,062
TOTAL		27,418,320	24,818,335

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

(In thousands of U.S. dollars)

	NOTES	2013	2012
Interest income:			
Investments and deposits with banks	1(f), 2 and 3	22,364	52,315
Loans	1(g)	446,609	440,957
Loan commissions	1(g)	39,274	26,867
Total interest income		508,247	520,139
Interest expense:			
Deposits		16,607	23,027
Commercial papers		18,096	12,183
Borrowings		18,856	17,354
Bonds		227,479	214,976
Commissions		16,255	14,148
Total interest expense		297,293	281,688
Net interest income		210,954	238,451
Credit to allowance for loan losses	5	(83,417)	(4,865)
Net interest income, after credit to allowance for loan losses		294,371	243,316
Non-interest income:			
Other commissions		7,415	6,150
Dividends and equity in earnings of investees	6	4,801	2,649
Other income		3,687	482
Total non-interest income		15,903	9,281
Non-interest expenses:			
Administrative expenses	23	103,997	90,988
Other expenses		1,649	863
Total non-interest expenses		105,646	91,851
Net income before unrealized changes in fair value related to financial instruments		204,628	160,746
Unrealized changes in fair value related to financial instruments	21	2,129	(577)
Net income		206,757	160,169
Other comprehensive income			
Unrecognized actuarial loss	14	(317)	-
Total comprehensive income		206,440	160,169

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Stockholders' Equity

Years ended December 31, 2013 and 2012

(In thousands of U.S. dollars)

NOTES	Subscribed and paid-in capital	Additional paid-in capital	Reserves			Other comprehensive income	Retained earnings	Total stockholders' equity	
			General reserve	Article N° 42 of by-laws	Total reserves				
BALANCES AT DECEMBER 31, 2011	3,229,365	739,733	1,830,742	398,834	2,229,576	-	152,579	6,351,253	
Capital increase	15	159,030	291,110	-	-	-	-	450,140	
Capitalization of Additional paid - in capital	15	248,320	(248,320)	-	-	-	-	-	
Net income	15	-	-	-	-	-	160,169	160,169	
Appropriated for general reserve	15	-	-	40,779	-	40,779	-	(40,779)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	15	-	-	-	15,300	15,300	-	(15,300)	-
Distributions to stockholders' special funds	16	-	-	-	-	-	-	(96,500)	(96,500)
BALANCES AT DECEMBER 31, 2012	3,636,715	782,523	1,871,521	414,134	2,285,655	-	160,169	6,865,062	
Capital increase	15	304,665	560,380	-	-	-	-	865,045	
Net income	15	-	-	-	-	-	206,757	206,757	
Appropriated for general reserve	15	-	-	24,071	-	24,071	-	(24,071)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	15	-	-	-	16,100	16,100	-	(16,100)	-
Other comprehensive income	14	-	-	-	-	-	(317)	-	(317)
Distributions to stockholders' special funds	16	-	-	-	-	-	-	(119,998)	(119,998)
BALANCES AT DECEMBER 31, 2013	3,941,380	1,342,903	1,895,592	430,234	2,325,826	(317)	206,757	7,816,549	

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands of U.S. dollars)

	NOTES	2013	2012
OPERATING ACTIVITIES:			
Net income		206,757	160,169
Adjustments to reconcile net income to net cash used in operating activities:			
Unrealized gain on trading securities	4	(5,025)	(11,320)
Amortization of loan commissions, net of origination costs		(12,413)	(10,677)
Credit to allowance for loan losses	5	(83,417)	(4,865)
Equity in earnings of investees		244	1,067
Amortization of deferred charges		2,900	2,799
Depreciation of property and equipment	7	5,554	3,924
Provision for employees' severance indemnities and benefits		8,339	7,745
Provision for employees' savings plan		1,281	1,286
Unrealized changes in fair value related to financial instruments		(2,129)	577
Net changes in operating assets and liabilities:			
Severance indemnities paid or advanced		(4,869)	(5,013)
Employees' savings plan paid or advanced		(113)	(379)
Trading securities, net	4	(373,082)	(1,681,492)
Interest and commissions receivable		(25,830)	(20,007)
Other assets		4,421	(33,824)
Accrued interest payable		19,416	17,036
Accrued expenses and other liabilities		(89,449)	8,894
Total adjustments and net changes in operating assets and liabilities		(554,172)	(1,724,249)
Net cash used in operating activities		(347,415)	(1,564,080)
INVESTING ACTIVITIES:			
Purchases of other investments	3	(1,132,019)	(236,168)
Maturities of other investments	3	451,710	230,469
Loan origination and principal collections, net	5	(1,638,784)	(1,364,921)
Equity investments, net	6	(81,818)	(35,989)
Purchases of property and equipment	7	(9,796)	(19,889)
Net cash used in investing activities		(2,410,707)	(1,426,498)
Carried forward,		(2,758,122)	(2,990,578)

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2013 and 2012

(In thousands of U.S. dollars)

	NOTES	2013	2012
Brought forward,		(2,758,122)	(2,990,578)
FINANCING ACTIVITIES:			
Net increase (decrease) in deposits		141,831	(550,220)
Net (decrease) increase in commercial paper		(238,431)	1,197,877
Proceeds from issuance of bonds	12	2,716,572	2,337,449
Repayment of bonds	12	(796,450)	(768,355)
Proceeds from borrowings	11	376,961	384,795
Repayment of borrowings	11	(126,918)	(133,521)
Distributions to stockholders' special funds	16	(119,998)	(96,500)
Proceeds from issuance of shares	15	865,045	450,140
Net cash provided by financing activities		2,818,612	2,821,665
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		60,490	(168,913)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1,631,769	1,800,682
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		1,692,259	1,631,769
Supplemental disclosure:			
Interest paid during the year		269,543	239,221
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(354,790)	69,184
Changes in derivative financial instruments liabilities		122,757	(33,802)

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements

Years ended December 31, 2013 and 2012

(In thousands of U.S. dollars)

1. Significant accounting policies

a. Description of Business – Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its by-laws. Series “A” and “B” stockholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series “C” stockholder countries are: Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, Spain and Trinidad and Tobago. In addition, there are 14 banks which are Series “B” stockholders. CAF is headquartered in Caracas and has offices in Asuncion, Bogota, Brasilia, Buenos Aires, Ciudad de Mexico, Ciudad de Panama, La Paz, Lima, Madrid, Montevideo, Puerto Principe and Quito.

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

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

CAF raises funds to finance operations both within and outside its stockholder countries.

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

Certain amounts in the 2012 financial statements have been reclassified to conform to the current year’s presentation.

c. Use of estimates – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet, as well as the amounts reported as revenues and expenses during the corresponding reporting period. The most important estimates related with the preparation of CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and estimating the allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

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

e. 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.

f. Marketable Securities – CAF classifies its investments, according to management intention, as trading marketable securities. Trading securities are mainly bought and held with the purpose of selling them in the short term. Trading securities are recorded at fair value. Gains and losses, from sales of trading securities and changes in the fair value of trading securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

- g. Loans* – CAF grants short-, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its portfolio into sovereign and non-sovereign.

Sovereign loans – Include loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.

Non-sovereign loans – Include loans granted to corporate and financial sectors, among others, which are not guaranteed by national governments (public and private sectors).

Loans are carried at their outstanding principal balances less: (i) write-offs, (ii) the allowance for loan losses, and (iii) loan commission fees received upon origination net of certain direct origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as loan commissions in the statement of comprehensive 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 loan is well-secured and in process of collection.

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

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are payments status and the probability of collecting scheduled principal and interest payments when due.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirmed the uncollectibility of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in one country or specific economic group, which might be affected by market situations or other circumstances. For this reason, CAF uses certain measurement parameters, such as: CAF's stockholders' equity, total loan portfolio, economic groups from public and private sectors, among others. CAF reviews, on semi-annual basis, the credit risk rating of its loans and classifies the risk into the following categories:

Satisfactory-excellent – Extremely strong capacity to meet financial commitments.

Satisfactory-very good – Strong capacity to meet financial commitments, not significant vulnerable to adverse economic conditions.

Satisfactory appropriate – Adequate capacity to meet financial commitments, but more subject to adverse economic conditions.

Watch – Less vulnerable in the near-term but faces major ongoing uncertainties to adverse economic conditions.

Special mention – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.

Sub-standard – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.

Doubtful- Currently highly vulnerable.

Loss- Payment default on financial commitments.

- h. Allowance for Loan Losses** – Allowance for loan losses is maintained at a level CAF believes to be adequate to absorb probable losses inherent in the loan portfolio as of the date of the financial statements.

For purposes of determining the allowance for loan losses, CAF management classifies its portfolio for credit risk purposes into sovereign and non-sovereign. The allowance for loan losses is estimated considering the credit risk exposure, default probability and, beginning December 31, 2013, loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

Allowance for loan losses of sovereign loan is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries considering the average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. The country risk rating considers a default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred 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 three levels above its risk rating– is used.

Regarding the non-sovereign loan portfolio, the allowance for loan losses is based on the individual local currency debt rating of the borrower countries considering the average rating of the aforementioned agencies. As of December 31, 2013, by virtue of the change in the determination of the allowance for loan losses, the allowance for loan losses is calculated by considering the internal rating of each borrower, using the probability of default corresponding to the average of the equivalent categories of the risk rating agencies.

For those cases where the category equivalent to the rating of a given borrower determined in accordance with any of the agencies is higher than the rating in local currency of the country corresponding to such borrower, or if by any reason there is no rating, the rating in local currency of such country determined by risk rating agencies will be used.

A specific allowance for loan losses is established by CAF for impaired loans. 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 original loan's effective interest rate. The allowance for loan losses is reported as a deduction from loans.

- i. Equity Investments** – CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and their participation in the securities markets and to serve as a catalytic agent in attracting resources to stockholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist when the Company's holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee company.

Investments representing less than 20% of the voting rights of the investee are recorded using the cost method, recognizing any dividends received as income. A decline in the value of any equity investment accounted at cost that is not deemed to be temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated, any impairment is charged to income and a new cost basis for the investment is established.

The equity investments do not have readily determinable fair values.

- j. Property and Equipment, net** – Property and equipment are stated at cost less accumulated depreciation. Maintenance and repair expenses are charged directly to the statements of comprehensive income for the year as

incurred, while improvements and renewals are capitalized. Depreciation is calculated using the straight-line method, and charged to the statements of comprehensive income over the estimated useful life of assets.

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

Buildings	30 years
Buildings improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

k. Other Assets – Other assets include deferred charges, intangible assets and collateral.

Deferred costs capital investment – Include projects which are in progress. Once they are completed and in place, the total amount invested is capitalized. The depreciation or amortization starts applying the current policy applicable for each asset category.

Deferred costs finance – Include up-front costs and fees related to bonds and borrowings denominated in US\$ that are deferred and amortized during their life time.

Intangible assets – Which are reported at cost less accumulated amortization, are also included. The amortization is calculated with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

Collateral – CAF requires or posts collateral from or to individual swap counterparties in the form of approved liquid securities or cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap counterparties for fulfilling its obligations under the collateral agreement. CAF records the restricted and invested cash in other assets with a corresponding obligation to return the cash in accrued expenses and other liabilities. Collateral posted to swap counterparties, under the collateral agreement, is recorded in other assets.

l. Impairment – A financial asset is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of the asset.

m. Deposits and Commercial Papers – Deposits and commercial papers are recorded at amortized cost.

n. Borrowings – The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at amortized cost, except for some borrowings that are hedged using interest rate swaps as an economic hedge.

o. Bonds – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are registered as follows:

- Bonds denominated in other currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related up-front costs and fees are recognized in the statement of comprehensive income, when they occur. CAF enters into cross-currency and interest rate swaps as an economic hedge for interest rate and foreign exchange risks related with these bonds.
- Bonds denominated in US\$ are hedged for interest rate risk using interest rate swaps, and are designated as part of fair value hedge accounting relationships assuming no hedge ineffectiveness (the “shortcut method”). The related up-front costs and fees are deferred and amortized during their life time.

Partial repurchases of bond issuances result in the derecognition of the corresponding liabilities. The difference between the repurchase price and the debt’s settlement net cost is recognized as income/loss for the year.

- p. 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 member countries, when applicable. The accrual for employee severance indemnities is presented as part of "labor benefits" account under "other liabilities" caption.

Under CAF's employee policies, employees earn a severance indemnity equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, employees earn an additional two-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 per year. 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.

- q. Pension Plan* – In March 2005, CAF established a pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The plan's benefits are calculated based on years of service and the average salary of the three consecutive years in which the employee received the highest salary. CAF periodically updates the benefit obligations considering actuarial assumptions.

- r. Derivative Financial Instruments and Hedging Activities*– CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. On the date the derivative contract is entered into, for which hedge accounting should apply, CAF designates the derivative financial instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value 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 derivative financial instrument that are designated as fair-value to specific assets and liabilities on the balance sheet, or to specific firm commitments or forecasted transactions, CAF's policy is not to enter into derivative financial instruments for speculative purposes. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values.

Changes in the fair value of a highly effective derivative financial instrument designated and qualified 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 attributable to the hedged risk, are recorded in comprehensive income statement.

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

When hedge accounting is discontinued because it is determined that the derivative financial instrument no longer qualifies as an effective fair-value hedge, CAF continues to carry the derivative financial instrument on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, CAF continues to carry the derivative financial instrument 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. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative financial instrument at its fair value on the balance sheet, and recognizes any changes in its fair value in comprehensive income statement.

- s. Fair value of financial instruments and fair value measurements* – An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Accounting guidance establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the

inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Inputs used to measure fair value may fall into one of three levels:

Level 1 - Applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 - Applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 - Applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

- t. **Guarantees** – CAF provides guarantees for loans originated by third parties to support projects located within a stockholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention of sharing the risk with private lenders or holders of securities. CAF's responsibility is limited to paying up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the period covered by the guarantee.
- u. **Provision for guarantees losses** – Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guarantees portfolio as of the date of the financial statements, classifying them into sovereign and non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and, effective December 31, 2013, loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a preferred creditor and taking into account the immunities and privileges conferred by its stockholder countries, which are established in CAF's by-laws and other similar agreements, a factor that reflects a lower default probability – usually equivalent to three levels up in this average rating –. For non- sovereign guarantees, effective December 31, 2013, the provision is determined by considering the internal rating of each client and the average rating of the aforementioned agencies.

The provision for credit risks on contingent accounts, such as stand-by letters of credit and guarantees, are reported as other liabilities.

- v. **Recently adopted accounting pronouncements** – In December 2011, the FASB issued ASU 2011-11, Balance Sheet: Disclosures about Offsetting Assets and Liabilities. This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The objective of this disclosure is to facilitate comparison between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of International Financial Reporting Standards ("IFRS"). The amended guidance is effective for annual reporting periods beginning on or after January 1, 2013, without significant impacts on financial statements.

Subsequently, in January 2013, the FASB issued the ASU 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments clarify that the scope of ASU 2011-11 applies to derivatives accounted for in accordance with Topic 815, Derivatives and Hedging, including bifurcated embedded derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to an enforceable master netting arrangement or similar agreement. The amended guidance is effective for annual reporting

periods beginning on or after January 1, 2013, and the entity should provide the required disclosures retrospectively for all comparative periods presented.

w. Recent Accounting Pronouncements Applicable –

- **ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income**
 In February 2013, the FASB issued ASU 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this Update supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASUs 2011-05 (issued in June 2011) and 2011-12 (issued in December 2011) for all public and private organizations. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2013. This ASU will be adopted in 2014 fiscal year, if applicable.

- **ASU 2013-04, Liabilities (Topic 405): Obligations Arising from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date**
 In February 2013, the FASB issued ASU 2013-04, Liabilities (Topic 405): Obligations Arising from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation is Fixed at the Reporting Date. The amendments in this ASU require an entity to measure joint and several obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The amendments in this guidance are effective for fiscal years beginning after December 15, 2014. CAF is currently evaluating the effects of adopting this ASU.

- **ASU 2013-12, Definition of a Public Business: An addition to the Master Glossary**
 In February 2013, the FASB issued ASU 2013-12, Definition of a Public Business: An addition to the Master Glossary. The primary purposes of this update are to Amend the Master Glossary of the FASB Accounting Standards Codification to include one definition of public business entity for future use in U.S. GAAP. The amendment does not affect existing requirements. In addition, identify the types of business entities that are excluded from the scope of the Guide. However, even if an entity is within the scope of the Guide, that entity may not necessarily be eligible to apply all financial accounting and reporting alternatives within U.S. GAAP that are made available to private companies. There is no actual effective date for the amendments in this Update.

- **ASU 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive – Variable, Pay- Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach**
 In January 2014, the FASB issued ASU 2014-03, Derivatives and Hedging (Topic 815): Accounting for Certain Receive- Variable, Pay- Fixed Interest Rate Swaps – Simplified Hedge Accounting Approach. The amendments in this update allow the use of simplified hedge accounting approach to account for swaps that are entered into for the purpose of economically converting a variable- rate borrowing into a fixed- rate borrowing. In addition, this hedge accounting alternative, acts as a practical expedient to qualify for cash flow hedge accounting under Topic 815 if certain conditions are met. Under this approach an entity may assume no ineffectiveness for qualifying swaps designated in a hedging relationship under Topic 815 and a private company has the option to measure the designated swap at settlement value instead of fair value. The amended guidance is effective prospectively for reporting periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015 with early adoption permitted.

2. Cash and deposits with banks

Bank deposits with original maturity of three months or less include the following:

	December 31,	
	2013	2012
Cash and due from banks	230,051	141,720
Deposits with banks:		
U.S. dollars	1,460,678	1,374,559
Other currencies	1,530	115,490
	<u>1,462,208</u>	<u>1,490,049</u>
	<u>1,692,259</u>	<u>1,631,769</u>

3. Other investments

Deposits due in 90 days or more (original maturity) as follows:

	December 31,	
	2013	2012
U.S. dollars	779,936	99,427
Other currencies	1,283	1,483
	<u>781,219</u>	<u>100,910</u>

4. Marketable securities

Trading Securities

A summary of trading securities follows:

	December 31,			
	2013		2012	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	674,749	2.62	944,773	2.47
Non-U.S. governments and government entities bonds	130,390	0.98	178,846	2.49
Financial institutions and corporate securities:				
Commercial papers	1,982,228	-	1,899,734	-
Certificates of deposit	1,454,325	-	344,044	-
Bonds	1,165,255	-	1,723,496	-
Others	424,297	-	362,244	-
	<u>5,026,105</u>	<u>0.94</u>	<u>4,329,518</u>	<u>1.21</u>
	<u>5,831,244</u>	<u>1.14</u>	<u>5,453,137</u>	<u>1.47</u>

Trading securities include net unrealized gains of US\$ 5,025 and US\$ 11,320 at December 31, 2013 and 2012, respectively.

Net realized losses and gains from trading securities of US\$ 12,083 and of US\$ 6,968 at December 31, 2013 and 2012, respectively, are included in the statement of comprehensive income in the line Investment and deposits with banks.

CAF places its short-term investments mainly in high grade financial institutions and corporate securities. CAF has very conservative investment guidelines that limit the amount of credit risk exposure, considering among other factors, limits in credit

ratings, limits in duration exposure, specific allocations by type of investment instruments and limits across sector and currency allocation. As of December 31, 2013 and 2012, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US\$ 165,652, at December 31, 2012.

Maturity of debt securities follows:

	December 31,	
	2013	2012
Remaining maturities:		
Less than one year	4,081,566	3,514,566
Between one and two years	858,003	678,267
Between two and three years	523,424	742,432
Between three and four years	184,152	98,917
Between four and five years	88,289	212,467
Over five years	95,810	206,488
	5,831,244	5,453,137

5. Loans

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loans are to Series "A" and "B" stockholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31,	
	2013	2012
Stockholder country:		
Argentina	2,457,474	2,114,725
Bolivia	1,752,611	1,598,808
Brazil	1,654,751	1,252,829
Colombia	1,806,317	1,832,312
Costa Rica	120,928	126,698
Dominican Republic	177,576	176,047
Ecuador	2,735,716	2,648,222
Jamaica	6,129	6,590
Mexico	194,475	18,026
Panama	886,651	586,944
Paraguay	189,731	134,501
Peru	2,478,138	2,660,320
Spain	200,000	50,000
Uruguay	378,510	331,820
Venezuela	2,961,658	2,816,083
Loans	18,000,665	16,353,925
Fair value adjustments	2,606	1,485
Carrying value of loans	18,003,271	16,355,410

Fair value adjustments to the carrying amount of loans represent adjustments to the carrying value of loans for which the fair value option is elected.

At December 31, 2013 and 2012, loans in other currencies were granted for an equivalent of US\$ 60,038 and US\$ 57,317, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2013 and 2012, fixed interest rate loans amounted to US\$ 99,372 and US\$ 88,552, respectively.

Loans classified by public sector and private sector borrowers, are as follows:

	December 31,	
	2013	2012
Public sector	14,974,563	13,823,556
Private sector	3,026,102	2,530,369
	<u>18,000,665</u>	<u>16,353,925</u>

The average yield of the loan portfolio is shown below:

	December 31,			
	2013		2012	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	<u>18,000,665</u>	<u>2.57</u>	<u>16,353,925</u>	<u>2.69</u>

Loans by industry segments are as follows:

	December 31,			
	2013	%	2012	%
Agriculture, hunting and forestry	64,907	-	62,651	-
Manufacturing industry	314,443	2	205,789	1
Electricity, gas and water supply	6,146,592	34	5,530,511	34
Transport, warehousing and communications	6,340,756	35	5,825,822	36
Commercial banks	1,410,267	8	1,144,172	7
Development banks	586,198	3	496,262	3
Social and other infrastructure programs	2,995,347	17	3,033,455	19
Others	142,155	1	55,263	-
	<u>18,000,665</u>	<u>100</u>	<u>16,353,925</u>	<u>100</u>

Loans mature as follows:

	December 31,	
	2013	2012
Remaining maturities:		
Less than one year	2,547,989	2,683,514
Between one and two years	1,773,139	1,481,612
Between two and three years	2,072,016	1,598,393
Between three and four years	1,663,606	1,530,782
Between four and five years	1,463,564	1,274,371
Over five years	8,480,351	7,785,253
	18,000,665	16,353,925
	18,000,665	16,353,925

The loan portfolio classified based on the type of credit risk is as follows:

	December 31,	
	2013	2012
Sovereign guaranteed	14,313,620	13,228,048
Non-sovereign guaranteed	3,687,045	3,125,877
	18,000,665	16,353,925
	18,000,665	16,353,925

CAF maintains an internal risk rating system to evaluate the quality of the non-sovereign guaranteed loan portfolio, which identifies, through a standardized rating and review parameters, those risks related to credit transactions. The sovereign guaranteed loan portfolio is classified by CAF as satisfactory-excellent. For purpose of determining the allowance for loan losses, rating assigned by external agencies are used (Note 1h).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2013 and 2012, is presented by internal credit risk type and classification, as follows:

	December 31,	
	2013	2012
Risk classification:		
Satisfactory-very good	1,464,326	953,873
Satisfactory appropriate	1,315,509	1,305,317
Watch	903,085	847,186
Special Mention	-	11,650
Sub-standard	4,125	-
Doubtful	-	7,851
	3,687,045	3,125,877
	3,687,045	3,125,877

Loan portfolio quality

The loan portfolio quality indicators are presented below:

	December 31,	
	2013	2012
Overdue loans	0	0
Non-accrual loans	0	7.851
Impaired Loans	0	7.851
Loans written-off	4.125	0
Overdue loan principal as a percentage of loan portfolio	0.00%	0.00%
Nonaccrual loans as a percentage of loan portfolio	0.00%	0.05%
Allowance for losses as a percentage of loan portfolio	0.21%	0.77%

At December 31, 2012, all loans were performing except for loans to a private client for US\$ 7,851 which were classified as impaired and were in nonaccrual status, which was restructured in 2013. At December 31, 2013, CAF did not classify any loan as impaired.

Purchase of loan portfolio

During 2013 and 2012, CAF did not purchase any loan portfolio.

Sale of loan portfolio

During 2013 and 2012, CAF sold loans to commercial banks for US\$ 51,250 and US\$ 76,900, respectively, without recourse.

A/B Loans

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2013 and 2012, CAF had loans of this nature amounting to US\$ 1,480,369 and US\$ 1,820,980, respectively; whereby other financial institutions provided funds for US\$ 1,065,707 and US\$ 1,325,996, respectively.

Troubled debt restructurings (TDR)

During 2013, CAF has TDR of US\$ 8,250. During 2012, there were no TDRs.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2013			2012		
	Sector		Total	Sector		Total
Sovereign	Non-sovereign	Sovereign		Non-sovereign		
Balances at beginning of year	95,872	29,927	125,799	99,414	31,222	130,636
Credit to results of operations, net	(84,974)	1,557	(83,417)	(3,542)	(1,323)	(4,865)
Loans written-off	-	(4,125)	(4,125)	-	-	-
Recoveries	-	79	79	-	28	28
Balances at end of year	10,898	27,438	38,336	95,872	29,927	125,799

At December 31, 2013, as a result of the improvement in the determination of the allowance for loan losses on the loan portfolio, the provision for loan losses decreased by US\$ 84,886, recognizing the effect in the statement of comprehensive income.

6. Equity investments

Equity investments, which have no market value, are as follows:

	December 31,	
	2013	2012
Direct investments in companies accounted under equity method	8,435	8,111
Investment funds accounted under equity method	27,078	15,389
Direct investments in companies at cost	40,636	30,411
Investment funds at cost	152,236	92,900
	228,385	146,811
	228,385	146,811

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31,	
		2013	2012
Investment Funds:			
Bolivia	20	1,416	802
Brazil	Between 8 and 12	26,029	5,241
Colombia	Between 10 and 19	34,228	12,746
Mexico	Between 6 and 20	13,797	10,628
Peru	Between 6 and 9	14,790	12,027
Regional	Between 1 and 33	89,054	66,845
		179,314	108,289
		179,314	108,289
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	8,435	8,111
Colombia	10	5,023	3,969
Ecuador	Between 5 and 10	5,490	490
Peru	1	8,263	4,182
Regional	Between 10 and 20	19,860	19,770
		49,071	38,522
		49,071	38,522

Details of equity investments under equity method are as follows:

	Equity participation	Financial statements	December 31,	
			2013	2012
Companies:				
Banco de Desarrollo de la Producción	20%	09/30/2013	8,435	8,111
Funds:				
Darby Latinoamerican Mezzanine Fund II	20%	09/30/2013	10,709	6,386
Emerging Energy Latinoamerican Fund	20%	09/30/2013	163	114
Fondo de Fondos México II	20%	06/30/2013	3,454	-
Microfinance Growth Fund	20%	09/30/2013	6,353	5,577
Produbanco Darby-Probanco Fund II	33%	09/30/2013	4,983	2,510
Próspero Microfinanzas Fund	20%	09/30/2013	1,416	802
			27,078	15,389

Dividends received of US\$ 5,044 and US\$ 3,716 from investments under cost method at December 31, 2013 and 2012, respectively, are included in the statements of comprehensive income.

At December 31, 2013 and 2012, CAF did not recognize any impairment.

7. Property and equipment, net

A summary of property and equipment follows:

	December 31,	
	2013	2012
Land	27,012	18,704
Buildings	23,662	23,662
Buildings improvements	18,375	21,420
Leased building improvements	4,882	1,206
Furniture and equipment	22,805	19,245
Vehicles	877	854
	97,613	85,091
Less accumulated depreciation	51,083	45,865
Projects in progress	20,379	23,441
	66,909	62,667

The depreciation expenses of US\$ 5,554 and of US\$ 3,924 for property and equipment for the year ended December 31, 2013 and 2012, respectively, are included in the statement of comprehensive income.

8. Other assets

A summary of other assets follows:

	December 31,	
	2013	2012
Intangible assets, net	10,957	11,244
Deferred charges, net	40,507	44,913
Derivative related collateral	192,394	214,624
Other assets	30,073	10,715
	273,931	281,496

9. Deposits

A summary of deposits follows:

	December 31,	
	2013	2012
Demand deposits	69,850	68,555
Time deposits:		
Less than one year	3,193,824	3,053,288
	3,263,674	3,121,843

At December 31, 2013 and 2012, the interest rates on deposits ranged from 0.02% to 1.597% and from 0.04% to 1.809%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits in other currencies include US\$ 2,424 and US\$ 283,004, at December 31, 2013 and 2012, respectively.

10. Commercial paper

CAF's commercial paper of US\$ 2,936,496 at December 31, 2013 will mature in 2014 (US\$ 3,174,927 at December 31, 2012 - matured in 2013). At December 31, 2013 and 2012, the interest rates on commercial paper ranged from 0.09% to 0.69% and from 0.08% to 1.07%, respectively.

11. Borrowings

A summary of borrowings follows:

	December 31,	
	2013	2012
U.S. dollars	1,575,019	1,344,860
Peruvian nuevos soles	21,599	6,857
Venezuelan bolivars	17,460	16,279
Other currencies	8,838	4,877
	1,622,916	1,372,873
Fair value adjustments	5,947	18,220
Carrying value of borrowings	1,628,863	1,391,093

At December 31, 2013 and 2012, there are fixed interest-bearing borrowings in the amount of US\$ 407,082 and US\$ 169,892, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2013	2012
Remaining maturities:		
Less than one year	467,837	103,038
Between one and two years	252,882	468,797
Between two and three years	226,765	234,823
Between three and four years	95,912	191,591
Between four and five years	165,224	66,965
Over five years	414,296	307,659
	1,622,916	1,372,873
	1,622,916	1,372,873

Some borrowing agreements contain covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2013 and 2012 there were unused term credit facilities amounting to US\$ 609,859 and US\$ 722,685, respectively.

12. Bonds

An analysis of outstanding bonds follows:

	December 31,					
	2013			2012		
	At original exchange rate	At spot exchange rate	average cost. after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	average cost. after swaps (%) (Year-end)
U.S. dollars	5,115,006	5,115,006	2.35	5,208,530	5,208,530	2.54
Euro	2,119,345	2,196,752	1.95	1,190,396	1,177,262	2.55
Japanese yen	671,631	524,109	2.10	622,024	581,583	2.30
Colombian pesos	156,949	173,202	2.95	205,352	273,709	3.34
Australian dollars	524,464	514,224	1.31	-	-	-
Swiss francs	1,871,550	1,981,810	1.98	1,421,295	1,491,640	2.44
Mexican pesos	98,108	100,476	2.71	98,108	101,908	2.90
Peruvian nuevos soles	94,736	103,875	1.13	107,141	129,950	1.40
Chinese renminbi	96,618	99,092	1.37	96,618	96,288	1.55
Hong Kong dollars	223,982	224,139	2.03	102,803	102,953	2.62
	10,972,389	11,032,685		9,052,267	9,163,823	
Fair value adjustments		159,816			579,029	
Carrying value of bonds		11,192,501			9,742,852	

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2013	2012
Remaining maturities:		
Less than one year	942,400	763,729
Between one and two years	1,265,305	944,354
Between two and three years	1,561,340	1,066,805
Between three and four years	887,692	1,148,506
Between four and five years	1,316,246	888,469
Over five years	4,999,406	4,240,404
	10,972,389	9,052,267
	10,972,389	9,052,267

At December 31, 2013 and 2012, fixed interest rate bonds amounted to US\$ 10,539,306 and US\$ 8,703,859, respectively, of which US\$ 6,043,466 and US\$ 3,719,349, respectively, are denominated in Japanese yen, Euro, Swiss francs, Australian Dollars, Colombian pesos, Mexican pesos, Hong Kong dollars, Chinese renminbi and Peruvian nuevos soles.

There were no bonds repurchased during the years ended December 31, 2013 and 2012.

13. Accrued expenses and other liabilities

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2013	2012
Employees' severance indemnities, benefits and savings plan	64,780	55,553
Derivatives related collateral	121,501	214,624
Provision contingencies	3,643	2,639
Other liabilities	7,476	9,078
	197,400	281,894
	197,400	281,894

14. Pension plan

At December 31, 2013 the Plan has 377 participants and not retired employees. The measurement date used to determine pension plan benefits is December 31.

As of December 31, 2013 and 2012, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2013	2012
Change in benefit obligation:		
Benefit obligation at beginning of year	6,875	4,871
Service cost	1,084	911
Interest cost	297	213
Plan participants' contributions	1,050	882
Actuarial loss	333	230
Benefit paid	(81)	(232)
Benefit obligation at end of year	<u>9,558</u>	<u>6,875</u>

As of December 31, 2013 and 2012, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2013	2012
Change in plan assets:		
Fair value of plan assets at beginning of year	6,359	4,494
Actual return on plan assets	110	80
Contributions	2,695	2,004
Actuarial loss	16	13
Benefit paid	(82)	(232)
Fair value of plan assets at year of year	<u>9,098</u>	<u>6,359</u>

As of December 31, 2013 and 2012, the plan assets are as follows:

	December 31,	
	2013	2012
Plan assets:		
Deposits with banks	<u>9,098</u>	<u>6,359</u>

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2013 and 2012:

	December 31,	
	2013	2012
Service cost	1,084	911
Interest cost	297	213
Expected return on plan assets	(110)	(80)
	<u>1,271</u>	<u>1,044</u>

A summary of the net projected cost for the year 2014 follows:

Service cost:	
Contributions to the plan	1,110
Guaranteed benefit	96
	1,206
Interest cost	406
Expected return on plan assets	(136)
	1,476

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2013 and 2012 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	1.5%
Salary increase rate	3%

15. Stockholders' equity

Authorized Capital

The authorized capital of CAF at December 31, 2013 and 2012, amounts to US\$ 10,000,000, 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: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series "A" shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director. These shares have a par value of US\$ 1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Each of these shares grants the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Also, the commercial banks that currently hold Series "B" shares of CAF are entitled, as a group, to elect one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$ 5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares confer the right of representation on CAF's Board of Directors to two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2013 and 2012, follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
At December 31, 2011	10	600,016	43,457	12,000	3,000,080	217,285	3,229,365
Capitalization of additional paid-in capital	-	46,325	3,339	-	231,625	16,695	248,320
Issued for cash	-	16,827	14,979	-	84,135	74,895	159,030
At December 31, 2012	10	663,168	61,775	12,000	3,315,840	308,875	3,636,715
Issued for cash	-	43,268	17,665	-	216,340	88,325	304,665
At December 31, 2013	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380

Subscribed and paid-in capital at December 31, 2013 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	69,308	-	1,200	346,540	-	347,740
Bolivia	1	41,653	-	1,200	208,265	-	209,465
Brazil	1	60,142	-	1,200	300,710	-	301,910
Colombia	1	145,733	-	1,200	728,665	-	729,865
Ecuador	1	41,957	-	1,200	209,785	-	210,985
Panama	1	17,816	-	1,200	89,080	-	90,280
Paraguay	1	13,646	-	1,200	68,230	-	69,430
Peru	1	149,160	-	1,200	745,800	-	747,000
Uruguay	1	20,432	-	1,200	102,160	-	103,360
Venezuela	1	146,166	-	1,200	730,830	-	732,030
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,197	-	-	30,985	30,985
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	35,135	-	-	175,675	175,675
Trinidad & Tobago	-	-	15,867	-	-	79,335	79,335
Commercial banks	-	423	-	-	2,115	-	2,115
	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380

At December 31, 2013, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	21,931	109,655	-	-	25,200	126,000	-	-
Bolivia	9,760	48,800	-	-	14,400	72,000	-	-
Brazil	27,716	138,580	-	-	25,200	126,000	-	-
Colombia	30,383	151,915	-	-	50,400	252,000	-	-
Ecuador	9,760	48,800	-	-	14,400	72,000	-	-
Panama	9,030	45,150	-	-	7,200	36,000	-	-
Paraguay	6,280	31,400	-	-	7,200	36,000	-	-
Peru	27,390	136,950	-	-	50,400	252,000	-	-
Uruguay	7,647	38,235	-	-	7,200	36,000	-	-
Venezuela	30,383	151,915	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	838	4,190	-	-	16,332	81,660
Spain	-	-	4,604	23,020	-	-	40,000	200,000
Trinidad & Tobago	-	-	7,590	37,950	-	-	-	-
Commercial banks	7	35	-	-	-	-	-	-
	180,287	901,435	13,032	65,160	252,000	1,260,000	58,732	293,660

Subscribed and paid-in capital at December 31, 2012 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	63,523	-	1,200	317,615	-	318,815
Bolivia	1	38,987	-	1,200	194,935	-	196,135
Brazil	1	58,372	-	1,200	291,860	-	293,060
Colombia	1	138,188	-	1,200	690,940	-	692,140
Ecuador	1	39,291	-	1,200	196,455	-	197,655
Panama	1	14,975	-	1,200	74,875	-	76,075
Paraguay	1	12,447	-	1,200	62,235	-	63,435
Peru	1	140,030	-	1,200	700,150	-	701,350
Uruguay	1	18,329	-	1,200	91,645	-	92,845
Venezuela	1	138,621	-	1,200	693,105	-	694,305
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	5,838	-	-	29,190	29,190
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,109	-	-	5,545	5,545
Spain	-	-	25,923	-	-	129,615	129,615
Trinidad & Tobago	-	-	8,134	-	-	40,670	40,670
Commercial banks	-	405	-	-	2,025	-	2,025
	10	663,168	61,775	12,000	3,315,840	308,875	3,636,715

At December 31, 2012, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount	Number of shares	Nominal Amount
Stockholder:								
Argentina	11,620	58,100	-	-	25,200	126,000	-	-
Bolivia	12,426	62,130	-	-	14,400	72,000	-	-
Brazil	29,486	147,430	-	-	25,200	126,000	-	-
Colombia	37,928	189,640	-	-	50,400	252,000	-	-
Ecuador	12,426	62,130	-	-	14,400	72,000	-	-
Panama	11,871	59,355	-	-	7,200	36,000	-	-
Paraguay	7,479	37,395	-	-	7,200	36,000	-	-
Peru	20,424	102,120	-	-	50,400	252,000	-	-
Uruguay	9,750	48,750	-	-	7,200	36,000	-	-
Venezuela	37,928	189,640	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	346	1,730	-	-	15,688	78,439
Spain	-	-	13,816	69,080	-	-	40,000	200,000
Trinidad & Tobago	-	-	15,323	76,615	-	-	-	-
Commercial banks	18	90	-	-	-	-	-	-
	191,356	956,780	29,485	147,425	252,000	1,260,000	58,088	290,439

General Reserve

CAF maintains a general reserve approved by the stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the reserve by US\$ 24,071 and US\$ 40,779 during the years ended December 31, 2013 and 2012, through appropriations from net income for the years ended December 31, 2012 and 2011, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

CAF's by-laws requires that at least 10% of annual net income is to be appropriated to a reserve fund until that fund amounts to 50% of the subscribed capital, which is considered an equity reserve. Additional appropriation may be approved by the stockholders. At the stockholders' Assembly in March 2013 and 2012, it was authorized to increase the reserve by US\$ 16,100 and US\$ 15,300, through an appropriation from net income for the years ended December 31, 2012 and 2011, respectively.

Capitalization of additional paid-in capital

At the stockholders' Assembly in March 2012, it was authorized to capitalize through dividends in shares by US\$ 248,320, from additional paid-in capital. At December 2013, CAF did not conduct this type of operations.

16. Distributions to stockholders' special funds

Stockholders' Assembly may distribute a portion of retained earnings to special funds, created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries. CAF has no residual interest in these funds.

In March 2013 and 2012, stockholders' Assembly approved the distribution of US\$ 119,998 and US\$ 96,500, from retained earnings at December 31, 2012 and 2011, respectively, to the stockholders' special funds (See note 24).

17. 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.

18. Derivative financial instruments and hedging activities

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposure 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, creating 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 financial 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 financial instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings 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 also utilizes futures derivatives instruments to reduce exposure to risk. There are contracts for delayed delivery of securities or money market instruments in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Initial margin requirements are met with cash or securities. CAF generally closes out open positions prior to maturity. Therefore, cash receipts or payments are limited to the change in market value of the future contracts. As of 31 December 2013, there was payment on future contracts of US\$ 244.

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 mark-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 the counterparty's credit rating deteriorates. This collateral is in the form of cash or highly rated and liquid government securities. CAF offsets, for each counterparty, 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.

The amount recognized for the right to receive collateral that have been offset at year-end 2013 and 2012, was US\$ 121,501 and US\$ 214,624, respectively. The amount recognized for the obligation to post collateral that have been offset at year-end 2013, was US\$ 70,893.

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, 2013 and 2012:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2013:				
Loans	-	30.586	1.014	2.560
Loans	14.965	-	-	176
Borrowings	490.000	-	5.947	-
Bonds	4.560.840	-	90.693	6.759
Bonds	-	5.878.979	319.760	173.329
	<u>5.065.805</u>	<u>5.909.565</u>	<u>417.414</u>	<u>182.824</u>
At December 31, 2012:				
Loans	-	42.820	-	6.506
Loans	23.900	-	617	-
Borrowings	323.333	-	18.220	-
Bonds	5.049.510	-	357.504	4.705
Bonds	-	3.855.689	396.107	48.856
	<u>5.396.743</u>	<u>3.898.509</u>	<u>772.448</u>	<u>60.067</u>

The following table presents the notional amount and fair values of futures the underlying hedged items at December 31, 2013:

	Notional amount	Fair value
		Derivative assets
At December 31, 2013:		
Marketable securities	56.900	244

For the years ended December 31, 2013 and 2012, all of CAFs' derivatives which had 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 comprehensive income.

19. Fair value measurements

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is 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 makes 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 the one 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.

The following methods are used to estimate the fair-value hierarchy of CAF's financial instruments:

- **Marketable securities:** CAF uses quoted market prices to determine the fair value of trading securities and these financial assets 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. These loans 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 using market prices given by the counterparties. Derivative transactions are classified in Level 2 of the fair value hierarchy.
- **Bonds and borrowings:** For CAF's bonds issued and medium and long term borrowings, fair value is determined using an internal valuation technique, taking into consideration yield curves to discount the expected cash flows for the applicable maturity, thus reflecting the fluctuation of variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2013, there were no transfers between levels 1, 2 and 3.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels CAF's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2013 and 2012:

	Level 1	Level 2	Level 3	Net balance
At December 31, 2013:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	674,749	-	-	674,749
Bonds of non-U.S. governments and government entities	130,390	-	-	130,390
Financial institutions and corporate securities:				
Commercial papers	1,982,228	-	-	1,982,228
Certificate of deposits	1,454,325	-	-	1,454,325
Bonds	1,165,255	-	-	1,165,255
Others	424,297	-	-	424,297
	<u>5,026,105</u>	<u>-</u>	<u>-</u>	<u>5,026,105</u>
	5,831,244	-	-	5,831,244
Loans	-	48,358	-	48,358
Derivative instruments:				
Futures	-	244	-	244
Interest rate swap	-	96,640	-	96,640
Cross-currency swap	-	320,774	-	320,774
	<u>-</u>	<u>417,658</u>	<u>-</u>	<u>417,658</u>
	<u>5,831,244</u>	<u>466,016</u>	<u>-</u>	<u>6,297,260</u>
Liabilities:				
Borrowings	-	495,947	-	495,947
Bonds	-	10,659,931	-	10,659,931
Derivative instruments:				
Interest rate swap	-	6,935	-	6,935
Cross-currency swap	-	175,889	-	175,889
	<u>-</u>	<u>182,824</u>	<u>-</u>	<u>182,824</u>
	<u>-</u>	<u>11,338,702</u>	<u>-</u>	<u>11,338,702</u>

	Level 1	Level 2	Level 3	Net balance
At December 31, 2012:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	944,773	-	-	944,773
Bonds of non-U.S. governments and government entities	178,846	-	-	178,846
Financial institutions and corporate securities:				
Commercial papers	1,899,734	-	-	1,899,734
Certificate of deposits	344,044	-	-	344,044
Bonds	1,723,496	-	-	1,723,496
Others	362,244	-	-	362,244
	<u>4,329,518</u>	<u>-</u>	<u>-</u>	<u>4,329,518</u>
	5,453,137	-	-	5,453,137
Loans	-	72,354	-	72,354
Derivative instruments:				
Interest rate swap	-	376,341	-	376,341
Cross-currency swap	-	396,107	-	396,107
	<u>-</u>	<u>772,448</u>	<u>-</u>	<u>772,448</u>
	<u>5,453,137</u>	<u>844,802</u>	<u>-</u>	<u>6,297,939</u>
Liabilities:				
Borrowings	-	341,553	-	341,553
Bonds	-	9,595,784	-	9,595,784
Derivative instruments:				
Interest rate swap	-	4,705	-	4,705
Cross-currency swap	-	55,362	-	55,362
	<u>-</u>	<u>60,067</u>	<u>-</u>	<u>60,067</u>
	<u>-</u>	<u>9,997,404</u>	<u>-</u>	<u>9,997,404</u>

20. Fair value of financial instruments

CAF 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 at December 31, 2013 and 2012:

	Hierarchy Levels	December 31,			
		2013		2012	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	230,051	230,051	141,720	141,720
Deposits with banks	1	1,462,208	1,462,208	1,490,049	1,490,049
Other investments	1	781,219	781,219	100,910	100,910
Loans, net	2	17,954,913	17,957,220	16,283,056	16,283,792
Equity investments (Cost method)	2	192,872	192,872	123,311	123,311
Accrued interest and commissions receivable	2	242,153	242,153	216,323	216,323
Financial liabilities:					
Deposits	2	3,263,674	3,263,674	3,121,843	3,121,843
Commercial paper	2	2,936,496	2,936,496	3,174,927	3,174,927
Borrowings	2	1,132,916	1,134,194	1,049,540	1,049,681
Bonds	2	532,570	534,326	147,068	149,043
Accrued interest payable	2	200,013	200,013	180,597	180,597

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value:

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper 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 grant loans for development projects in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans 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. The fair value of impaired loans is estimated on the basis of discounted cash flows.
- *Equity investments:* CAF's equity investments in other CAF entities do not have available market price quotations. The fair value of equity investments is determined based on a financial analysis of the investees and any losses are recognized immediately in the statement of comprehensive income.
- *Bonds and borrowings:* For CAF's bonds issued and medium and long term borrowings, fair value is determined using an internal valuation technique, taking into consideration yield curves to discount the expected cash flows for the applicable maturity, thus reflecting the fluctuation of variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

During 2013, there were no transfers between levels 1, 2 and 3.

21. Fair value option

CAF's management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted a derivative as an economic hedge for other currency and interest rate risks.

The results recorded in the statement of comprehensive income resulting from the periodic cash flows and unrealized changes in fair value as of December 31, 2013 and 2012 for instruments that fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2013	2012
Bond related swaps	787	(779)
Loan related swaps	1,342	202
	2,129	(577)
	2,129	(577)

22. Commitments and contingencies

Commitments and contingencies include the following:

	December 31,	
	2013	2012
Credit agreements subscribed - eligibles	4,583,475	3,706,207
Credit agreements subscribed - non eligibles	1,965,410	2,531,805
Lines of credit	4,782,126	3,578,581
Letters of credit	58,641	27,991
Equity investments agreements subscribed	254,687	185,799
Guarantees	375,533	331,630

These commitments and contingencies result from the normal course of CAF's business and are related principally to loans that have been approved or committed for disbursement.

In the ordinary course of business, CAF has entered into commitments to extend credits; such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made. Commitments that have fulfilled the necessary requirements for disbursement are classified as eligibles.

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,	
	2013	2012
Remaining maturities:		
Less than one year	98,707	81,822
Between four and five years	52,924	-
Over five years	223,902	249,808
	375,533	331,630
	375,533	331,630

To the best 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 any impact on its business, financial condition or results of operations.

23. Administrative expenses

For the years ended December 31, 2013 and 2012, CAF recorded administrative expenses as follows:

	December 31,	
	2013	2012
Salaries and employee benefits	67,388	57,696
Professional fees, seminars and other expenses	14,492	11,630
Logistics and infrastructure	13,066	13,797
Telecommunications and technology	9,051	7,865
	103,997	90,988
	103,997	90,988

24. Special funds and other funds under management

CAF, as a multilateral financial institution, acts as administrator of several funds owned by third-parties and CAF's stockholders special funds.

The special funds have the purpose and functions which contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions, and CAF is responsible for their administration. The special funds are governed by the provisions of the Constitutive Agreement and any other ones which, in each case, may be established by the Board of Directors. The resources of the special funds are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. In regards to the use of the special funds, the financial responsibility of CAF, as administrator, is limited to the net assets and reserves of each of the constituted special funds. CAF has no residual interest in the net assets of the special funds.

As of December 31, 2013 and 2012, managed funds net assets are US\$ 537,651 and US\$ 498,048, respectively. The balances of main managed funds are as follows:

	December 31,	
	2013	2012
Compensatory Financing Fund (FFC) (1)	350,010	324,270
Fund for the Development of Small and Medium Enterprises (FIDE)	56,879	43,567
Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA)	25,440	24,480
Technical Assistance Fund (FAT)	25,826	22,917
Human Development Fund (FONDESHU)	17,610	16,884
Latin American Carbon, Clean Alternative Energies Program (PLAC)	7,158	7,696
Cross-Border Cooperation and Integration (COPIF)	3,724	3,487
Others	51,004	54,747
	537,651	498,048

- (1) This fund was created by CAF's stockholders for the purpose of compensating a portion of interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the year ended December 31, 2013 and 2012, this fund compensated interest amounting to US\$ 48,239 and US\$ 37,489, respectively.

25. Segment reporting

Management has determined that CAF has only one reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing the services among individual countries.

For the years ended December 31, 2013 and 2012, loans made to or guaranteed by six countries individually generated an excess, before swaps, of 10 percent of loan income, as follows:

	December 31,	
	2013	2012
Argentina	60,632	61,101
Bolivia	41,959	42,497
Colombia	45,251	54,042
Ecuador	61,951	66,006
Peru	60,346	77,420
Venezuela	73,020	78,464
	343,159	379,530

26. Subsequent events

Management has evaluated subsequent events through January 31, 2014, 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, 2013, except for:

- On January 17, 2014 CAF priced bonds under EMTN program for CHF 300,000, 2.00%, due 2024. Effective date February 5, 2014.
- On January 15, 2014 CAF priced bonds under the SCHULDSCHEIN format for EUR 65,000, 3.51%, due 2034. Effective date February 3, 2014.
- On January 23, 2014 CAF priced bonds under the EMTN program for EUR 200,000, 3.50%, due 2039. Effective date February 3, 2014.
- On January 23, 2014 CAF priced bonds under the EMTN program for NOK 1.500.000, 4.29%, due 2026. Effective date February 6, 2014

GOVERNING BODIES

Corporación Andina de Fomento

Shareholders' Meeting¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

The Board of Directors is comprised of representatives of Series A, B and C shareholders. It establishes CAF's policies, appoints the President, approves credit operations, the annual budget, and approves guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated to the Executive Committee or the President, according to criteria set forth by the Board.

Executive Committee

The Executive Committee was established by the Board of Directors in 1971. It is comprised of directors designated by Series A, B and C shareholders, and is chaired by the President. It approves financial operations within the limits established by the Board.

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of the Chairman of the Board, Directors elected by the Board for a two-year period, and CAF's President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly; the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report on its implementation.

President

The President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The President is appointed for a five year period, and may be re-elected.

1 The XLIV Ordinary Shareholders' meeting was held on March 5, 2013.

2 During 2013, three Board of Directors meetings were held on March 5 (CXLVII Board of Directors Meeting), July 2 (CXLVIII Board of Directors Meeting) and December 3 (CXLIX Board of Directors Meeting).

3 The XXI and the XXII Audit Committees were held on March 4 and December 2, 2013, respectively.

Board of Directors

(as of December 31st, 2013)

Chairman of the Board (2013- 2014)

Luis Miguel Castilla Rubio (as of December 31st, 2013)*

Minister of Economy and Finance of Peru

Serie “A” Shareholders 2011 - 2014.

ARGENTINA

Principal: Axel Kicillof
Minister of Economy and Public Finance

Alternate: Julio Miguel De Vido
Minister of Federal Planning, Public Investment and Services

BOLIVIA

Principal: Elba Viviana Caro Hinojosa
Minister of Planning of Development

Alternate: Harley Rodriguez Tellez
Vice Minister of Public Investment and External Financing

BRAZIL

Principal: Miriam Belchior
Minister of Planning, Budget and Management

Alternate: João Guilherme Rocha Machado, Secretary of International Affairs of the Ministry of Planning, Budget and Management

COLOMBIA

Principal: Mauricio Cárdenas
Minister of Finance and Public Credit

Alternate: Santiago Rojas
Minister of Commerce, Industry and Tourism

ECUADOR

Principal: María Soledad Barrera
President of the Board Directors of Corporación Financiera Nacional

PANAMA

Principal: Frank De Lima
Minister of Economy and Finance

Alternate: Darío Espinoza
Vice Minister of Finance

PARAGUAY

Principal: Germán Rojas
Minister of Finance

Alternate: Daniel Correa
Vice Minister of Finance

PERU

Principal: Luis Miguel Castilla Rubio
Minister of Economy and Finance
Alternate: Carlos Augusto Oliva Neyra
Vice Minister of Finance

URUGUAY

Principal: Mario Bergara
Minister of Economy and Finance
Alternate: Alberto Graña, President of the Central Bank of Uruguay

VENEZUELA

Principal: Nelson Merentes
Minister of Finance
Alternate: Julio Viloria, Member of the Board Directors of The Central Bank of Venezuela

Serie “B” Shareholders 2011 - 2014

BOLIVIA

Principal: Luis Alberto Arce
Minister of Economy and Public Finance

Alternate: Roger Edwin Rojas Ulo
Vice Minister of Treasury and Public Credit

COLOMBIA

Principal: José Darío Uribe
General Manager of Banco de la República

Alternate: Tatiana Orozco
General Director of National Planning Department

ECUADOR

Principal: Fausto Herrera
Minister of Finance

Alternate: Diego Martínez
President of the Board of Directors Central Bank of Ecuador

PERU

Principal: Jose Luis Ramos
General Manager of Corporación Financiera de Desarrollo (COFIDE)

Alternate: José Gasha Vice
Minister of Economy

VENEZUELA

Principal: Gustavo Hernández, President of Banco de Desarrollo Económico y Social de Venezuela - BANDES

Alternate: Carlemy González
Executive Vicepresident Banco de Desarrollo Económico y Social de Venezuela - BANDES

PRIVATE BANKS

Principal: Darko Iván Zuazo Batchelder
President of the Board of Directors Banco Mercantil Santa Cruz - S.A. de Bolivia
Alternate: Efraín Enrique Forero Fonseca
President of Banco Davivienda, S.A. Colombia

Serie “C” Shareholders 2012 - 2015

SPAIN

Principal: Luis de Guindos Jurado
Minister of Economy and Competitiveness

MEXICO

Principal: Luis Videgaray
Secretary of Finance and Public Credit

DOMINICAN REPUBLIC

Alternate: Simón Lizardo Mezquita
Minister of Finance

CHILE

Alternate: Hernán Cheyre
Executive Vice President of CORFO

* Until March 31, 2013, Camilo Samán, President of the Board of Directors of Ecuador's Corporación Financiera Internacional, was CAF's Chairman of the Board.

Executive Management (As of December 31, 2013)

President and Chief Executive Officer L. Enrique García
Executive Vicepresident Luis Enrique Berrizbeitia
General Advisor Luis Sánchez Masi

Chief Legal Counsel Ricardo Sigwald
Associate Legal Counsel Jacobo Kiriaty

Corporate Secretary, Secretariat and External Relations Andrés Rugeles

Corporate Comptroller Marcelo Zalles
Director, Risk Management Marcia Arliani
Director, Internal Audit Mayra Andrade

Corporate Director, Human Capital José Bellido
Director, Human Capital Planning Leopoldo Gómez
Special Advisor, Human Capital Elvira Lupo

Corporate Director, Risk & Credit Carlos Sanz
Director, Risk Control Martha Diez
Director, Private Risk Elizabeth Martínez

Director, Strategic Communication Mara Rubiños

Corporate Director, Technology and Operations Germán Alzate
Director, Operations Control Renato Castellanos
Director, Information Technology Diego Grillo

Corporate Director, European Office Guillermo Fernández De Soto
Director, Strategic Affairs, European Office Germán Ríos

Special Advisor, Office of the President, Institutional Development and Special Initiatives Víctor Rico
Special Advisor, Office of the President, Regional Financial Programs Álvaro García
Special Advisor, Office of the President, Social Innovation Ana Mercedes Botero

Director, Logistics and Administrative Services Jaime Caycedo

Corporate Vicepresident, Country Programs Lilliana Canale
Corporate Director, Country Programs Alexis Gómez
Director, Operational Programming Miguel Angel Ostos
Director, Special Funds and Grants Management Corina Arroyo
Director, Argentina Rubén Ramírez
Director, Bolivia Emilio Uquillas
Director, Brazil Moira Paz Estenssoro
Director, Colombia Víctor Traverso
Director, Ecuador Hermann Krützfeldt
Director, Panama Susana Pinilla
Director, Paraguay Fernando Infante
Director, Peru Eleonora Silva
Director, Trinidad and Tobago Iwan Sewberath
Director, Uruguay Gladis Genua

Corporate Vicepresident and Chief Financial Officer Hugo Sarmiento
Director, Financial Policies and International Emissions Gabriel Felpeto
Director, Institutional Financing Carolina España
Director, Treasury José Luis Villanueva
Director, Accounting and Budget Marcos Subía

Corporate Vicepresident, Infrastructure Antonio Juan Sosa
Corporate Director, Infrastructure Alberto de Palacio
Director, Sectorial Analysis and Programming Diego Sánchez
Director, Northern Region Projects Lucía Meza
Director, Southern Region Projects Rolando Terrazas

Corporate Vicepresident, Productive and Financial Sectors Gustavo Ardila
Director, Productive and Financial Sectors Northern Region Mauricio Salazar
Director, Productive and Financial Sectors Southern Region Félix Bergel
Director, SMEs and Microfinance Manuel Malaret

Corporate Director, Specialized Financial Services Carmen Elena Carbonell
Director, Structured Financing Ignacio Andino
Director, Financial Advisory Services Ignacio Fombona
Director, Equity Investments Carlos Suñer

Corporate Vicepresident, Social Development José Carrera
Corporate Director, Social Development Bernardo Requena
Director, Social Development Projects Daniel Rivera
Director, Social Sustainability Silvia Oteyza

Corporate Vicepresident, Energy Hamilton Moss
Director, Energy Projects Renny López

Corporate Vicepresident, Public Policy and Strategic Development
Director, Public Policy and Competitiveness Michael Penfold
Director, Research Pablo Sanguinetti
Director, Environment Ligia Castro

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.

Head and Country Offices

Head office Venezuela

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