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WITH YOU

ANNUAL
REPORT
2015

ANNUAL
REPORT

2015

CAF

DEVELOPMENT BANK OF LATIN AMERICA

CAF is a multilateral financial institution, whose mission is to support the sustainable development of its shareholder countries and regional integration in Latin America. The institution's shareholders are the following: Argentina, Barbados, 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.

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

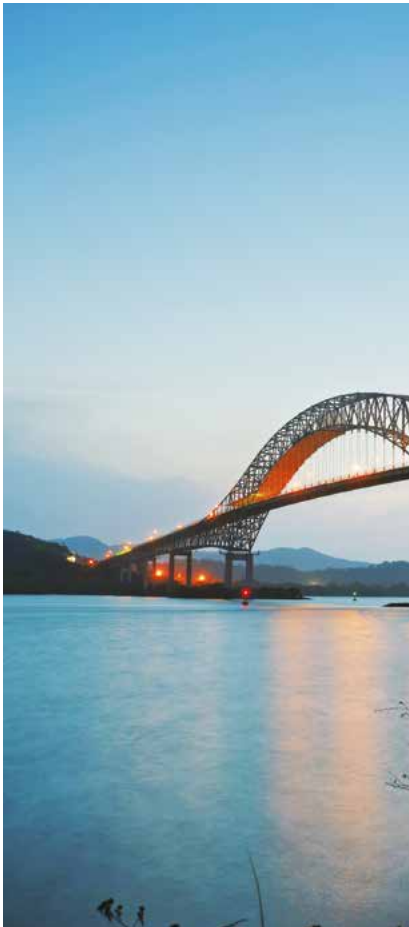
A vertical timeline on a dark grey background. A central teal vertical line is flanked by two thinner teal lines. Teal circles are placed at regular intervals along this line, each connected to a country name on the left and a year on the right. The country names are: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Paraguay, Peru, Portugal, Spain, Trinidad & Tobago, Uruguay, and Venezuela. The years are: 2001, 2015, 1970, 1995, 1992, 1970, 2002, 2004, 1970, 1999, 1990, 1997, 1997, 1970, 2009, 2002, 1994, 2001, and 1970.

Argentina	2001
Barbados	2015
Bolivia	1970
Brazil	1995
Chile	1992
Colombia	1970
Costa Rica	2002
Dominican Republic	2004
Ecuador	1970
Jamaica	1999
Mexico	1990
Panama	1997
Paraguay	1997
Peru	1970
Portugal	2009
Spain	2002
Trinidad & Tobago	1994
Uruguay	2001
Venezuela	1970

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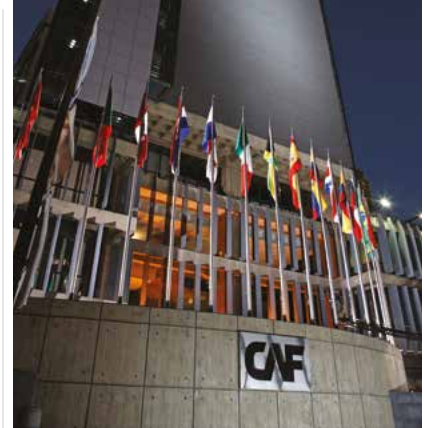
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MESSAGE

FROM THE EXECUTIVE PRESIDENT

WITHIN A CONTEXT MARKED BY THE DECLINING EXTERNAL ECONOMIC CONDITIONS OF THE END OF THE RAW MATERIALS SUPER-CYCLE AND ADVERSE WINDS IN INTERNATIONAL FINANCIAL MARKETS, LATIN AMERICA EXPERIENCED A SLOWDOWN IN ITS AVERAGE GROWTH IN 2015 FOR A SECOND CONSECUTIVE YEAR, ALBEIT WITH HETEROGENEOUS RESULTS AMONG THE REGION'S COUNTRIES DEPENDING ON THEIR MACROECONOMIC POSITIONS.

This scenario, once again, highlights the structural issues that must be addressed in our region if the social and economic progress attained in the XXI-century to date is to be preserved and higher levels of development with stability, efficiency, inclusion, equity and sustainability are to be achieved.

A key challenge is the need to increase the productivity of our economies and shift away from the model of traditional comparative advantages toward one of dynamic comparative advantages in sectors with higher added value. To achieve this, it is necessary to bolster productive transformation that incorporates more knowledge and technology. In the social aspect, it is essential that the growth of the emerging middle class be strengthened and consolidated to further reduce inequality and poverty. At the same time, policies that strengthen savings and investment in Latin America and improve the business climate for domestic and international investors must be adopted, in a manner that decreases economic concentration in the production and export of raw materials and commodities in order to build upon new stages of development.

To support countries in meeting these challenges, at CAF we have undertaken a process of internal adaptation to improve the quality and efficiency of our operations and increase their relevance for our clients. In this regard, we have made progress in the review of corporate strategies, including that of the private sector, where productive transformation is the core of our comprehensive development agenda. Business processes have been optimized to make them more efficient, and now our focus is on improving other operational and support processes, as well as managing human talent. All these efforts aim to enhance the attributes of efficiency, agility, flexibility and customer proximity that are fundamental to CAF's management and strengthen our institutional and governance model, which is an example today for new development entities in other regions.

Faced with the loss of economic dynamism in Latin America in 2015, CAF took actions to step up its anti-cyclical role with fast-disbursing and contingent operations for USD 2.4 billion, having more than



USD 12.2 billion in total approvals over the course of the year. This level of operations confirms the institution as one of the main sources of multilateral financing in the region, especially in infrastructure.

CAF also made encouraging progress in the generation and dissemination of knowledge, an area that has gained an increasingly important position in Latin America. In this way, the institution adds value to financial management and enhances its integral role as a development bank by providing knowledge services and strengthening a regional platform for pragmatic debate on public policies on development and integration.

By deepening its international relations, we have become a link between Latin America and the rest of the world given our connection with an extensive global network of universities, think tanks and financial and development institutions. In this context, CAF plays an important role in the International Development Finance Club (IDFC), which brings together 23 national and regional development banks from around the world. The IDFC's growing global

relevance has supported CAF's significant progress in environmental and climate change issues, especially in our goal of boosting the green economy.

In 2015, international credit agencies ratified CAF's risk ratings by confirming its solid financial position and its competitive presence in international capital markets, which granted us access to these markets with emissions in excess of USD 3 billion. In this context, CAF shareholder countries showed their commitment to CAF's efforts by approving a general capital increase of USD 4.5 billion.

Finally, I would like to reiterate my gratitude to CAF's shareholders, board members and staff, and local governments for all the progress made in 2015 and above all, for sharing their vision, commitment and efforts toward attaining effective and uncompromising development for each and every Latin American citizen.

A handwritten signature in black ink, appearing to read 'Enrique García', written in a cursive style.

Enrique García
Executive President

2015

HIGHLIGHTS

RECORD LEVEL OF APPROVALS

In 2015, CAF's approvals in the region hit a new milestone: USD 12.3 billion

FINANCIAL SOUNDNESS

The institution received the ratification of its ratings by the main credit rating agencies and completed 13 bond issues in the most prestigious capital markets for a total amount of USD 3 billion.

REGIONAL REFLECTION

Positioning CAF as a center of regional reflection and linking the institution with a global and regional network of prestigious think tanks, universities, financial and development institutions on a global scale.

CAPITAL INCREASE

The shareholder countries approved a paid-in capital increase of USD 4.5 billion. This increase will allow CAF to provide up to USD 100 billion in loans to the region over the period 2016-2022.



BARBADOS: NEW SHAREHOLDER

Barbados formally became one of the institution's Series C shareholders.



COMPREHENSIVE DEVELOPMENT AGENDA UPDATE

Emphasis on productive transformation and institutional strengthening.



YOUTH, LEADERSHIP AND INCLUSION

In 2015, CAF signed agreements with the non-profit organization Fundación Scholas Ocurrentes and the action "100,000 Strong in the Americas," with the aim of promoting education and social inclusion initiatives among Latin American youth.



RELATIONSHIP WITH CUBA

Initiation of a process of technical cooperation, and institutional and academic rapprochement with Cuba.



FINANCIAL HIGHLIGHTS 2015



TOTAL ASSETS

2014	USD 30.5 BILLION
2015	USD 32.5 BILLION

LIQUID ASSETS

2014	USD 10.1 BILLION
2015	USD 10.8 BILLION



LOAN AND INVESTMENT PORTFOLIO

2014	USD 19.4 BILLION
2015	USD 20.8 BILLION

PAID-IN CAPITAL

2014	USD 4.3 BILLION
2015	USD 4.5 BILLION



EQUITY

2014	USD 8.8 BILLION
2015	USD 9.3 BILLION



OPERATING INCOME (*)

2014	USD 136 MILLION
2015	USD 135 MILLION

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



LATIN
AMERICA'S
ECONOMIC
AND SOCIAL
ENVIRONMENT

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LATIN AMERICA'S ECONOMIC AND SOCIAL ENVIRONMENT

INTERNATIONAL ENVIRONMENT: RECENT EVOLUTION AND OUTLOOK

Global economic growth in 2015 is expected to reach close to 3%, well below the 5%+ growth recorded in the past decade. Emerging economies continue to grow at higher rates than advanced economies; their increasing weight in the world GDP accounts for the major share of global growth. However, as the recovery of advanced economies consolidates, activity is slowing down in emerging economies.

Weak external demand and a decline in most commodity prices negatively affected the performance of emerging economies. Investment has decreased as a result of lower expectations. In addition, this slowdown involves structural components, such as the case of China, and the high growth rates recorded in past decades are not expected to return in the short term.

However, growth is regaining strength in most developed countries with the United States of America and the United Kingdom leading this trend, while countries in the euro area are recovering at a slower pace. Japan recorded more moderate growth, including a contraction in the second quarter.

Activity decreased in the United States during the first quarter. The mining, manufacturing and retail sectors contracted as a result of weather conditions, labor problems at ports and a slowdown in global demand. The appreciation of the dollar impacted exports, while the fall in the price of oil slowed down investments in the shale oil sector. Activity recovered strongly in the second quarter, with an annual expansion of 3.9% thanks to improved consumption and investments. The activity rate held in the third quarter (2.1%) with year-end economic growth for 2015 coming in at around 2.6%.

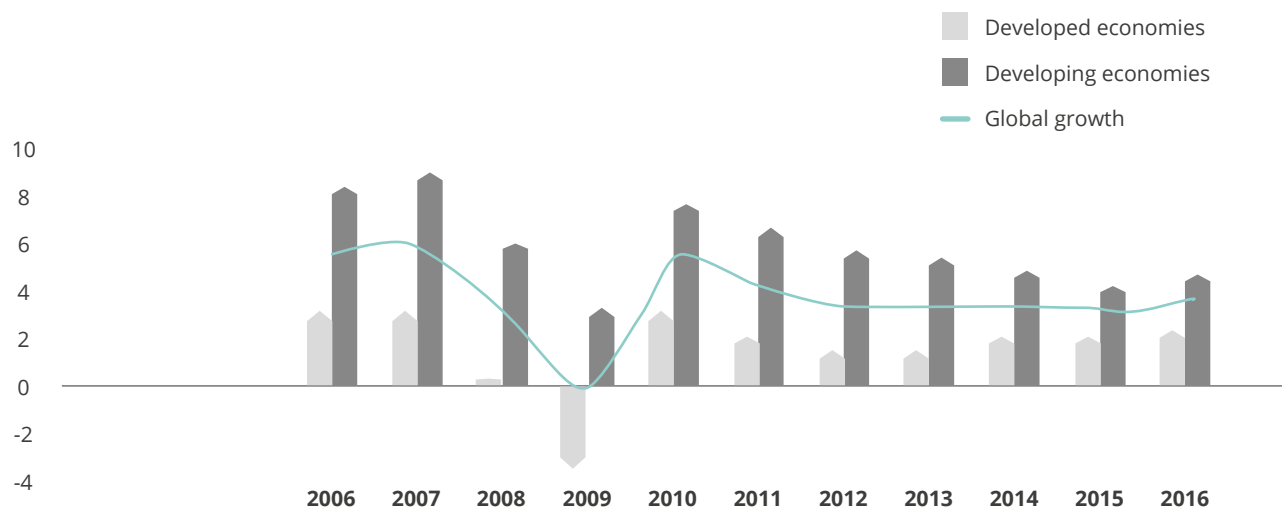
As for the job market, the downward trend of unemployment rates remained unchanged in 2015, reaching almost 5% by the third quarter. Despite a certain slowdown by the end of the third quarter, the economy continued to create jobs at solid rates and applications for unemployment benefits continued to decrease. Nevertheless, participation rates have not recovered, which partly explains the decline in unemployment.

By the third quarter of 2015, unemployment rates in the US continued to decline, reaching almost

5%

The Federal Reserve is likely to increase interest rates based on the US economy's progressive strengthening. The upward curve of the cycle of interest rate increases is not expected to be steep based on the current slow economic recovery after six years of incentives, the still high levels of home leveraging and the lack of pressure on salaries or prices. The Federal Reserve could delay the cycle of increases if it considers that they would make global financial markets even more volatile, with negative consequences for the US economy. However, the cycle of interest rate increases is expected to begin in the first quarter of 2016 at the latest.

FIGURE 1 World GDP growth (%)



SOURCE: IMF.

The European Union, in turn, shows moderate recovery as credit supply increases, thanks to the monetary expansion program implemented by the European Central Bank. The fall in electricity prices increased deflation risks at the beginning of the year, but it was also an important factor in driving higher consumption in several regional countries. After a moderate rise in the first quarter, growth began to strengthen in the second quarter and cumulative growth expansion is expected to reach 1.5% by year-end. The progressive recovery of Spain, which significantly improved the region's performance, is worth highlighting. In line with improved levels of activity, unemployment continued to fall, reaching close to 11% in the third quarter.



By the first quarter of 2015, Japan recorded an annualized positive rate of 2.4%, driven by high corporate investments made over the first months of the year. Similarly, Japan's consumption and exports increased; however, by the second quarter of 2015, a 1.6% annual reduction was recorded along with GDP contraction, consistent with weakened global demand.

The European Central Bank purchased debt from governments and kept interest rates at their minimum historical levels as part of its liquidity expansion program aimed at driving growth and preventing prices from dropping. Although the rate of price variation fell over four consecutive months at the beginning of the year, this measure helped inflation move into the black after May. Inflation is expected to remain low and positive, especially if fuel prices stabilize and the euro depreciation is transferred to prices.

Greece was the epicenter of financial turmoil by mid-2015. After difficult negotiations, it managed to avoid a default on its sovereign debt thanks to an agreement involving additional bailout funds and commitments to new reforms. Nevertheless, until consensus is reached to restore debt sustainability in a credible way, new volatility episodes cannot be ruled out. This is certainly a downturn risk for the European economy.

By the first quarter of 2015, Japan recorded an annualized positive rate of 2.4%, driven by high corporate investments made over the first months of the year. Similarly, Japan's consumption and exports increased; however, by the second quarter of 2015, a 1.6% annual reduction was recorded along with GDP contraction, consistent with weakened global demand. This situation, to a great extent, resulted from lower and slow household spending; in addition, it reflects little household income growth along with consistent efforts to increase savings. Therefore, corporate surveys suggest that the employment rate will decelerate in the coming months.

Japan is expected to implement a more flexible monetary policy to avoid the risk of deflation in line with its proposed monetary strategy, which is similar to the euro zone. As a result, the yen's depreciation against the US dollar is expected to continue in the next few months. However, the weakness of the yen has not yet impacted exports significantly.

This pessimistic outlook led Standard & Poor's state that the Japan government's strategy to reactivate the economy, beyond monetary incentives, has little chance of success in the short term, so it lowered Japan's credit rating from AA- to A+.

Large emerging economies are facing different economic situations as 2015 draws to an end. China's economic activity is decelerating, although the risk of a forced landing is being contained as efforts to rebalance growth increase. In India, however, expansion seems to be thriving. Russia is going through a deep recession period and Brazil is showing negative growth results. In general, manufacturing exports are outperforming those of raw materials.

In China, the rapid slowdown of activity recorded since the beginning of 2015 has created doubts as to how gradual and orderly its

transition will actually be. In the first quarter, GDP growth was 6.8%, while in the second quarter, GDP recovered slightly to reach 7%, a target within the government's range. However, growth slipped to 6.9% during the third quarter.

The performance of other indicators such as industrial activity, electricity production and the confidence of consumers and businessmen reflected a weakened activity in the second half of the year. The dynamics of the service sector were slightly stronger. In addition, accumulated housing inventory and excess capacity continue to represent downturn risks for the economy.

This weakened activity led monetary and tax authorities to adopt expansive growth measures. It is worth noting that these efforts have been accompanied by a commitment from authorities to continue the reform process aimed at transforming the economic model so that domestic consumption becomes the main growth driver instead of exports and investments; other goals of these reforms are to transform the productive matrix in order to escalate toward high-tech goods over the value chain and increase market share to promote efficiency.

This transition process, however, will not be smooth, as the turmoil caused by the fall of the stock market and the Yuan devaluation by mid-2015 have clearly shown.

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In July, the Chinese stock-market dropped 30% in just a few weeks, recording the greatest fall in more than eight years; this downturn was caused by restrictions imposed on leveraged stock-market investments, which led to a 150%+ rise in the stock-market index in less than a year. The authorities intervened to ward off a stock market crash with an injection of more than 35 billion Yuan, but eventually losses totaled 40% as per the stock-exchange index. Still, the actual effect of the stock-market index decline is limited because the percentage of homes that turn to shares as a savings instrument is low. However, investor confidence was badly hit.

GREECE WAS THE EPICENTER OF FINANCIAL TURMOIL BY MID-2015. AFTER DIFFICULT NEGOTIATIONS, IT MANAGED TO AVOID A DEFAULT ON ITS SOVEREIGN DEBT THANKS TO AN AGREEMENT INVOLVING ADDITIONAL BAILOUT FUNDS AND COMMITMENTS TO NEW REFORMS.

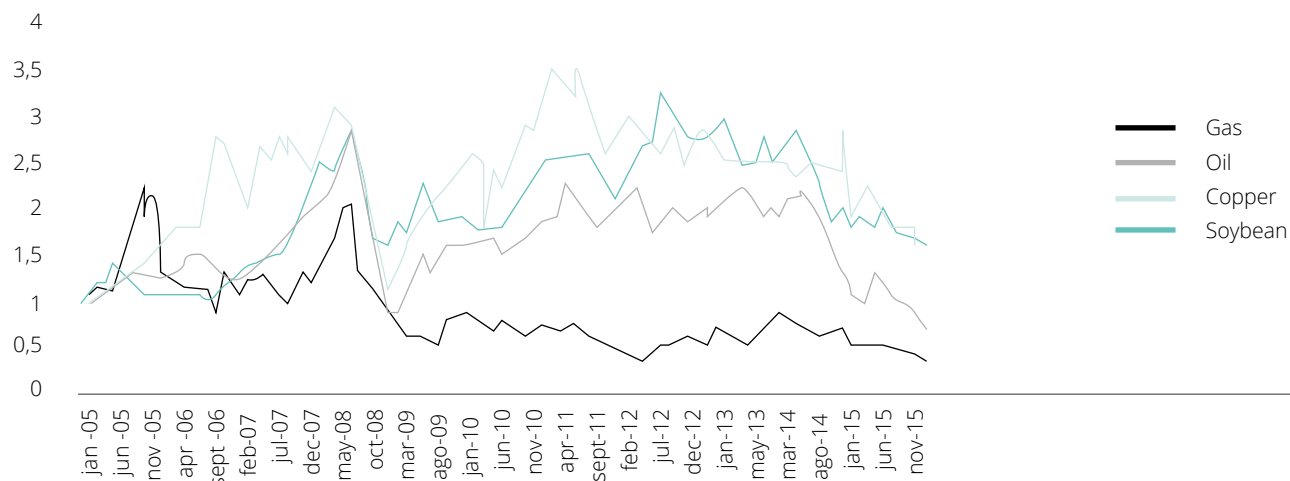
In August, the Yuan devalued 4.6% to make the daily reference rate follow the previous day's closing spot exchange rate, a step toward a more market-driven system. Global financial markets were shocked by this devaluation and fears about the vulnerability of the Chinese economy increased. Subsequently, the authorities intervened to

stabilize the currency and put a halt on capital flight, which intensified after the Yuan's devaluation.

Basic goods markets

The price of raw materials decreased in 2015 due to the combined effect of weak global demand growth and an increase in supply. By mid-2015, the Bloomberg Commodity Index, which includes 22 raw materials, reached its lowest level ever since August 1999. Agricultural and metal prices had been falling since 2011, while oil prices remained stable until mid-2014, when they plummeted by 50% in just six months.

FIGURE 2 Price of main raw materials



SOURCE: BLOOMBERG, CAF.

THE DECISION OF THE ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES (OPEC) NOT TO REDUCE PRODUCTION IN ORDER TO MAINTAIN PRICES, ALONG WITH THE APPRECIATION OF THE US DOLLAR, CONTRIBUTED TO THE SUSTAINED DECLINE.

The effect of the increased shale oil production on prices in the US were offset by a disrupted production in the Middle East until 2014, when Libya reentered the production market and contributed to oil oversupply. The decision of the Organization of the Petroleum Exporting Countries (OPEC) not to reduce production in order to maintain prices, along with the appreciation of the US dollar, contributed to the sustained decline.

Although oil prices could increase slightly, they are not expected to return to the high levels seen in the first half of the first decade of the new millennium in the near future.

Oil prices remained stable until mid-2014, when they plummeted by

50%

New fears of greater economic contraction in China, the possibility of increased oil production as a result of the nuclear agreement with the Islamic Republic of Iran and the appreciation of the US dollar led to a new price decline starting in August.

The agreement regarding the Iranian nuclear program will bring a new oil influx into a market where there is already abundant supply. In addition, Saudi Arabia's announcements regarding negotiations with buyers from India to deliver additional oil supplies show that this Middle-Eastern exporter could improve its record of 10.3 million barrels a day reached in May 2015. This context will keep a downward pressure on oil prices.

The price of industrial metals continued to fall due to an increased capacity to supply iron, copper and nickel, and a larger stock of these metals. Given that China is a crucial country for price formation in this market, the stagnation of the Chinese real estate sector and the transition toward a model of growth that does not rely so heavily on investments have been key drivers of global demand for metals. Increased supply after the mining investment boom has also played an important role. These trends are not expected to vary in the near future, so they will continue to put the prices of these metals under a downward pressure.

Precious metal prices have strongly declined since 2011—albeit some of them rose at times when markets increased their aversion to risk, mainly in the case of gold. Prices most likely will remain weak in the short term as interest rates adjust upwards and the US dollar becomes stronger, thus decreasing the active demand for safe-haven assets.

Food prices have yielded due to abundant crops over the year. Good production levels of wheat, maize and oil seeds have contributed to a reduction in prices since 2014.

Food prices have yielded due to abundant crops over the year. Good production levels of wheat, maize and oil seeds have contributed to a reduction in prices since 2014. In the case of soybean, larger cultivation areas and crops are playing a key role in keeping prices low. The price of rice remained somewhat stable. The price of beverages, starting with coffee, decreased following the dissipation of a rise in prices in 2014 caused by the effects of a drought in Brazil. Unexpected weather conditions can affect the supply of certain products, particularly those affected by the El Niño phenomenon, but important changes are not envisaged for the coming years.



FOOD PRICES HAVE YIELDED DUE TO ABUNDANT CROPS OVER THE YEAR. GOOD PRODUCTION LEVELS OF WHEAT, MAIZE AND OIL SEEDS HAVE CONTRIBUTED TO A REDUCTION IN PRICES SINCE 2014.



Financial and stock-exchange markets

The crisis of the Greek debt, the decline of the Chinese market and the policies implemented by Chinese authorities created tensions in the financial markets. No doubt, a fundamental factor that led to higher volatility was the Yuan's depreciation, which helped increase the aversion to risk by markets, weakened many emerging markets' currencies and led to an adjustment of stock prices on a global scale.

In addition, the financial conditions of emerging markets became more tense shortly before US interest rates were raised and upon the worsening of the global economic environment. The gap between the yield of long-term dollar bonds against local currency bonds widened, stock prices weakened and exchange rates depreciated sharply.

The external conditions of emerging market economies are becoming increasingly challenging. The year 2015 began with a higher aversion to global risk that led to lower private portfolio investments in these markets. Weak growth within the framework of the recovery of advanced economies and low activity in emerging economies has made investors step back and the rise in official US interest rates will probably harden external financial conditions.

Although a sudden stop scenario does not seem likely, a quick recovery is not anticipated either, particularly as the monetary policies of emerging economies remain neutral or try to stimulate growth. Therefore, capital inflows toward emerging markets could continue to decline in a more volatile context, if the Federal Reserve raises interest rates at a quicker-than-expected pace.

In addition, greater tension in the financial conditions for emerging markets became apparent in the face of higher US interest rates and a worsening global economic environment.

On the other hand, foreign direct investment (FDI) flows decreased as a result of less attractive conditions in emerging markets and lower raw material prices. The latter factor is leading to a systematic and generalized reduction in mining and oil investments. Countries that are heavily dependent on natural resources are more vulnerable to this trend.

Although the current volumes of higher liquidity in the euro area could drive investment flows toward emerging countries, these may not be sufficient to offset the effect of a tighter US monetary policy and the unrest caused by the performance of emerging countries.

ALTHOUGH A SUDDEN STOP SCENARIO DOES NOT SEEM LIKELY, A QUICK RECOVERY IS NOT ANTICIPATED EITHER, PARTICULARLY AS THE MONETARY POLICIES OF EMERGING ECONOMIES REMAIN NEUTRAL OR TRY TO STIMULATE GROWTH.

LATIN AMERICA: RECENT EVOLUTION AND OUTLOOK

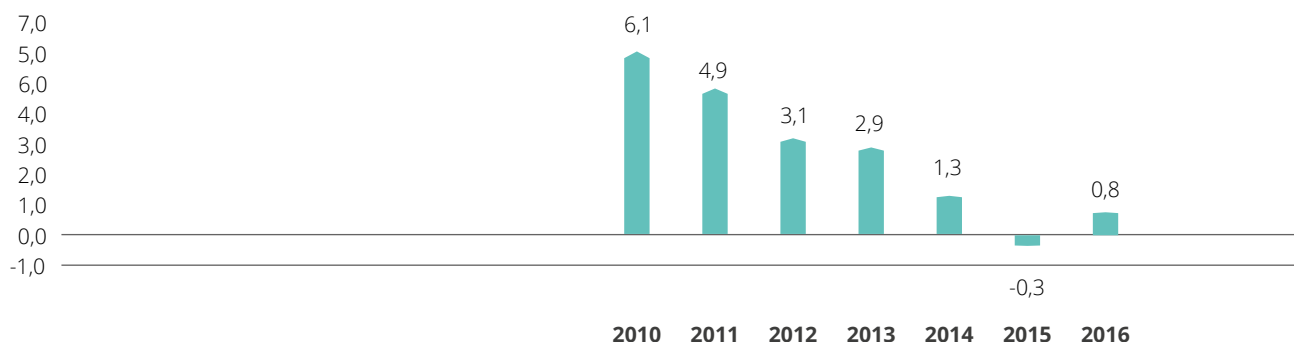
Activity

Latin America recovered quite quickly after the global financial crisis in 2009; however, the regional growth pace has weakened since 2012. GDP increased only by 1% in 2014, leaving behind the 5% growth rate on average from the previous decade. While strong global demand, high raw material prices and abundant liquidity drove regional growth from 2003 to 2011, in 2015, moderate global growth, low raw material prices and shrinking capital flows are putting a heavy burden on activity. Regional growth is expected to be slightly negative in 2015, with a modest improvement in 2016, less than 2%.

Average growth, however, hides the heterogeneity throughout Latin America, which the region's trade dynamics largely account for. The manufacturing exporters integrated into US value chains are outperforming South American exporters of raw materials. The terms of trade of exporters of raw materials who increased their exposure to China during the past decade have shrunk significantly; this has had a negative impact on the activity since 2012, reducing both the purchasing power of exports and investments in raw materials sectors.

The end of the so-called "commodity super cycle" is mainly affecting South American exporters of minerals and oil. The moderate investment outlook for the oil sector may have a negative impact on activity in Mexico, although the US may grow well above the regional average as a result of its own recovery. The growth outlook is better for net importers of energy from Central America and the Anglophone Caribbean because they benefit from the fall of oil prices.

 **FIGURE 3** Latin America: GDP growth (%)



SOURCE: IMF.

The quality of policy frameworks also accounts for the heterogeneity between regional countries. Exporters of raw materials from countries with sound tax and monetary frameworks have better perspectives than exporters from countries with weaker frameworks and accumulated imbalances.

Loss of the investment momentum is one of the key factors behind the recent slowdown in Latin American economies. While investment was a critical element that contributed to growth in 2010 in the aftermath of the 2009 crisis, its contribution to growth in 2014 was negative.

Investment tends to be highly procyclical and investors' expectations have deteriorated over the past few years, affecting investment plans in regional economies. First, changes in the global context led to less favorable external conditions for Latin America, which have already been described. Second, domestic factors, related to political uncertainty and the passing of bills in some countries, especially tax bills, may defer investment plans. While the second group of factors may be short-lived, the first group may be more persistent and influence future investment prospects as agents adapt to less favorable external conditions. The contribution of public investment was not strong enough to compensate for the retrenchment of the private component; in fact, in some cases it even reinforced it.

External accounts

On the external front, current account deficits increased in almost all countries in 2014, in line with downward business results. While Central American countries took advantage of lower electricity prices, countries such as Nicaragua and Panama still have some of the largest current account deficits in the region (between 8% and 10% of GDP). Exporters of raw materials in South America were hit the hardest, with levels reaching almost 5% of GDP in the case of Brazil, Colombia and Peru. Net exporters of electricity such as Ecuador, Bolivia and Venezuela also sustained high business losses as a result of the collapse of oil prices. Chile, in turn, recorded some slight improvements.

In most countries, current account deficits continue to be financed by FDI, although some countries, mainly in Central America and the Caribbean, rely on banking and portfolio flows. As the raw material cycle reaches its end, FDI flows targeting primary sectors are shrinking, a trend observed in Brazil, Colombia and Peru. Available foreign currency reserves must be used to cushion the deterioration of external conditions in most countries.

Currency depreciation is expected to re-channel spending and improve current account balances over the next two to three years, although the probability that the region should reach the significant trade surplus levels attained in the past decade is quite low.

The cost of external financing is expected to increase, so it will be important to eliminate deficits. Countries with less flexible schemes are turning to external assets and controls to protect their currencies. This strategy can be hard to maintain

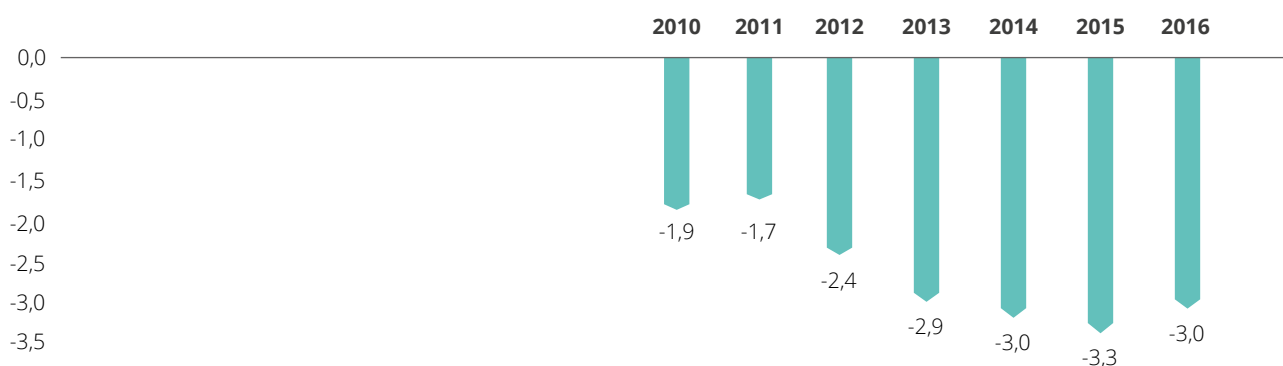


Exporters of raw materials in South America were hit the hardest, with levels reaching almost 5% of GDP in the case of Brazil, Colombia and Peru.

in light of a persistent variation of the terms of trade, which will require some type of monetary adjustment in the future.

The indebtedness of the private sector is another factor to be controlled, even though private debt levels remain relatively low across the region. However, these levels have increased significantly over the current decade and some companies could be vulnerable to balance risks as a result of local currency depreciation. The extent to which foreign exchange risk is covered by regional companies is unclear; however, no problems have come up from currency mismatches after strong currency depreciations in some countries. Companies with dollarized liabilities can have natural coverage (exporters) or a different type of coverage (foreign currency derivatives or USD assets).

 **FIGURE 4** Latin America: Current account/GDP (% of the GDP)

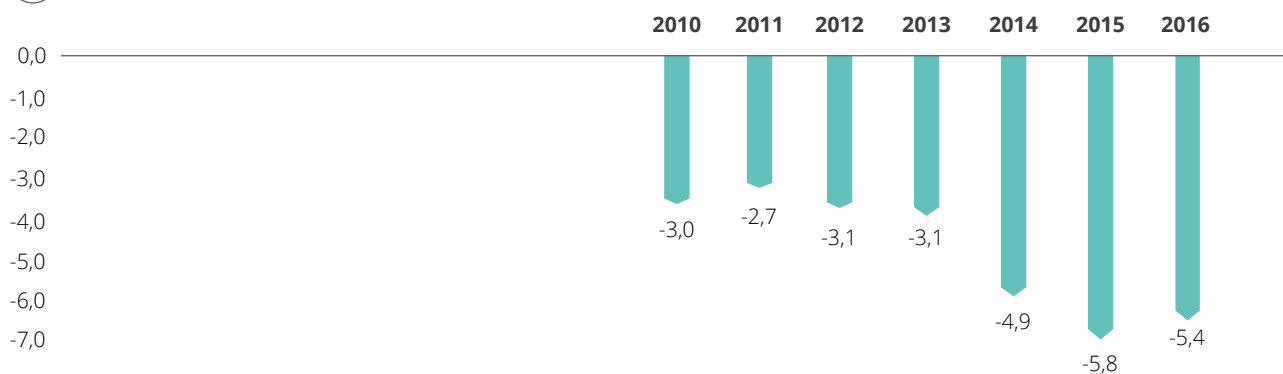


SOURCE: IMF.

Fiscal accounts

Tax balance sheets have shown somewhat negative results in most countries due to lower growth and less revenue from raw materials. Countries with a low public debt, where funding is easily available, have reacted to this slowdown by implementing more active fiscal policies. In countries where the public debt is higher or facing financial constraints, the weakness of public accounts has led to announcements of future budgetary cuts. Spending control must consider the need to protect investments and avoid a downward spiral with excessive fiscal adjustments that stifle fiscal income and growth, thus increasing the deficit and weight of public debt. In general, and in spite of stronger fiscal frameworks, the budgetary situation is weaker now than before the financial crisis, which is a sign of lower resilience in case the slowdown is extended or worsens.

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



SOURCE: IMF

Given this scenario of slower growth and weaker fiscal balances, public indebtedness as a percentage of the GDP increased in most Latin American economies from 2014 to 2015. Countries had been reducing their debts since the beginning of the millennium. But the direction of this debt reduction approach could be changing. Since 2010, the year with the highest regional growth after the crisis, debt levels have been increasing. Debt composition has also fluctuated in the past 14 years. In 2000, more than 72% of the total debt was external and, by 2014, that percentage was down to around 54%, thus reducing country vulnerability against currency depreciation. The level of indebtedness in Latin American economies varies considerably, ranging from 62% of GDP in Brazil to less than 20% of GDP in Peru and Paraguay.

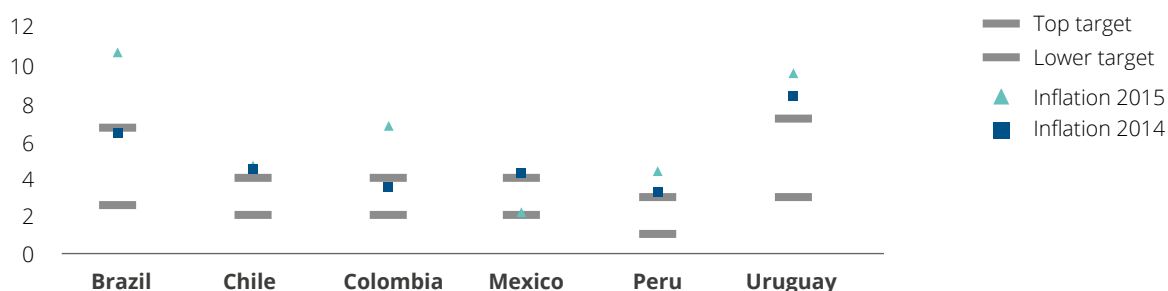
Monetary and foreign exchange sector

In terms of monetary policy, every one of the countries with inflation-targeting regimes (with the exception of Brazil) deployed a countercyclical approach in 2014-2015 in order to revive economic activity.

The countercyclical monetary policy was possible thanks to relatively low levels of inflation, but recent data suggest that the margin for a more expansive monetary policy is shrinking. Thus, the dilemma emerging in some Latin American economies as a result of these policies is a negative product gap and inflation rates close to (or above) the goals set. Inflation-targeting regimes have been of great help in strengthening expectations. However, although inflation in some countries is nearing set goals because of the recent corrections in currencies and disturbances on the supply side, in others, it has widely exceeded the goal.

IN TERMS OF MONETARY POLICY, EVERY ONE OF THE COUNTRIES WITH INFLATION-TARGETING REGIMES (WITH THE EXCEPTION OF BRAZIL) DEPLOYED A COUNTERCYCLICAL APPROACH IN 2014-2015 IN ORDER TO REVIVE ECONOMIC ACTIVITY.

FIGURE 6 Latin America: Some countries with inflation-targeting regimes (%)



SOURCE: CENTRAL BANKS

Exchange rates have weakened in countries with floating rate regimes. This is not necessarily negative, since it increases competitiveness and is helping to re-balance external accounts, but there is a short-term inflationary cost. The transfer of adjustments in the exchange rate to domestic prices and expectations has begun to manifest in several countries in the region. In fact, some central banks began to raise rates in the third quarter due to fear that inflation expectations deviate away from the goal.

INTEGRATION AND INTERNATIONAL INSERTION

The multiple processes of integration and consensus building underway in Latin America and the Caribbean combine with transformations that impact the regional dynamics, characterized by a large presence of various subregional initiatives which, throughout the year, prioritized the strengthening of political dialogue, intra-regional cooperation, relations with third parties and the coordination of common positions on issues of global order.

Throughout 2015, in addition to the VII Summit of the Americas, there were several important actions in this regard: the consolidation of the political dialogue and the South/South cooperation, mainly within the framework of the Community of Latin American and Caribbean States (Celac), the Union of South American Nations (Unasur), the Bolivarian Alliance for the Peoples of Our America-Trade Agreement of the People (ALBA-TCP) and the PETROCARIBE agreement; progress on the agenda of the sub-regional integration blocs mainly Common Market of the South (Mercosur), the Andean Community (CAN), Central American Integration System (SICA) and the Mesoamerica Integration and Development

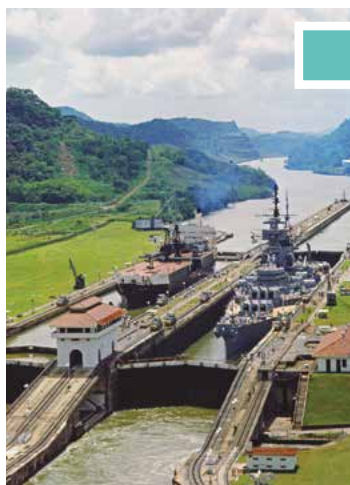
Project (MIDP); and important deployment of a deep integration platform led by the countries of the Pacific Alliance (PA).

The VII Summit of the Americas in Panama, whose central theme was “Prosperity with equity: The challenge of cooperation in the Americas,” with the first-time participation of Cuba in this hemispheric stage as well as the commitment of the 35 participating countries for the promotion, complementation and deepening of projects in matters of safety, education, migration, energy, environment, civic participation, health and democratic governance. Countries also participated in four parallel meetings: University President’s Forum, Civil Society and Social Actors Forum, Youth of the Americas Forum and Business Forum of the Americas.

Within the framework of this summit, major international financial institutions issued a joint statement in which they pledged to support government efforts to preserve and expand the economic and social successes of the last decade. They emphasized collaboration and complementarity of their activities, as well as strategies to maximize the impact of their resources and create conditions that attract larger flows of financing for the development of Latin America and Cuba.

Over the year, the consolidation of the political dialogue and South-South cooperation was evident in the field of Celac, constituted as the broadest mechanism of political coordination and integration in Latin America and the Caribbean. In this regard, it is worth highlighting several events: III Summit of Heads of State and Government, the meetings of Ministers of Foreign Affairs, the II Ministerial Meeting of Social Development for the Eradication of Poverty and Hunger, the first Meeting of Ministers of Environment, the IV Meeting of Ministers of Energy, the II Ministerial Meeting of Family Farming, the V Meeting of Regional and Subregional Integration Mechanisms and the III Meeting of the Working Group on Infrastructure for the Physical Integration of Transport, Telecommunications and Border Integration. In addition, within the framework of the dialogue with extra-regional partners, the II Celac-European Union (EU) Summit was held, as well as the first Ministerial Meeting, the first Infrastructure Forum and the first Forum of Science and Technology of the China-Celac Forum.

Celac’s III Summit of Heads of State and Government held in Costa Rica, under the theme “Building Together,” reflected progress in the political, economic, social and cultural integration and unity of the region; members reiterated their commitment to promote a common space to face the challenges of a world in transformation. In this context, countries spoke out in favor of the eradication of hunger and poverty and sustainable development with social, economic and financial inclusion. During its tenure as president pro tempore (PPT), Costa Rica deployed an agenda that included strengthening the regional common positions in the axes of work defined in Celac’s 2014 Plan of Action, through the convening of sectoral meetings on issues such as the development agenda post 2015, South-South cooperation, climate change and nuclear disarmament, food security and family farming. Later, after assuming the PPT, Ecuador concentrated efforts on five priority areas: poverty



The VII Summit of the Americas in Panama, whose central theme was “Prosperity with equity: The challenge of cooperation in the Americas,” included the first-time participation of Cuba in this hemispheric scenario.

eradication, improvement of investments in infrastructure; fight against climate change, and the promotion of linkages between countries in matters of education, science and technology.

During the II Ministerial Meeting of Social Development for the Eradication of Poverty and Hunger, held in Venezuela, the Strategic Agenda of Regional Coordination in Social Matters was approved, which poses the challenges in the region to eradicate hunger and extreme poverty by 2024. The aim of this agenda is to provide Celac with instruments that will facilitate the effective implementation of agreements and create the conditions for stability and sustainability in the articulation processes of national policy and the generation and implementation of common policies.

In addition, at the first Meeting of Ministers of Environment in Ecuador, the countries defined a common position on climate change to be presented at the twenty-first session of the Conference of Parties (COP21) of the United Nations Framework Convention on Climate Change in Paris. They identified about 20 common challenges related to mitigation and adaptation to climate change, access to financing, clean technologies and improvement of capacities, as well as topics such as climate vulnerability and loss and damage, especially against current and future threats of hurricanes, floods, droughts, receding glaciers, increase in sea levels, the phenomenon of El Niño and La Niña, among others, and their impact on society, including groups in situations of greater vulnerability, different ecosystems, food safety and especially on the ability of governments to eradicate poverty.

The IV Meeting of Energy Ministers in Bolivia made it possible to move forward with the strengthening of the regional energy agenda through the development of a roadmap called “Productive and sustainable energy development” in collaboration with the Latin American Energy Organization (OLADE). This document contained proposals to modify the composition of the energy matrix of fossil fuels and natural gas to renewable resources. In addition, a proposal was drafted based on core themes in preparation for the first China-Celac Forum of Cooperation on Issues of Renewable and Non-Renewable Energy scheduled for 2016.

At the II Ministerial Meeting of Family Agriculture in Costa Rica, member countries agreed to prioritize the program on sustainable intensification of family farming through the construction of differential public policies, recognizing it as a productive system and way of life that will allow the eradication of hunger in the region. They also pledged to develop guidelines to strengthen the ties of family agriculture with sustainable rural development strategies and the articulation of socio-economic and environmental policies.

AT THE II MINISTERIAL MEETING OF FAMILY AGRICULTURE IN COSTA RICA, MEMBER COUNTRIES AGREED TO PRIORITIZE THE PROGRAM ON SUSTAINABLE INTENSIFICATION OF FAMILY FARMING.

On the other hand, during Celac's IV Meeting of Subregional and Regional Integration Mechanisms, held in Dominican Republic, progress was made in regard to mechanisms and agencies used to review the commitments derived from the Action Plan of Caracas, which established seven working axes: economic and trade, food security, education, infrastructure, family farming, energy and culture. In addition, a roadmap was established to define future actions of convergence between the mechanisms, agencies and institutions that support this area of regional integration.

Within the framework of the dialogue with extra-regional partners, the II Celac-EU Summit was held in Belgium. Its central theme was: “Shaping our common future: work for thriving, cohesive and sustainable societies for our citizens.” The approved document underlines the progress achieved in the implementation of the bi-regional plan of action and promotes its deepening through the adoption of a plan of action for the period 2015-2017, which focuses on the following topics: science, research, innovation and technology; sustainable development; environment, climate change and biodiversity; energy; regional integration and interconnectivity; migration; education and employment; drugs; gender; investments; higher education; and citizen security. In support, the EU announced its contribution to improve transatlantic broadband connectivity through a new direct fiber optic cable.

Moreover, as part of the work of the China-Celac Forum, the first Bi-regional Ministerial Meeting was held in Ecuador during its tenure as PPT. Participants adopted the 2015-2019 cooperation plan that identifies specific measures and priority areas of bi-regional cooperation: policies and security; international affairs; trade, investment and finance; infrastructure and transport; energy and natural resources; agriculture; industry, science and technology and aviation; education and training of human resources; culture and sports; media; protection of the environment, risk management and disaster reduction; eradication of poverty; health; and exchanges between civil society groups and academic institutions.

As part of the cooperation plan, China announced financing for USD 35 billion for the region over the next five years. This financial package is composed of three items: USD 10 billion in a preferential loan earmarked for bilateral projects in countries that have diplomatic relations with China; USD 20 billion in a special loan for infrastructure, investment, and open-commercial financing to all Celac member countries for bilateral or multilateral projects; and USD 5 billion for the China-Latin American Cooperation Fund, open to all member countries. Financing measures do not include non-refundable or technical assistance.

In addition, the first meeting of the China-Celac Infrastructure Forum, held in China, marked the beginning of a new relationship in matters of bi-regional infrastructure. At the event, the creation of the China-Celac Cooperation Fund was announced, under which lines of credit with special conditions for infrastructure will be activated. These lines of credit reach USD 20 billion to support Chinese companies involved in infrastructure projects in Latin American countries, including energy, roads, telecommunications, ports, logistics, electricity, mining and agriculture.

Finally, the first China-Celac Forum of Science and Technology, held in Ecuador, addressed discussion points like knowledge generation, scientific transfer and the processes of social creation focused on solving problems faced by both regions. The final document reflects the common elements of each society, detecting their citizens’ aspirations and creating mechanisms that optimize education, science, technology and innovation in the region. Also, the participating countries



The first China-Celac Infrastructure Forum, held in China, was the beginning of a new relationship in matters of bi-regional infrastructure.

agreed to work on a consensus agenda that responds to the development of the region, the democratization of access to knowledge, technology and innovation; the economies of scale to reduce costs and complement the actions of financing; and quality and relevant education systems based on integration with equity and equality of opportunities.

Throughout 2015, Unasur made progress on the work plan contained in the document “From Vision to Action,” which includes among its main objectives: the creation of a drug pricing database in collaboration with the South American Institute of Government in Health (ISAGS); the development of a map of production of generic drugs in South America; the conclusion of a proposal for an alternative drug policy to be presented to the General Assembly of the UN in 2016; the creation of armies with manpower strength to ensure an immediate response to possible natural disasters; the opening of the South American School of Defense (ESUDE); and the creation of the electoral support unit to enhance Unasur’s electoral missions.

Additionally, the presidents ratified support for the execution of eight of the 31 infrastructure projects on the 2013 agenda of priority integration projects (API), in order to see them carried out in the shortest time possible. These projects include a highway that joins Venezuela, Suriname and Guyana; an Amazonian corridor involving Venezuela, Ecuador and Brazil; an interoceanic railway that runs from Antofagasta to Santos and involves seven countries; the system of the Rio de la Plata, which integrates all the waterways; the Caracas-Bogota corridor; the Ciudad del Este, Asuncion, Clorinda connection; the railway connections between Argentina, Uruguay and Paraguay; and the section of the central rail corridor between Bolivia, Brazil and Peru.

For its part, during the 6th Meeting of the South American Council of Infrastructure and Planning (COSIPLAN), held in Uruguay, the work plan of the Coordinating Committee was presented, along with the activities carried out in 2015 by various working groups, which include an update of the API and the 2015 report. At the same time, the 2016 work plan was approved. Its main objectives include: to improve the methodology and process of territorial planning, prepare a diagnosis of South American infrastructure networks, draft a proposal for a plan of action to consolidate value chains between Unasur countries, promote citizen participation, create territorial integration programs (PTIs) that complement the API, provide the COSIPLAN with a georeferencing tool that orients territorial planning in South America, support projects that promote the South American regional integration through the use of information and communication technologies (ICT) tools, develop sectoral and transport and logistics processes, identify common themes to be worked within the framework of the sectoral process on ports and waterways, and draft a work plan to develop the planning of cross-border integration on the basis of the approved guidelines.

To follow up on the work of COSIPLAN, the “South American integration connectivity network” agreement was signed in Uruguay. The study includes three components: the first includes a

socio-demographic analysis in order to identify the peculiarities of supply and demand in each country, taking into account national and Unasur's objectives; the second will develop a technical analysis of the existing and planned infrastructure for the next five years, broken down into infrastructure owner and nature (closed or open and neutral) and commercially available technological alternatives for the deployment of the network; the third involves an analysis of the economic and financial feasibility of the deployment of the network for connectivity in South America. This project seeks to establish a coordinated national policy based on regional infrastructure that connects the region at a higher speed.

Also, at the XIX Meeting of the Expert Group in Energy of the Energy Council of South America (CES) of Unasur held in Ecuador, the Plan of Action 2015-2016 was outlined, which seeks to promote the use of renewable resources, mitigating the effects of climate change and ensuring the role of energy as a key for inclusion and social development.

In the meetings of Unasur's Group of Financial Integration (GTIF) in Argentina, the joint discussion was continued on trade relations, infrastructure financing in the region, the role of multilateral development banks for development and sovereign debt. Additionally, during Banco del Sur's II Regular Board Meeting, also held in Argentina, relevant aspects such as the commissioning of the entity in 2016 were agreed upon, as well as the creation of the executive board, the definition of a schedule of contributions and the drafting of the headquarters agreement for Banco del Sur. This mechanism will facilitate the funding of strategic projects for the development of the region in terms of production chains and infrastructure.

In Uruguay, Unasur's South American Education Council approved its operational plan for the period 2015-2019, which is comprised of 11 goals that address from recognition of qualifications between countries of the region to the building of South American citizenship. On the other hand, it also approved the road map to implement the plan and an evaluation system to assess the fulfillment of commitments in different countries.

IN URUGUAY, UNASUR'S SOUTH AMERICAN EDUCATION COUNCIL APPROVED ITS OPERATIONAL PLAN FOR THE PERIOD 2015-2019, WHICH IS COMPRISED OF 11 GOALS THAT ADDRESS THE RECOGNITION OF QUALIFICATIONS BETWEEN COUNTRIES OF THE REGION TO BUILD SOUTH AMERICAN CITIZENSHIP.

Likewise, the Unasur member countries approved the Drug Observatory Network project presented by the South American Council on the World Drug Problem (CSPMD), which seeks to stimulate studies on the state of consumption and characterization of new offerings of illicit drugs in these countries with a view to establish a common position to be presented at the UN General Assembly Special Session on Drugs (UNGASS) 2016. The significant progress on this position includes: the principle of common and shared responsibility; comprehensive, balanced, multidisciplinary and sustainable approach; the cross-cutting focus on human rights that promotes the abolition of the death penalty for crimes related to drugs; the proportionality of the penalties; the social substitution of crops with the presence of the State based on local laws, as well as mechanisms for the fight against drug trafficking and organized crime.

It is worth mentioning that during 2015 the IV Extraordinary Summit of Heads of State and Government of the Bolivarian Alliance for the Peoples of Our America-Trade Agreement of the People (ALBA-TCP), held in Venezuela countries agreed to support a dialogue to peacefully address the border dispute over the Essequibo between the Bolivarian Republic of Venezuela and the Cooperative Republic of Guyana. On the other hand, support for the design and development of the complementary economic zone of the ALBA-TCP, PETROCARIBE and CARICOM was ratified, in order to expand and consolidate the Latin American and Caribbean trade and economic space through the implementation of plans and joint projects in matters related to energy, tourism, agro-industry, transport and communications.

In addition, this year, the X Summit of Heads of State and Government of the PETROCARIBE Agreement, held in Jamaica, ratified the leverage of the PETROCARIBE economic zone (PEZ), through structuring programs as facilitating axes of cooperation between countries. In addition, the formation of the economic council of the bloc was announced. Likewise, countries approved the creation of a fund for the recovery of Dominica, and highlighted the important results and progress achieved, especially in terms of energy security and socio-economic development with the implementation of programs and initiatives aimed at improving citizens' quality of life.

With regard to the progress with the agenda of subregional blocs of integration in 2015, the XLVIII Summit of Heads of State of Mercosur was held in Brazil, where several agreements were approved, including the Protocol of Accession of the Plurinational State of Bolivia, the 10-year renewal of the Fund for the Structural Convergence of Mercosur (FOCEM) and the Trade Strengthening Plan, whose objective aims to eliminate tariff and non-tariff barriers to improve competitiveness and reduce asymmetries between the countries of the bloc.

The XLIX Summit of Heads of State of Mercosur, held in Paraguay, emphasized the reorientation of Mercosur's efforts toward an economic-trade environment, seeking to improve the free movement of goods, services and production factors between countries; improve the external relationship of the bloc through the signing of new trade agreements and the deepening of existing ones; to promote productive integration and border integration through the creation of the No. 18 working sub-group on border integration; and make progress in institutional strengthening, especially in the dispute resolution chapter. With respect to the FOCEM, a regulation of transition, which guarantees the normal development of the projects under implementation, was approved.

It is also worth highlighting the work done this year by the Consultative Forum for Municipalities, Federated States, Provinces and Departments of Mercosur (FCCR) and the progress achieved in border integration. Within the framework of this forum, the III workshop "Toward a better use of the waterways of the Mercosur" was scheduled for 2016 in order to draft conclusions and recommendations for the development of the bloc's waterways.

In the field of relations with third parties, the member states of Mercosur reaffirmed their commitment to make progress in negotiations with the European Union in 2016. Meanwhile, as part of the follow-up to the first

WITH REGARD TO PROGRESS IN THE AGENDA OF THE SUBREGIONAL BLOCS OF INTEGRATION IN 2015, THE XLVIII SUMMIT OF HEADS OF STATE OF MERCOSUR WAS HELD IN BRAZIL WHERE, AMONG OTHER AGREEMENTS, THE PROTOCOL OF ACCESSION OF THE PLURINATIONAL STATE OF BOLIVIA WAS APPROVED.

Ministerial Briefing Meeting held in Colombia with the countries of the Pacific Alliance, which enabled the rapprochement between blocs, the exploration of different areas that facilitate cooperation was initiated. In this context, a seminar entitled “Dialogue on regional integration: Pacific Alliance and Mercosur” was held in Chile. In addition, under the PPT of Brazil, the Common Market Group considered a proposal for a plan of action of the Mercosur with the Pacific Alliance based on the deepening of the free trade commitments already made under the Economic Complementation agreements signed with Chile, Peru and Colombia.

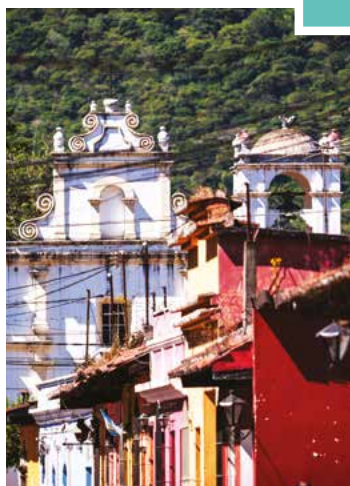
Moreover, during the various meetings of the Andean Council of Ministers for Foreign Affairs of the countries of the Andean Community (CAN) important agreements were reached regarding the areas prioritized by the institutional re-engineering process, the new structure of the Secretariat-General and the delimited list of committees and ad hoc groups with emphasis on the areas of market access, animal and plant health, quality and technical barriers to trade, physical integration, productive transformation, services and investment, social affairs, intellectual property and special areas.

Within the framework of the different meetings held by the CAN Commission throughout the year, the organization continued to analyze Decision 416 related to the exclusion of the lists of non-produced goods from the certification and control of origin; the time limits related to the suspension of the common external tariff and issues related to services. In addition, progress pertaining to the reengineering of the Andean Integration System, Decision 792, was prioritized, giving way to a community agenda that strengthens the social aspects, trade integration and electricity interconnection.

Moreover, the Andean Parliament and the Central American Parliament signed a framework agreement on political dialogue, inter-parliamentary management and inter-institutional cooperation, which marks an important step forward in the strengthening of inter-parliamentary relations in Latin America. In addition, this institution drove forward the preparation and approval of regulatory frameworks for the Andean region in three strategic areas: sustainable energy development, climate change and protection of the regional cultural heritage.

In 2015, the XLV Ordinary Meeting of Heads of State and Government of the member countries of the Central American Integration System (SICA) was held in Guatemala, where the countries assessed the management of their activities, including the establishment of a legal framework that will enable the formation of a customs union between Guatemala and Honduras, the implementation of the association agreement between Central America and the European Union, the implementation of the Regional Environmental Framework Strategy 2015-2020 and the approval of the Regional Maritime Port Strategy for Central America, among others.

In relation to the Mesoamerica Project (PM), the XV Summit of Heads of State and Government of the Tuxtla Mechanism for Dialogue and Cooperation was held in Guatemala, during which the countries agreed to strengthen the process of Mesoamerican integration based on five pillars: democratic security, integrated



In 2015, the XLV Ordinary Meeting of Heads of State and Government of the member countries of the Central American Integration System (SICA) was held in Guatemala.

risk management of disasters and climate change, social integration, economic integration and the strengthening of regional institutions. Progress was also made in regard to the framework of the transmission line of the Central American Electrical Interconnection System (SIEPAC), the creation of the first regional electricity market and the adoption of master health plans.

In respect to the development of the above, during the II Meeting of Energy Ministers of the Mesoamerica Project held in Mexico, the Mesoamerican Energy Agenda was presented. It will be deployed in close coordination with the Energy Coordination Unit of the Central American Integration System (UCE_SICA) and includes four strategic pillars: Mesoamerican electrical interconnection, promotion of renewable or alternative energy sources, rational and efficient energy use, and energy and climate change. In addition, a memorandum of understanding was signed pertaining to the Mesoamerican program for the rational and efficient use of energy, ensuring continuity to the strategy of efficient lighting drafted with the support of the United Nations Environment Programme (UNEP).

At the IV Meeting of the Council of Ministers of the Mesoamerican Environmental Sustainability Strategy (EMSA) and in the foreign aid workers' forums of Mesoamerican Environmental Sustainability Strategy, held in Mexico, the countries exchanged successful experiences and identified opportunities for enhancing synergies between different initiatives and forms of regional cooperation for their implementation under joint actions, in light of the COP21 to be held in Paris. Noteworthy advances in regard to the Mesoamerican Biological Corridor were made, highlighting it as a tool for climate change adaptation in order to promote biological diversity, improving the landscape of connectivity and promoting sustainable production processes.

The IV Mesoamerican Forum of SMEs was also held. It took place in the Dominican Republic, attended by representatives of the ministries of industry and trade of the Mesoamerican countries. They addressed the issue of financing strategies and established the Mesoamerican SME Agenda. This agenda constitutes a strategic plan of short and medium-term support actions for entrepreneurs. This forum is currently one of the main instances of dialogue within the axis of trade facilitation of the PM and represents an area of high-level interaction, in which senior SME officials in the Mesoamerican governments exchange experiences on strategies and public policies aimed at strengthening entrepreneurship in the region.

The regional launch of the Mesoamerican Information Highway (AMI) was announced at the XXIII meeting of the Mesoamerican Forum of Telecommunications Authorities, which took place in El Salvador. The AMI is a network of high capacity fiber optics with hotspots in major Mesoamerican capital cities. The highway was installed along the Central American Electrical Interconnection System (SIEPAC) and physically joins the 10 member states, facilitating e-commerce and the exchange of data and information. The highway strengthens the countries' socially inclusive economic development in terms of how it facilitates Internet connectivity and accessibility in member countries; it interconnects the countries

THE MESOAMERICAN ENERGY AGENDA WAS PRESENTED DURING THE II MEETING OF MINISTERS OF ENERGY OF THE MESOAMERICAN PROJECT, HELD IN MEXICO.

intra-regionally and with the rest of the world; it promotes the use of information and communications technologies (ICT) and e-Government to make procedures more efficient in countries and reduce connection and service fees.

Finally, at the Mesoamerican Meeting of Ministers of Transport, held in Guatemala, participating countries highlighted advances in short-distance maritime transport, the construction of new road sections along the Pacific corridor and the creation of the transport management unit. Immediate steps were also defined. They include: feasibility studies to build a regional rail system, strengthening of the collection of indicators and a cross-sector meeting with finance and economy ministers.

In another setting, over the course of the X Summit of the Pacific Alliance, held in Peru, July was defined as the month for the entry into force of the PA framework agreement. At the same time, in terms of trade, the first amendment to the additional protocol of the framework agreement was made. It includes a chapter of regulatory improvement, an annex to the chapter of technical barriers to trade in the cosmetics sector, as well as modifications and new provisions to the chapters on telecommunications and e-commerce. In addition, the cooperation framework agreement for financial support of companies in PA-member countries was signed and the youth volunteer program and the immediate information exchange platform for PA immigration security were launched. In turn, the technical groups of mining development, social responsibility, and sustainability and education were created with their respective work plans. The work agendas for timely and equitable access to medications and humanization and quality of health services were approved.

Furthermore, countries made progress on the formal establishment of the Pacific Alliance Council of Finance Ministers, which will be a coordination entity that reports directly to the presidents of the member countries, with regard to the proposals and advances in the field of economic and financial integration, and will work jointly with the Council of Ministers. This council's work agenda for the period 2015-2016 will be focused on the axes of financial integration; infrastructure investment; catastrophic risk management; management and fiscal transparency.

In the area of third-party relations, ten countries were admitted as observers (Indonesia, Thailand, Georgia, Austria, Haiti, Sweden, Denmark, Hungary, Greece and Poland). In addition, progress was made in the opening of spaces for cooperation with the Association of Southeast Asian Nations (ASEAN), in the discussion of an agenda on issues of common interest with Mercosur, and CAF was received for the first time as a multilateral body in order to establish a relationship of cooperation and joint work.

In this context, the foreign ministers and trade ministers of the member countries invited CAF to join the development of the structure of the first regional investment vehicle



During the Mesoamerican Forum of Telecommunications Authorities, which took place in El Salvador, the Mesoamerican Information Highway (AMI) was launched regionally.

of the Venture Capital Fund, to initiate operations in 2017, and make it possible to accelerate the availability of smart capital for investment in public and private resources in high-impact, early-stage SMEs in order to increase the chance of pushing forward regional integration of trade and business to boost economic development of the member countries.

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

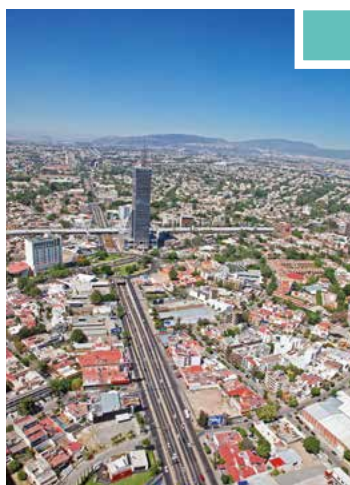
In the Ibero-American context in 2015, it is worth mentioning the first Meeting of Ministers of Foreign Relations of the Latin American Conference in Colombia, which precedes the Ibero-American Summit of 2016, during which progress was made in consolidating and strengthening the three Ibero-American areas of cooperation: culture, social cohesion and knowledge; other highlights of this meeting were the approval of the four-year Ibero-American cooperation action plan 2015-2018 and the annual 2016 operational plan, pursuant to the objective of institutionalizing and systematizing the aforementioned cooperation. In addition, Colombia, in its capacity as president pro tempore, presented the theme of the XXV Ibero-American Summit: "Youth, entrepreneurship and education." Moreover, within the framework of this meeting, ECLAC-OECD-CAF presented the ninth edition of the Latin American Economic Outlook Report 2016: toward a new partnership with China.



OPERATIONS

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OPERATIONS



Flexibility, financial strength, support and the counter-cyclical role played by CAF were the variables that characterized the institution's operational management in 2015.

In 2015, CAF approved 152 operations for a total of USD 12.3 billion in financing, amidst a deceleration in the economies of Latin America. This lower level of activity was due to the decline in prices of raw materials, lower availability and rising cost of international funding, and the slowdown in emerging economies, especially in China, among other factors.

As a result of this situation, CAF reached a consensus with its shareholder countries to prioritize freely available budgetary support operations to meet their needs, without neglecting the promotion of investment projects and programs in the public sector. The annual results were positive. Growth objectives were achieved and the regional diversification of the portfolio improved significantly, leading to a relative participation of each shareholder country wherein none exceeded more than 15% of the total portfolio for the first time in CAF's history. With all this, CAF has been able to respond to the region's biggest challenges and has continued to support the development plans of shareholder countries.

CAF's operational management in 2015 was characterized by the institution's flexibility, financial strength, support and the counter-cyclical role it played. Additionally, with the idea of improving the quality and efficiency of its interventions, CAF put into action several strategic and operational initiatives. In this regard, a corporate strategy for the private sector was drafted over the course of the year. Productive transformation is the transversal axis of the strategy, playing a central role in the generation of quality employment and economies of higher value added, with a focus on increased productivity and innovation. To do this, three cross-cutting enablers—transport infrastructure, energy and financial development—and the agro-industrial

sector were defined as strategic areas of intervention, with which CAF maintained its commitment to social inclusion and the preservation of the environment. This initiative gives continuity to the sectoral process initiated years ago, which has led to an increased focus on non-sovereign operations with greater effectiveness, and has enabled the prioritization of projects with major impact on development, strengthening and expanding the institution's technical assistance in funded projects.

At an operational level, new mechanisms for attracting resources from third parties was created, giving CAF greater leverage to bring together multiple stakeholders. In this regard, co-financing for sovereign projects totaled USD 270 million in 2015, with proceeds from the French Development Agency (AFD, for its initials in French) and the OPEC Fund for International Development (OFID). Furthermore, CAF drove the development of innovative products such as thematic investment vehicles (TIV) in countries like Uruguay and Colombia. In the latter case, the institution was able to channel USD 411.7 million from Colombian pension funds with a debt instrument (VEFIC, for its acronym in Spanish) that seeks to promote the development of key projects aimed at closing the infrastructure gap and contributing to support national economic growth.

Along this same line, and with the idea of addressing demand for infrastructure project financing, CAF established a subsidiary called CAF-Asset Management Company (CAFAM) in 2015. The objective of this unit is to manage and administer funds, directly or indirectly, from investors that leverage the funding of public and private operations in the shareholder countries, in partnership with CAF in some cases. These resources will focus on projects in which the institution has expertise and comparative advantages, such as infrastructure projects executed via PPP or exclusively private operations.

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operations were approved by CAF in 2015 for a total of USD 12.3 billion

The optimization process of CAF's main credit processes was also launched as a result of the challenges posed by the geographical expansion of its interventions and the dimension that operating variables had acquired. This is intended to strengthen the institution's traditional competitive advantages, such as agility, flexibility and customer orientation, reinforcing the prioritization of operations that contribute to the development of the region. Additionally, during 2015, other projects related to the generation of information and indicators were launched on aspects linked to the measurement of internal credit cycle times and the contributions of CAF loans to development. On the one hand, these projects will provide information that nurtures CAF's strategy in relation to the development agenda promoted by the institution, and on the other, they will make it possible to identify strengths and areas of opportunity for the institution with greater accuracy.

In addition, CAF continued its process of rapprochement with the countries of Central America and the Caribbean. In this regard, a highlight of 2015 is the incorporation of Barbados as the nineteenth shareholder country.

Finally, cooperation funds continued to support the technical capacity of the shareholder countries, in order to promote innovative programs that contribute to sustainable development and regional integration. Technical cooperation operations targeted businesses, international agencies or organizations belonging to the public or private sectors of the shareholder countries, directly linked to the liaison strategy, the knowledge agenda and business management. In 2015, CAF approved operations through funds that totaled USD 49 million.

COOPERATION FUNDS CONTINUED TO SUPPORT THE TECHNICAL CAPACITY OF THE SHAREHOLDER COUNTRIES, IN ORDER TO PROMOTE INNOVATIVE PROGRAMS THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT AND REGIONAL INTEGRATION.

APPROVALS

In 2015, CAF continued serving the financing needs of its shareholder countries, for which 152 operations were approved totaling USD 12.3 billion. Those needs have been growing in recent years, as a result, the average of annual approvals increased from USD 8 billion in the 2006-2010 period to USD 11.1 billion in the 2011-2015 period. In the aggregate, approvals in the 2011-2015 five-year term amounted to USD 55.4 billion.

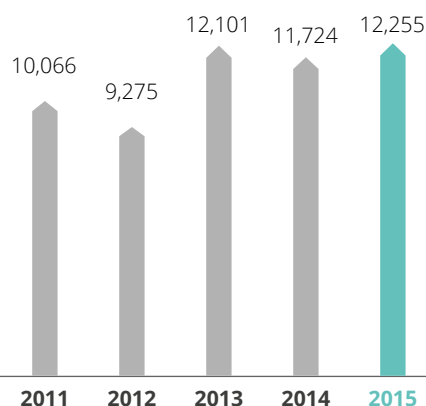
The program of annual approvals related to loans in 2015 included 41 medium and long-term operations, which are divided into 34 projects with sovereign guarantee for USD 3.3 billion and seven projects without sovereign guarantee for USD 219 million.


Of sovereign-guaranteed operations, USD 1.5 billion were earmarked for freely available budget support loans, with the aim of supporting the shareholder countries to overcome the difficult economic context in the region. The remaining USD 1.8 billion was approved in favor of medium and long-term projects and programs to accompany countries' development strategies.

Private companies and public and private banks were awarded USD 6.4 billion in credit lines to boost the process of productive transformation in the region. Finally, USD 2.3 billion were distributed between partial guarantees of credit, equity investments, contingent credit lines, cooperation funds and catalytic approvals.

CAF approvals returned to levels recorded in 2013, above the USD 12 billion mark, which points to the pertinent role played by the institution in the region's multilateral financing, while supporting governments and the corporate and financial sectors in their efforts to ensure the sustainable development of Latin America.

 **FIGURE 1** Total approvals (in millions of USD)



 **TABLE 1** Approvals in 2015 by product (in millions of USD)

Sovereign	5,616
Loans	3,316
Investment projects and programs	1,816
PBL and SWAPS	1,500
Contingent credit lines	1,500
Credit lines	800
Non-sovereign	5,827
Corporate loans	219
Credit lines	5,582
Corporate	1,018
Financial	4,565
Partial credit guarantees	1
Equity investments	25
Cooperation funds	43
Catalytic approvals	769
Total	12,255

In addition to direct financing, CAF secured resources from third parties through a wide range of catalytic mechanisms like co-financing, thematic investment vehicles and portfolio sales. These funds totaled USD 876 million at the end of 2015. The goal of these initiatives is to enhance the impact of CAF's interventions in the region, complementing and extending the leverage of the institution's own resources. For the upcoming years, CAF aims to increase its catalytic management role. In this regard, CAF is working on a cofinancing strategy in partnership with international financial institutions to develop larger-scale projects.

 **TABLE 2** Catalytic resources in 2015 (in millions of USD)

Sovereign co-financing	270
Non-sovereign co-financing	82
Thematic investment vehicles	412
Portfolio sales	107
Catalytic funds	6
Total	876

Approvals by country

In 2015, approvals for the founding countries (Bolivia, Colombia, Ecuador, Peru and Venezuela) reached USD 6.9 billion, 56% of total approvals, representing an increase over recent years, which was around 50%. They continue to represent the highest percentage of annual approvals compared to full members in special conditions (Argentina, Brazil, Panama, Paraguay, Trinidad and Tobago and Uruguay) and C-series members (Barbados, Chile, Costa Rica, Spain, Jamaica, Mexico, Portugal and Dominican Republic).

It is important to mention that a significant portion of approvals in the case of Brazil, Colombia and Peru were allocated to corporate and financial credit lines, which is why they absorbed a greater proportion of total approvals. In turn, Barbados received USD 85 million in its first operations and Chile received USD 100 million, including USD 50 million, which represented the country's first long-term operation. Finally, it is worth noting that operations were achieved in 17 of the 19 shareholder countries in 2015.

 **TABLE 3** Approvals by country (in millions of USD)

Country	2011	2012	2013	2014	2015	2011-15
Argentina	1,346	839	1,100	674	694	4,653
Bolivia	407	485	684	625	575	2,777
Brazil	1,797	1,903	2,234	1,903	1,234	9,073
Colombia	1,456	841	1,563	1,552	2,420	7,832
Costa Rica	10	10	10	10	10	50
Ecuador	772	766	843	800	1,014	4,194
Mexico	29	82	380	549	522	1,562
Panama	484	328	325	299	527	1,962
Paraguay	120	189	431	181	307	1,228
Peru	2,184	1,749	2,644	2,415	2,366	11,359
Dominican Republic	10	10	43	60	66	189
Uruguay	648	729	586	754	588	3,304
Venezuela	531	327	417	475	501	2,251
Other countries	270	1,017	841	1,428	1,432	4,988
Total	10,066	9,275	12,101	11,724	12,255	55,421

USD 1.4

billion were allocated to

finance projects in water and sanitation, irrigation, and urban development and tourism

Approvals by strategic area

In 2015, highlights include USD 1.5 billion in approvals for structural reforms and macroeconomic stability, including policy-based loans and contingent credit lines for liquidity. Sovereign operations were resumed in Colombia with the approval of the support program aimed at strengthening public investment through project structuring, in addition to the renewal of contingent credit lines in favor of Peru and Uruguay as preventive instruments of financing in the event that they cannot access international capital markets under competitive conditions.

In addition, USD 3.3 billion (27%) were approved for the infrastructure sector (energy, transport and telecommunications), fortifying CAF's ongoing support for a wide variety of projects that are aligned with the development strategies in each country.

In 2015, emphasis was placed on financing road programs and power generation and distribution. In this category, projects include the Construction of the San Borja-San Ignacio de Moxos Highway in Bolivia; the Integration, Mobility and Development Program in the City of Manaus, Brazil; the Barrio para Mejor Vivir Program in Cuenca, Ecuador; the Roads and Bridges Improvement Program in Eastern Paraguay; and the Expansion Project of Electricity Transmission in Valles del Tuy, Venezuela.

In social development, CAF allocated USD 1.4 billion (11%) to finance projects in water and sanitation, irrigation, and urban development and tourism, as well as for the immediate attention to emergencies produced by natural phenomena. These actions reinforce CAF's efforts to diversify its interventions along the institution's priority axes of action. The resources were intended for operations like AYSA Basic Potable Water Program in Argentina, Phase II; Sanitation Program for Panama City and Bay, Phase II; and Majes Siguan Project, Phase II, in Peru.

With respect to the productive and financial sectors, CAF's efforts to strengthen and establish new relationships with clients were reoriented in 2015 to align them with the new strategy for the private sector established mid-year. CAF approved USD 6 billion for this sector throughout the region (manufacturing, development banks and commercial banks), which represents 49% of the total approved over the year. These resources were channeled through corporate loans, equity investments in venture capital funds, new short and medium-term credit lines and renewed credit lines. A credit line approved for Banco Santander Chile stands out, which marked the beginning of CAF's relationship with Chilean commercial banks.

Within this area, support for the financing of micro, small and medium-sized enterprises included more than 23 financing facilities for more than USD 575 million, including lines of credit to microfinance institutions and development

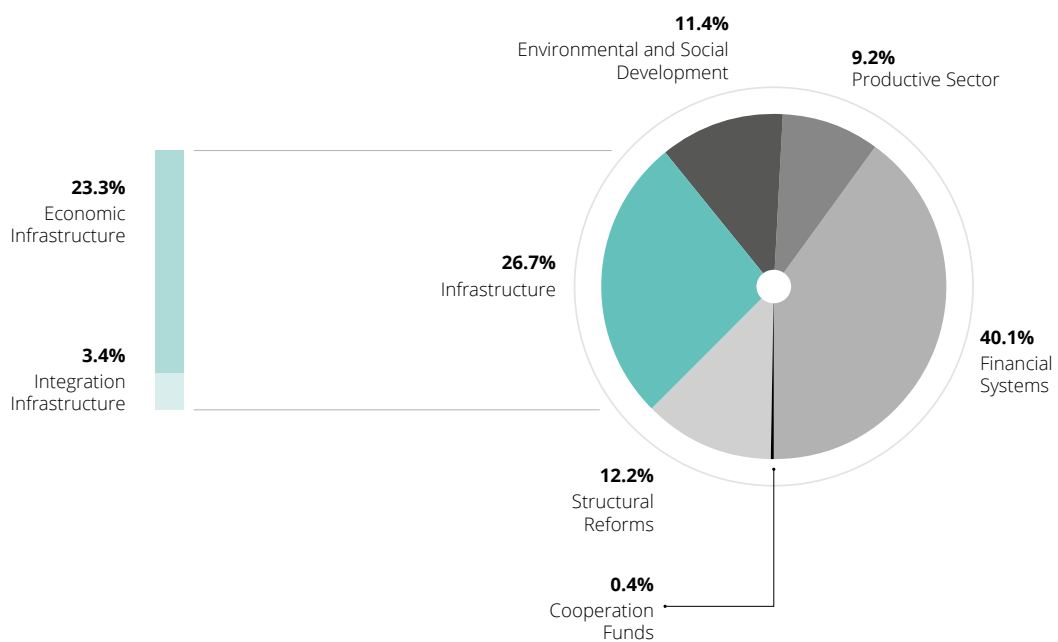
IN 2015, CAF'S EFFORTS TO STRENGTHEN AND ESTABLISH NEW RELATIONSHIPS WITH CLIENTS WERE REORIENTED TO ALIGN THEM WITH THE NEW STRATEGY FOR THE PRIVATE SECTOR ESTABLISHED MID-YEAR.

banks, partial credit guarantees and direct equity investments. Highlights include the equity investment in the Talde Fund in support of the development and consolidation of small and medium-sized Spanish and Latin American companies in sectors with good development prospects.

TABLE 4 Approvals in 2015 by strategic area (in millions of USD)

Environmental and Social Development	1,394
Productive Sector	1,123
Financial Systems	4,919
Cooperation Funds	49
Structural Reforms	1,500
Economic Infrastructure	2,854
Integration Infrastructure	416
Total	12,255


FIGURE 2 Approvals in 2015 by strategic area (in percentage)



Approvals by type of risk

During 2015, CAF's approvals with sovereign risk amounted to USD 5.9 billion which accounted for 48% of total approvals. One-quarter (25%) of these approvals corresponded to freely available budget support operations, while 35% were allocated to investment projects and programs to accompany the countries' development plans. Finally, the remaining 40% corresponded to contingent credit lines and financial credit lines granted to public development entities.

Moreover, approvals with non-sovereign risk accounted for 52% of the total, i.e., USD 6.3 billion. Notably, this year, CAF defined a new strategy for the private sector, with which the institution's efforts will focus on supporting the productive transformation of the region aimed at the agro-industrial sector and the enablers of infrastructure for transport, energy efficiency and financial development. Due to this reorientation of CAF's strategy for the private sector, corporate loans declined this year. In spite of this, support for the financial sector in the region continued with financing for working capital, foreign trade operations and support for micro, small and medium-sized enterprises.

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

	2011	2012	2013	2014	2015	2011-15
Sovereign	4,528	4,586	5,523	5,052	5,886	25,576
Non-sovereign	5,538	4,689	6,578	6,672	6,369	29,845
Total	10,066	9,275	12,101	11,724	12,255	55,421

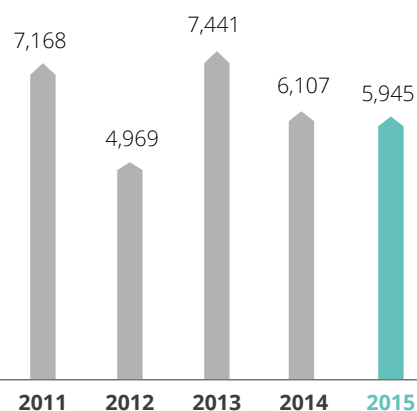
DURING 2015, CAF'S SOVEREIGN-RISK APPROVALS TOTALED USD 5.9 BILLION, WHICH ACCOUNTED FOR 48% OF TOTAL APPROVALS.

DISBURSEMENTS

Disbursements by product

CAF disbursed USD 5.9 billion to its shareholder countries in 2015, due to the weak dynamics of the productive and financial sectors. However, there was an increase in disbursements of policy-based loans (PBL) and sector-wide approach (swaps) lending that compensated for the decline in non-sovereign disbursements. Thus, CAF reinforced its commitment to meet the priority needs of its shareholder countries, in consideration of the negative impacts of the adverse international environment on the largest economies in the region.

 **FIGURE 3** Total disbursements (in millions of USD)



In terms of disbursements by product, 46% corresponded to loans (sovereign and non-sovereign), 52% to corporate and financial credit lines, and the remaining 2% corresponded to equity investments and cooperation funds.

 **TABLE 6** Disbursements in 2015 by product (in millions of USD)

Medium and long-term loans	2,741
Sovereign	2,454
Investment projects and programs	1,472
PBLs and swaps	982
Non-sovereign	287
Lines of credit (companies and banks)	3,107
Equity investments	65
Cooperation funds	31
TOTAL	5,945

Disbursements by country

Brazil, Colombia, Peru and Mexico received more than 50% of total disbursements during 2015 due to the strong financial growth in the four countries. This result is in line with the trend over the past four years, during which the average disbursement to these countries accounted for 55% of CAF's total disbursements.

Colombia, Ecuador and Venezuela received the lion's share of fast-disbursing lending mechanisms like swaps and PBLs approved this year. For this reason, founding members (Bolivia, Colombia, Ecuador, Peru and Venezuela) represented 54% of total disbursements in 2015, above the 47% recorded last year; while the institution's new full members (Argentina, Brazil, Panama, Paraguay and Uruguay) received 27% of disbursements. The remaining 19% was disbursed to the C-series members (Costa Rica, Chile, Spain, Mexico and Dominican Republic).

 **TABLE 7** Disbursements by country (in millions of USD)

	2011	2012	2013	2014	2015	2011-15
Argentina	663	464	585	560	481	2,753
Bolivia	266	338	323	322	315	1,564
Brazil	963	1,028	1,833	728	677	5,230
Colombia	1,836	855	1,146	1,081	1,221	6,140
Costa Rica	7	7	11	23	9	56
Ecuador	566	736	661	637	754	3,354
Mexico	20	7	190	791	604	1,612
Panama	177	256	326	420	155	1,334
Paraguay	43	47	73	96	102	361
Peru	1,303	618	1,403	525	545	4,394
Dominican Republic	39	27	11	12	74	163
Uruguay	52	9	108	244	200	613
Venezuela	905	359	365	276	364	2,269
Other countries	328	217	407	393	443	1,788
Total	7,168	4,969	7,441	6,107	5,945	31,630


BRAZIL, COLOMBIA, PERU AND MEXICO RECEIVED MORE THAN HALF OF ALL DISBURSEMENTS DUE TO THE STRONG FINANCIAL GROWTH IN THE FOUR COUNTRIES.

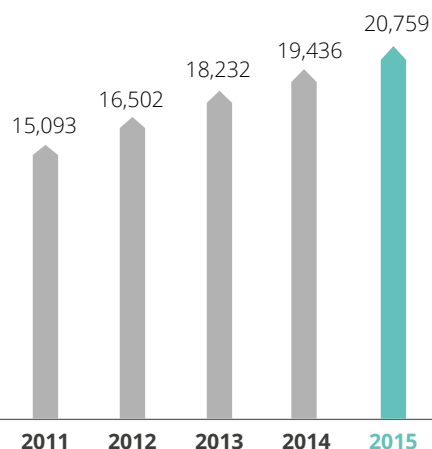
CAF's direct portfolio grew
6.8%
in 2015

PORTFOLIO

By the end of the year, CAF's direct portfolio stood at USD 20.8 billion, which represented a growth of 6.8% over 2014. This marked the same pace of growth achieved the prior year, allowing CAF to address the prioritized demands of its shareholder countries and sustain the operational and financial strength of the institution at the same time.

The current volume of projects underway, existing projections of demand for the next few years and the equity strengthening approved by the Board in November of 2015 make it possible to project the same level of growth in upcoming years. In this regard, CAF will continue to support the financing of programs and projects that form part of its shareholder countries' development plans. It will also address specific needs in an effort to soften the adverse effects of the current international economic scenario. Thus, CAF will continue positioning itself as one of the main sources of financing in the region, which has been reflected in the growth of the total portfolio in recent years, which rose from USD 13.9 billion in 2010 to USD 20.8 billion in 2015, representing an increase of 50% in five years.

 **FIGURE 4** Direct portfolio (in millions of USD)



Portfolio by country

A geographical breakdown of the portfolio shows that 61% is distributed in the northern part of the region (Barbados, Colombia, Costa Rica, Ecuador, Spain, Mexico, Panama, Peru, Dominican Republic and Venezuela); 38% in the southern region (Argentina, Bolivia, Brazil, Chile, Paraguay and Uruguay); and 1% corresponds to multinational operations. Portfolio growth was more dynamic in the founding countries, especially Colombia and Ecuador, which balanced out the growth of full member countries in special conditions in recent years. It should be noted that none of CAF's

member countries has a relative share of more than 15%, thereby reflecting the ongoing progress made in achieving greater regional diversification of the institution's portfolio.

 **TABLE 8** Portfolio by country (in millions of USD)

	2011	2012	2013	2014	2015	Distribution
Argentina	1,913	2,117	2,459	2,720	2,773	13.4%
Bolivia	1,426	1,605	1,761	1,919	2,037	9.8%
Brazil	992	1,258	1,681	1,972	2,098	10.1%
Colombia	1,829	1,850	1,848	1,832	2,142	10.3%
Costa Rica	118	110	105	113	105	0.5%
Ecuador	2,509	2,649	2,736	2,825	3,045	14.7%
Mexico	24	29	212	159	274	1.3%
Panama	246	479	783	1,155	1,177	5.7%
Paraguay	100	135	190	249	291	1.4%
Peru	2,578	2,670	2,493	2,347	2,310	11.1%
Dominican Republic	158	176	178	172	224	1.1%
Uruguay	352	332	379	509	655	3.2%
Venezuela	2,652	2,816	2,962	3,002	3,094	14.9%
Other countries	194	277	447	461	533	2.6%
Total	15,093	16,502	18,232	19,436	20,759	100.0%

Portfolio by economic sector

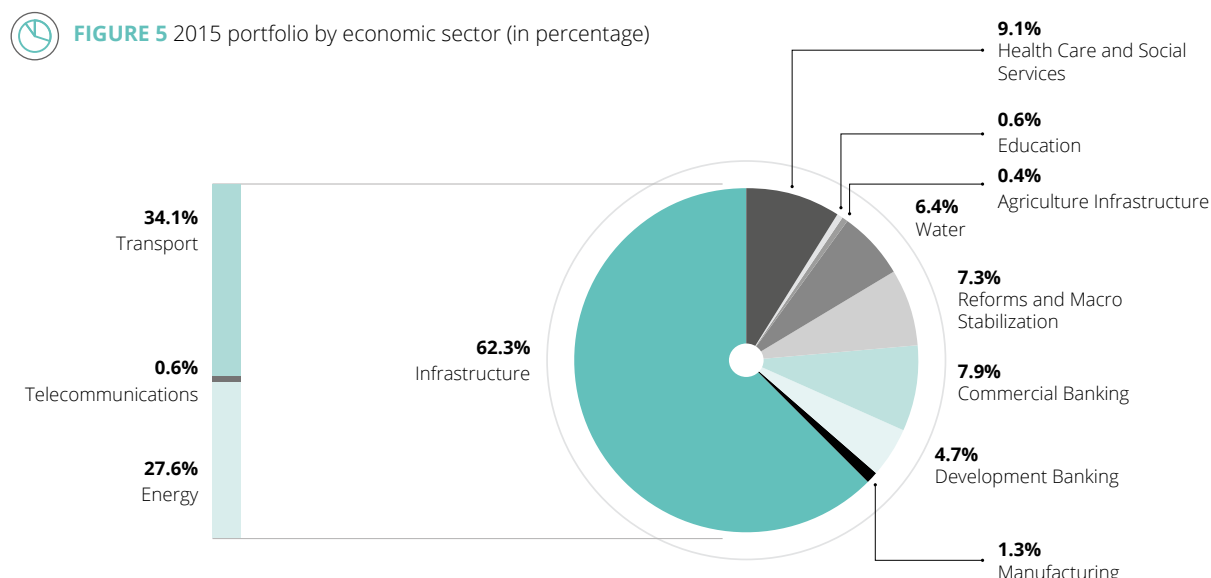
The year-end portfolio by economic sector remained concentrated in infrastructure with 62% of the total, which reinforces CAF's support of regional efforts to develop road and transport systems, and provision of energy services. This relative concentration of CAF's portfolio in infrastructure has allowed the institution to achieve an expertise in knowledge and technical consulting, positioning the entity as a leader of priority projects with a positive impact on the region's overall productivity. Within these sectors, the leadership in the transport and road sector is notable with a portfolio of USD 7.1 billion, while the portfolio related to electricity supply totaled USD 5.7 billion.

On the other hand, with the aim of supporting the development of improved basic social services in benefit of disadvantaged sectors of the population in Latin America, 17% of CAF's portfolio is destined to the area of social development (mainly in water, sanitation and education).

In regard to the support of the productive and financial sectors in the region, the portfolio dedicated to allocating resources for projects that promote the productive transformation of these sectors as a fundamental mechanism for the development of the economies of the countries of the region was USD 2.9 billion, representing 14% of the total.

THE SHARE OF CAF'S PORTFOLIO DEDICATED TO ENSURING MACROECONOMIC STABILITY AND THE IMPLEMENTATION OF REFORMS IN SHAREHOLDER COUNTRIES WAS 7%, AN INCREASE OF USD 363 MILLION OVER 2014.

Finally, the percentage of CAF's portfolio dedicated to ensuring macroeconomic stability and the implementation of reforms in shareholder countries was 7%, an increase of USD 363 million over 2014.



Portfolio by type of risk

Over the course of the year, CAF implemented several strategic and operational initiatives, such as the optimization of the main credit processes and the definition of the corporate strategy for the private sector. This has made it possible to achieve greater efficiency in the institution's sovereign and non-sovereign operations. Furthermore, as a result of the international context of economic slowdown, CAF reached a consensus with its shareholders countries to prioritize budget support operations of freely available funds to meet their most immediate needs. As such, the sovereign risk portfolio represented 79.4% of the total portfolio, while the non-sovereign portfolio accounted for 20.6%. It should be noted that the sovereign operations showed greater dynamism throughout 2015, which offset lower demand for corporate loans.

TABLE 9 Portfolio by type of risk (in millions of USD)

	2011	2012	2013	2014	2015
Sovereign	12,069	13,230	14,491	15,383	16,482
Non-sovereign	3,023	3,273	3,740	4,054	4,277
Total	15,093	16,502	18,232	19,436	20,759

DEVELOPMENT COOPERATION FUNDS

CAF supplements its significant financial role through various mechanisms and sources of reimbursable and nonreimbursable development cooperation funds with a focus of strategic additionality.

These cooperation resources come primarily from two sources: (a) special funds from CAF's net profits; and (b) third-party resources of a catalytic nature administered or managed by CAF.

These resources mostly finance strategic and comprehensive cooperation operations that complement the countries' technical capacity, contribute to the driving force behind CAF's renewed development agenda and generate sectoral knowledge for the region, with emphasis on areas of productive transformation, social development, and institutional development. In 2015, approvals totaled USD 49 million with resources from the Fund for Technical Cooperation (FCT, for its initials in Spanish), the Human Development Fund (Fondeshu, for its acronym in Spanish) and third-party cooperation funds.

Fund for Technical Cooperation (FCT)

The FCT, the main source of technical assistance resources administered by CAF, represents the majority of the special sources of funding. The fund is the result of the accounting consolidation of similar funds in 2014 and its resources come from net profits.

In 2015, under FCT, operations were approved for a total amount of USD 30 million, representing 61% of total technical cooperation operations.

Cooperation development operations are aimed at individual and institutional capacity building, exchanges of experiences at national and international levels, generation and dissemination of knowledge on development issues, as well as the promotion and positioning of the shareholder countries and the region as a whole.

In 2015, regional outreach programs were geared mainly toward an increase in productivity in the region, energy efficiency, the mitigation and adaptation to climate change and institutional development. Program highlights include the following: Support for Business Innovation; Technical Education and Vocational Training; Regional Program of Institutional Strengthening in Patentable Technological Innovation; Program of Green Business and Energy Efficiency and the Demand Side with Financial Institutions; ; Regional Program on Urban Cooling; Integral Program of Strengthening of Competencies for High Government and Public Management in Latin America (the last two were financed with AFD).



In 2015, the total approval of Development Cooperation Funds was USD 49 million

Human Development Fund (Fondeshu)

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

Approvals under Fondeshu in 2015 accounted for 14% of total approvals, which is equivalent to approximately USD 7 million. In this period, the main operations included: Financial inclusion for the most excluded-first and second generation innovation; Leadership for Transformation Program; Música para Crecer (Spanish for Music to Grow); Manos que Salvan Vidas (Spanish for Hands that Save Lives); Pan de Libertad (Spanish for Bread of Freedom); Gender Equality and Inclusion Program announced in the framework of the Summit of Sustainable Development of the United Nations. Additionally, with fund resources, operations for humanitarian assistance and natural disasters were carried out in Argentina, Chile, Colombia, Paraguay, Uruguay and Venezuela in 2015.

Third-party technical cooperation funds

CAF manages third-party resources to finance technical cooperation operations in the region. CAF currently manages facilities from the following sources mainly earmarked for the hiring of technical assistance and consultancy:

- French Development Agency (AFD). In 2015, a total of USD 430,000 were approved against AFD funds to co-finance projects related to energy, sustainable cities and institutional aspects, which accounted for approximately 1% of the total approvals in the year.
- General Cooperation Fund of Italy (GFCI). Its allotted funds were completed in 2013, although several projects are still underway.
- Latin America Investment Facility (LAIF). Continuity was given to the implementation of resources approved by the European Commission in favor of CAF, managed by the German and French development agencies (KfW and AFD, respectively). The resources are being invested in studies for urban transport, energy, water and sanitation, and climate change, playing an important catalytic role toward the region. Approved operations with LAIF funds totaled USD 11 million, including direct and catalytic operations in 2015. Approved programs underway are as follows: Public Transport Infrastructure (AFD) for EUR 3 million, Urban Public Transportation Improvement Programme (KfW) for EUR 3 million, Performance Based Climate Finance - Climate in Latin America (KfW) for EUR 10 million, Water and Wastewater Investment Programme (KfW) for EUR 4 million and Urban Transport (KfW) for 3 million.

APPROVED OPERATIONS WITH LAIF FUNDS TOTALED USD 11 MILLION, INCLUDING DIRECT AND CATALYTIC OPERATIONS IN 2015.

USD 430,000

approvals were financed with AFD resources in 2015.

New facilities were added in 2015:

An agreement was signed with the public treasury in France under the FASEP facility to channel up to EUR 2 million for preliminary studies for infrastructure projects or infrastructure investment policies.

In May 2015, CAF was accredited as an implementing agency of the Global Environmental Facility (GEF) and later in July 2015 it was also accredited as an implementing agency of the Green Climate Fund (GCF), which increased its access to international climate funds, in addition to its previously acquired access to the resources of the Adaptation Fund. Country initiatives in the amount of USD 14.2 million were submitted to the Adaptation Fund.

Finally, within the framework of the COP 21, an agreement was signed with AFD for EUR 4.2 million for studies related to sustainable cities and climate change.

FIGURE 6 Approvals in 2015 by fund (in percentage)

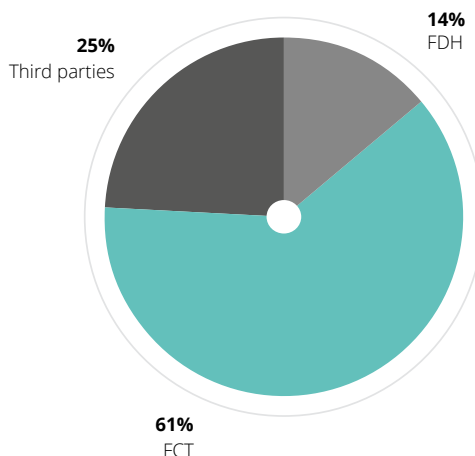
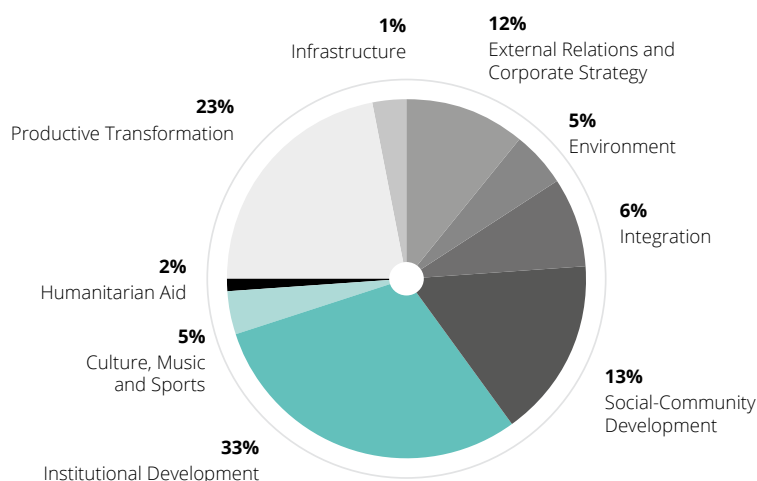


FIGURE 7 Approvals in 2015 by economic sector (in percentage)



The above chart illustrates the sectoral distribution of approvals in 2015. It highlights the emphasis placed on projects aimed at strengthening institutions, representing 33%; productive transformation with 23%, encompassing energy, transportation, business and financial system development. These were followed by actions and projects related to social community development, with 13%, including social innovation, water and sanitation components. The rest of the sectors represented the remaining 31%.

SPECIAL FUNDS

CAF supports projects and initiatives through other funds, not of a technical cooperation nature. They include the Business Development and Investment Fund (FIDE, for its acronym in Spanish), the Compensatory Financing Facility (FFC for its initials in Spanish) and the Latin-American Program on Climate Change (PLACC).

Business Development and Investment Fund (FIDE)

It supports the process of equity strengthening of small and medium-sized enterprises in the shareholder countries, through capital, quasi-equity and credit operations.

It performs its activities through partnerships with venture capital funds, banks, large industries and guarantee funds. In 2015, a total of USD 6 million in equity investments were approved with FIDE resources.

Compensatory Financing Facility (FFC)

It reduces the financial costs of the sovereign investment programs and projects, and prioritizes projects that benefit disadvantaged populations in particular. The FFC grants a subsidy to the financial margin for a period of eight years based on the availability of fund resources. In 2015, USD 3.3 billion in new credits were approved with FFC funds and USD 70 million in interests on existing credits were offset.

Latin American Program on Climate Change (PLACC)

To meet the region's needs in the field of climate change, a total of USD 875,252 from the PLACC Fund were allocated to address the following concepts:

- Development of policy instruments for mitigation of greenhouse gas as Nationally Appropriate Mitigation Actions (NAMAs).
- Development of knowledge tools for climate change adaptation, such as an index to measure vulnerability of infrastructure to climate variability.
- Studies on climate change issues, such as cities and climate change and risks caused by climate change.

EMPHASIS WAS PLACED ON PROJECTS AIMED AT STRENGTHENING INSTITUTIONS, WITH 33%, AND PRODUCTIVE TRANSFORMATION, WITH 23%, WHICH INCLUDES ENERGY, TRANSPORTATION, BUSINESS AND FINANCIAL SYSTEM DEVELOPMENT.



SHAREHOLDER
COUNTRIES

54 SHAREHOLDER COUNTRIES

56	Argentina
62	Bolivia
68	Brazil
74	Colombia
80	Ecuador
86	Panama
92	Paraguay
98	Peru
104	Uruguay
110	Venezuela

116 OTHER SHAREHOLDER COUNTRIES

117	Barbados
118	Chile
119	Costa Rica
119	Spain
121	Jamaica
121	Mexico
124	Portugal
126	Dominican Republic
126	Trinidad & Tobago



ARGENTINA

During 2015, CAF approved operations in favor of Argentina for USD 694 million, of which 72% (USD 503 million) corresponded to sovereign risk operations and 28% (USD 191 million) to non-sovereign risk operations.

In relation to sovereign risk operations, CAF continued with its technical and financial support for energy, logistics and transportation, water and sanitation, irrigation, tourism and urban development.

In the water and sanitation sector, CAF approved USD 120 million in financing for the second phase of AySA's 2012-2015 Program for Basic Drinking Water works to improve access, reliability, and flexibility of drinking water services in the municipalities located to the southwest of the Metropolitan Area of Buenos Aires. A credit operation of USD 70 million was approved for the third phase of the Sanitation Infrastructure Program for Norte Grande. Its main objective is to improve inhabitant's well-being, equity and development in the Norte Grande region through the financing and execution of works for the supply and improvement of drinking water and basic sanitation services.

Meanwhile, with the aim of supporting current or planned investments in energy infrastructure, particularly gas transport and distribution over the 2014-2019 period, CAF approved a credit operation of USD 150 million for a sector wide approach to strengthen the energy sector.

In terms of roadways, a credit operation for USD 70 million was approved for the fourth phase of the Regional Road Development Program, which seeks to increase and optimize the trafficability of the provincial road networks in Northern Argentina through improvement, construction and paving of provincial routes, thus supporting the development of local tourism and greater productive integration with different regions in the country.

CAF approved credit operations worth USD 40 million for the second phase of the New Irrigation Areas Development Program, which also modernize existing ones to improve the agro-productive competitiveness of regional economies in Argentina.

Similarly, in 2015, CAF approved two credit operations for urban and tourist development. One of them, a USD 30 million operation for the Urban Development Program for the City of Resistencia, the capital of the province of Chaco, will contribute to socio-community integration through the improvement of accessibility, the recovery of public spaces and the reorganization of sports spaces in this city. On the other hand, the infrastructure program under the Strategic Plan for Sustainable Tourism in the province of



Development program for new irrigation areas in Argentina

Catamarca approved for USD 13 million will make it possible to promote tourism in Catamarca through the consolidation of tourist centers, the implementation of new products and tourist services and the improvement of those currently available.

In addition, CAF approved a credit operation for USD 10 million for the Infrastructure Rehabilitation Program in the province of Buenos Aires. This will improve drainage and flood control infrastructure in those

districts of the province of Buenos Aires in a state of emergency due to the abundant rainfall in the third quarter of 2015.

Finally, in relation to non-sovereign risk activity, CAF approved USD 191 million in lines of credit for companies and public and private banks, with the aim of providing support to the financing of foreign trade, mainly in the agricultural export sector.

 **ARGENTINA IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	694	4,653
Sovereign risk	503	2,737
Non-sovereign risk	191	1,916
Disbursements	481	2,753
Sovereign risk	377	2,062
Non-sovereign risk	104	691
		2015
Portfolio		2,773
Sovereign risk		2,590
Non-sovereign risk		183

APPROVALS IN ARGENTINA

SECTOR WIDE APPROACH TO STRENGTHEN THE ENERGY SECTOR

Client/executor: Argentine Republic / Ministry of Economy and Finance (MEFP)

TOTAL AMOUNT: USD 150 MILLION
TERM: 15 YEARS

Objective: The loan is intended to provide resources to support the strengthening of the energy sector of the Argentine Republic through the implementation of the programs contained in the National Strategic Plan, particularly through the expansion of natural gas transportation and distribution networks. The objective is to increase the number of users by incorporating new homes to the domiciliary service networks, improving the quality of life of the population located in areas of influence of the aforementioned programs.

2012-2015 AYSA BASIC POTABLE WATER WORKS PROGRAM, PHASE II

Client/executor: Argentine Republic/Ministry of Federal Planning, Public Investment and Services (MPFIPyS) through Agua y Saneamientos Argentinos S.A. (AySA)

TOTAL AMOUNT: USD 120 MILLION
TERM: 15 YEARS

Objective: The program aims to improve and optimize coverage of drinking water services in the southwest of Buenos Aires to assist medium-low income sectors without access to safe drinking water and/or that cover their needs through mechanisms that do not necessarily ensure quality and potability of water resources. This program is a continuation of Phase I, which was partially funded by CAF with a loan approved in March 2013.

REGIONAL ROAD DEVELOPMENT PROGRAM IV

Client/executor: Argentine Republic/Ministry of Federal Planning, Public Investment and Services (MPFIPyS)

TOTAL AMOUNT: USD 70 MILLION
TERM: 15 YEARS

Objective: Framed within the guidelines of the National Land-use Planning Policy and Territorial Strategic Plan, the program aims to support investments in improvements, expansions and renovations of provincial routes. In addition, its main goal is to stimulate and integrate productive activities in the country, thus contributing to greater competitiveness of provincial and regional economies. The current program is the fourth phase of the Regional Road Development Plan.

NORTE GRANDE III SANITATION INFRASTRUCTURE PROGRAM

Client/executor: Argentina Republic / Ministry of Federal Planning, Public Investment and Services (MPFIPyS)

TOTAL AMOUNT: USD 70 MILLION
TERM: 12 YEARS

Objective: The third phase of this program aims to expand the coverage of drinking water services, water treatment plants and drainage, as well as optimize the conditions of health and hygiene through wastewater treatment. These investments will improve the standard of living and welfare of the inhabitants of the Norte Grande region.

DEVELOPMENT PROGRAM OF NEW IRRIGATION AREAS IN ARGENTINA-STAGE II

Client/executor: Argentine Republic / Ministry of Agriculture, Livestock and Fisheries (MAGyP)

TOTAL AMOUNT: USD 40 MILLION
TERM: 12 YEARS

Objective: The objective of the second stage of the operation approved in 2013 is to develop new areas of irrigation by increasing the availability and quality of water that makes it possible to increase the supply of agricultural products in regional economies. To accomplish this, the program includes the expansion and modernization of irrigation systems, training and technical assistance, and the strengthening of infrastructure management capacities. This project will contribute to ensure water resources for agriculture in Argentina. It is estimated that the areas irrigated in the medium and long term will reach 17 million acres (7mn ha).

PROGRAM OF URBAN DEVELOPMENT FOR THE CITY OF RESISTENCIA

Client/executor: Argentine Republic/Ministry of Federal Planning, Public Investment and Services (MPFIPyS)

TOTAL AMOUNT: USD 30 MILLION
TERM: 15 YEARS

Objective: Contribute to the city's urban development through an infrastructure plan of high social, environmental and economic impact. In this regard, the program involves the execution of works to improve mobility and promote accessibility of the inhabitants of neighborhoods on the periphery of the city of Resistencia to the main centers of services and goods; recover deteriorated neighborhood public spaces; improve citizen security; and revamp neighborhood sports areas, in order to contribute an effective socio-community integration.

STRATEGIC PLAN FOR SUSTAINABLE TOURISM IN CATAMARCA- INFRASTRUCTURE PROGRAM

Client/executor: Catamarca Province / State Secretariat for Tourism

TOTAL AMOUNT: USD 13 MILLION
TERM: 12 YEARS

Objective: As part of the 2014-2024 Strategic Plan for Sustainable Tourism in the Province of Catamarca, the infrastructure project aims to consolidate tourism activity throughout the province, as well as define a development model and generate new tourism products. In order to consolidate the plan, the program aims to address several components related to tourism infrastructure, technical assistance and institutional strengthening. The project is expected to generate direct and indirect benefits, mainly job creation and improved living conditions, as a result of the progress generated by economic activity.

INFRASTRUCTURE REHABILITATION PROGRAM IN THE PROVINCE OF BUENOS AIRES

Client/executor: Province of Buenos Aires / Ministry of Economy of the Province of Buenos Aires

TOTAL AMOUNT: USD 10 MILLION
TERM: 12 YEARS

Objective: The emergency situation caused by flooding in the province of Buenos Aires in August 2015 seriously damaged existing infrastructure which, if not repaired, puts urban and rural areas at risk. This program seeks to improve the infrastructure of drainage and flood control in water areas in a state of emergency, decreasing the risk of loss of life of the affected population, as well as material and economic losses in the area of influence, benefiting 53,000 inhabitants (more than 22,000 homes affected).

UNCOMMITTED REVOLVING CREDIT LINE FOR MOLINOS RÍOS LA PLATA S.A.

Client: Molinos Ríos de la Plata S.A.

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR VICENTIN S.A.I.C.
Client: Vicentin S.A.I.C.

TOTAL AMOUNT: USD 20 MILLION
TERM: MULTIPLE

Objective: Support exports of one of the largest oilseeds processors in Argentina.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE GALICIA S.A.
Client: Banco de Galicia S.A.

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO ITAÚ ARGENTINA S.A.
Client: Banco Itaú Argentina S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE LA PROVINCIA DE BUENOS AIRES S.A.
Client: Banco de la Provincia de Buenos Aires S.A.

TOTAL AMOUNT: USD 5 MILLION
TERM: MULTIPLE

Objective: Support the expansion of the financing program for the bank's suppliers, as well as wider dissemination of financial services for development.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SANTANDER RIO S.A.
Client: Banco Santander Rio S.A.

TOTAL AMOUNT: USD 35 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SUPERVIELLE S.A.
Client: Banco Supervielle S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE INVERSIÓN Y COMERCIO EXTERIOR-BICE
Client: Banco de Inversión y Comercio Exterior-BICE

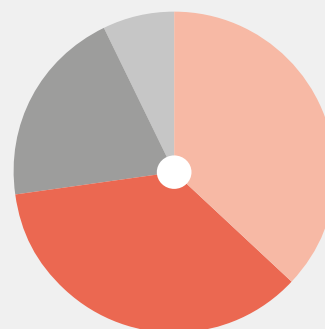
TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

OTHER TRANSACTIONS WITH COOPERATION RESOURCES
Client: Multiple

TOTAL AMOUNT: USD 1 MILLION
TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



- **36.5%** Environmental and social development
- **36.0%** Economic infrastructure
- **20.2%** Financial systems and capital markets
- **7.2%** Competitiveness, productive sector and MSMEs

694

USD MILLION
TOTAL APPROVALS IN ARGENTINA DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ARGENTINA

1

(USD MILLION)

CAF TECHNICAL COOPERATION FUNDS GRANTED ARGENTINA



SOCIAL DEVELOPMENT

- Approval of the SOMOS Special Olympics program in Argentina, with the support of the Special Olympics of Latin America, to promote the development and strengthening of sports activities, specifically soccer, as a tool for family and social inclusion, to benefit 2,125 children and adolescents with intellectual disabilities in 24 cities in Argentina.
- Impact evaluation of the program of income transfers to vulnerable households “Ciudadanía Porteña,” implemented by the Ministry of Social Development of the City of Buenos Aires (CABA), in place since 2006. The evaluation assessed the program’s short-term effects on children and adults. These results were shared with CABA’s Ministry of Social Development. It is expected that they will be used in the redesign of the program to enhance its effects. This work, overseen by Agustina Hatrick, Head of CAF’s Socio-Economic Research, received the award for the best research work conducted by young economists in Argentina, granted by the AAEP (Argentine Association of Political Economy) in November of 2015.
- Impact assessment of the Ministry of Public Safety’s **police training center (CEDOP)** for active agents of the Federal Police of Argentina (PFA) in an effort to influence the rational management of force (minimizing “trigger happy” behavior) of the PFA personnel. The results of this evaluation were shared with various officials of the Ministry of Security and the PFA to contribute to a better use of knowledge and evidence in the design and implementation of public policies for police training that increase the legitimacy of this force in the eyes of the public.
- Design and implementation a test pilot to measure the impacts of the “Accompanying Family Member” program run by the Ministry of Social Development of the City of Buenos Aires. This program tries to reduce the conditions of social vulnerability in homes by providing specialized accompaniment (home visits by social workers) and information for families to access the social public services offered by the City of Buenos Aires. The results of this evaluation will be used to redesign the pilot program and for its scaling-up.

PUBLIC SAFETY

- Development of a comprehensive plan for the institutional strengthening of the Federal Prison Service, which consists of: (i) a survey of the building infrastructure of prisons; (ii) the development of a typology of recommended modules for the construction of new prison facilities that meet high standards of safety and functionality; and (iii) the design of an education-based re-entry program to reduce the rate of criminal recidivism.
- Support for a plural discussion about anti-drug and drug trafficking prevention policies, including the organization and development of the “International Drugs Seminar: from prohibition to regulation,” in partnership with the Universidad Torcuato Di Tella, Buenos Aires.

YOUTH

- In a strategic alliance with UNICEF Argentina, the National Electoral Commission and the Undersecretariat for Youth launched a campaign called #YoElijoVotar (Spanish for #IChooseToVote) to promote the participation of young people 16 -17 years of age eligible to vote in the last general election of Argentina. The campaign deployed different technological support to promote participation. As a result, nearly 25,000 people signed up on the platform www.yoelijovotar.org.ar and downloaded the application to learn more and participate. Using this tool, users could submit various types of queries, including the polling location and how to vote. They also developed their skills through interactive quizzes.



Support for institutional strengthening

ENVIRONMENT

- Support for the third phase of the program “Strengthening public policies for mitigating the environmental impact of the development of infrastructure in Latin America.” Its executor is The Nature Conservancy (TNC) and the main objective of this program is to establish a process whereby, in Argentina and Peru, public policies include aspects for regulating the design and implementation of infrastructure projects.
- Support for the initiative “Carbon footprint in two scenarios of the Argentine corn sector” with the Argentine Corn and Sorghum Federation (MAIZAR), which, as its name suggests, aims to estimate the carbon footprint of two links in the productive chain of maize and sorghum in Argentina, with two key objectives: to estimate the carbon footprint of the country’s agro-producers; and, also, contribute to ensure Argentine producers’ continued access to international markets by helping them to reduce their carbon footprints to the limits allowable in such markets, above all, in Europe and the US.
- Support to the municipality of Rafaela to strengthen the Argentine Network of Municipalities Against Climate Change (RAMCC), which included 40 municipalities at the signing of the agreement in May 2014.

SOCIAL INNOVATION

- Support for the 36 certified B Corps in the country, training of promoters of the movement and the organization of the International Festival of Social Innovation (iS); public policy advocacy efforts through the formulation of a draft law for the classification of not-for-profit organizations, “101 solutions” and the academic network with 35 scholars from 11 universities researching the social and environmental impact of these companies.
- Startup of the “Pyramid-based housing services” project with the not-for-profit organization Fundación Pro Vivienda Social to develop a sustainable model that fosters a public-private ecosystem and a trust fund that finances improvement works, working with community construction companies in Greater Buenos Aires. Community-based financing organizations called bankomunales were incorporated as an educational and financial inclusion tool to enhance community organization.

GOVERNANCE AND PUBLIC ADMINISTRATION

- With academic support from George Washington University, the VIII Edition of the Governance, Public Management and Policy Management program was organized with the University of San Andrés (UdeSA) and the Catholic University of Cordoba (UCC). Ninety-seven participants were trained. The program, which has been held in Argentina since 2008, trained 198 participants in 2015.
- Support public administration with a communications management skills training session for mayors and senior public management of local governments, called “Strengthening Public Management and Promotion of Institutional Quality in Latin America,” organized with the Latin American Federation of Cities, Municipalities and Associations of Local Governments (FLACMA) and the Argentine Federation of Municipalities (FAM).
- Contribution to the institutional development and strengthening of think tanks in the region dedicated to promoting public policies, through the organization of and participation in the first meeting of Argentine Think Tanks and the third meeting of Latin American Think Tanks, organized by the Center for the Implementation of Public Policies for Equity and Growth (CIPPEC), with the support of the Getulio Vargas Foundation (FGV) and the University of Pennsylvania.

- In partnership with Socialab, CAF participated in the open-innovation challenge “Desafío Bajo Flores” to find solutions to the social problematic in the peri-urban areas of Buenos Aires.
- The presentation entitled “Social innovation and the role of the universities” was given at the “Second Latin American Forum for Technological and Polytechnic Universities” in Cordoba.
- Participation as a strategic advisor and the presentation of the project “Discovering Hands” at Ashoka’s Globalizer in Buenos Aires.



BOLIVIA

In 2015, CAF approved operations in favor of Bolivia for USD 575 million, of which 88% (USD 505 million) corresponded to sovereign risk operations and 12% (USD 70 million) to non-sovereign risk operations.

In 2015, Bolivia prioritized financing for the construction of road infrastructure, including the development of dual carriageways in regions of great national economic importance, for better domestic and international connectivity. The project took into consideration aspects of sustainable environmental management and road safety. Approvals in this sector reached USD 346 million, 60% of total approvals in Bolivia, earmarked for several projects: “Santa Cruz – Warnes” dual carriageway in Santa Cruz; the “Confital-Bombeo” dual carriageway between Cochabamba and Santa Cruz and the “San Borja-San Ignacio de Moxos” highway in the Beni Department in northern Bolivia to complete the La Paz-Beni corridor.

In addition, USD 70 million were approved for a catalytic operation carried out with the OPEC Fund for International Development (OFID) for the Villa Granados-Puente Taperas-La Palizada highway, benefiting the economic and social development of Bolivia, by incorporating new external sources of financing.

Approvals for social development reached 15% of the total number of operations. One of the highlights is the ongoing effort to provide water to the country’s population through the water program Mi Agua (Spanish for My Water Program); the program received USD 70 million for the fourth phase. CAF financed three of the four phases to date. The country also prioritized the development of the tourism sector with the first Tourism Revitalization Program for the Salar de Uyuni and Lagunas de Colores for USD 19 million.

Finally, CAF allocated 12% of total approvals (USD 70 million) for projects in the productive and financial sectors, USD 11 million of which were for the corporate sector to finance working capital in the agricultural sector. In the banking sector, USD 40 million in lines of credit were approved. The segment of financial institutions specialized in MSMEs received USD 19 million.



Tourism Revitalization Program for the Salar de Uyuni

 **BOLIVIA IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	575	2,777
Sovereign risk	505	2,153
Non-sovereign risk	70	623
Disbursements	315	1,564
Sovereign risk	288	1,350
Non-sovereign risk	26	213
		2015
Portfolio		2,037
Sovereign risk		1,901
Non-sovereign risk		136

APPROVALS IN BOLIVIA

SAN BORJA-SAN IGNACIO DE MOXOS HIGHWAY CONSTRUCTION PROJECT

Client/executor: Plurinational State of Bolivia / Bolivian Highway Administration (ABC)

TOTAL AMOUNT: USD 172 MILLION
TERM: 15 YEARS

Objective: Framed within the National Development Plan Bolivia Productiva (Spanish for Productive Bolivia), in addition to Bolivia's road plan, this project is of vital importance due to its geographical location along the international West-North corridor (Peru-Brazil) and the inner West-East corridor. Its construction is essential to contribute to internal linkages in the departments of Beni and its connection with La Paz, Santa Cruz and Cochabamba, and to develop the economic potential of the area, which in turn will improve social welfare in the project's entire area of influence.

CARACOLLO-COLOMI DUAL-CARRIAGEWAY CONSTRUCTION PROJECT: SECTION 2B CONFITAL-BOMBEO

Client/executor: Plurinational State of Bolivia / Bolivian Highway Administration (ABC)

TOTAL AMOUNT: USD 88 MILLION
TERM: 15 YEARS

Objective: The project, in accordance with its geographic location and agricultural potential, is of vital importance for the development of one of the country's main trade and business routes. Route 4 from the East-West RVF corridor runs through the country, internally linking the departments of Santa Cruz-La Paz-Oruro-Cochabamba, and enables the international connection with Peru, Chile and Brazil. The implementation of the highway will achieve local, regional and national economic growth and social welfare in the project's whole area of influence.

SANTA CRUZ - WARNES (EAST SIDE) DUAL CARRIAGEWAY CONSTRUCTION PROJECT

Client/executor: Plurinational State of Bolivia / Bolivian Highway Administration (ABC)

TOTAL AMOUNT: USD 86 MILLION
TERM: 15 YEARS

Objective: The project aims to build an alternative roadway to the existing one given the zone's economic growth. The new Santa Cruz-Warnes dual carriageway will be vitally important to contribute to the internal linkage of the departments of Santa Cruz and Cochabamba, as well as the international connections to Peru and Chile. This is expected to enhance the development of foreign trade thanks to its connection with export corridors, which is the reason why its construction has been considered a priority within the National Road Plan.

ADDITIONAL INVESTMENT PROGRAM FOR WATER - MI AGUA IV

Client/executor: Plurinational State of Bolivia / Ministry of Environment and Water

TOTAL AMOUNT: USD 70 MILLION
TERM: 15 YEARS

Objective: Framed within Bolivia's National Development Plan (PND) and the 2025 Patriotic Agenda, the program is aimed at supporting all of the country's municipalities in the development of priority projects to continue increasing the coverage of drinking water and basic sanitation services, and improve irrigation infrastructure to boost agricultural production. This operation will support government strategies aimed at reducing poverty and achieving the country's food sovereignty, through the increase of the productive capacity of small and medium agricultural farmers. On the other hand, it also aims to contribute to improving the conditions of life and health of the population through the increase of access and quality in the provision of drinking water and basic sanitation services throughout the country.

TOURISM REVITALIZATION PROGRAM AT UYUNI SALT FLATS AND LAGUNAS DE COLORES

Client/executor: Plurinational State of Bolivia / Vice Ministry of Tourism

TOTAL AMOUNT: USD 19 MILLION
TERM: 12 YEARS

Objective: Within the framework of PLANTUR, the 2015-2020 National Tourism Plan approved in 2015, and the 2025 Tourism Agenda, the program aims to increase spending and employment generated by tourism in the areas of intervention. Through the implementation of pre-investment and investment in new infrastructure, the expansion and improvement of existing lodging, as well as the development of new tourism products, the objective is to diversify and optimize the current services available in the sector in order to attract tourists with greater purchasing power and consequently, increase average spending in the area. In turn, the plan also integrates education and training to strengthen local service providers, as well as the relevant public bodies in the sector.

UNCOMMITTED REVOLVING CREDIT LINE FOR ADM SAO S.A.

Client: ADM SAO S.A.

TOTAL AMOUNT: USD 11 MILLION
TERM: MULTIPLE

Objective: Financing trade, working capital and investment projects.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO LOS ANDES PROCREDIT S.A.

Client: Banco Los Andes Procredit S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO UNIÓN S.A.

Client: Banco Unión S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO GANADERO S.A.

Client: Banco Ganadero S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PARA EL FOMENTO DE LAS INICIATIVAS ECONÓMICAS S.A.

Client: Banco para el Fomento de las Iniciativas Económicas S.A.

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Finance trade, working capital and investment projects of economic units located in areas of scarce resources with limited access to conventional credit lines that are carrying out business activities in production, services and trade sectors.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SOLIDARIO S.A.

Client: Banco Solidario S.A.

**TOTAL AMOUNT: USD 7 MILLION
TERM: MULTIPLE**

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

UNCOMMITTED REVOLVING CREDIT LINE FOR NON-PROFIT FUNDACIÓN PRO MUJER

Client: Fundación PRO MUJER.

**TOTAL AMOUNT: USD 2 MILLION
TERM: MULTIPLE**

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PYME ECO FUTURO S.A.

Client: Banco PYME Eco Futuro S.A.

**TOTAL AMOUNT: USD 2 MILLION
TERM: MULTIPLE**

Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

VILLA GRANADO-PUENTE TAPERAS-LA PALIZADA HIGHWAY CONSTRUCTION PROJECT COFINANCED BY OFID

Client: Plurinational State of Bolivia / Bolivian Highway Administration (ABC)

**TOTAL AMOUNT: USD 70 MILLION
TERM: 15 YEARS**

Objective: Framed within Bolivia's road plan and the country's National Development Plan, the project is paramount to achieve optimal conditions for the transport of agricultural products, as well as for the integration of the departments of Cochabamba, Santa Cruz and Chuquisaca and, indirectly, with countries like Argentina, Paraguay, Brazil and Chile through other integration corridors. The construction of highway will bring tangible and intangible social impacts accompanied by local, regional and national economic growth.

UNCOMMITTED REVOLVING CREDIT LINE FOR COOPERATIVA JESÚS NAZARENO LTDA.

Client: Cooperativa Jesús Nazareno Ltda.

**TOTAL AMOUNT: USD 4 MILLION
TERM: MULTIPLE**

Objective: Cooperativa Jesús Nazareno has continued to hold its position as the largest credit cooperative in Bolivia. It specializes in financial services for micro-business owners in eastern Bolivia and promotes the activity of cooperative associations in the country. The aim of the renovated line of credit is connected with the continued offering of micro-loans and consumer loans to customers nationwide with limited access to financial markets and banking.

UNCOMMITTED REVOLVING CREDIT LINE FOR NON-PROFIT ASOCIACIÓN CIVIL CRÉDITO CON EDUCACIÓN RURAL S.A.

Client/executor: CRECER S.A.

**TOTAL AMOUNT: USD 4 MILLION
TERM: MULTIPLE**

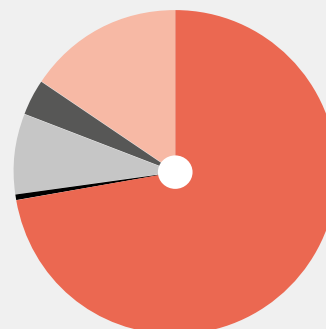
Objective: Financing trade, working capital and investment projects of micro and small enterprises in Bolivia.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

**TOTAL AMOUNT: USD 2.1 MILLION
TERM: MULTIPLE**

2015 APPROVALS BY STRATEGIC AREA



- **72.4%**
Integration infrastructure
- **15.4%**
Environmental and social development
- **8.1%**
Financial systems and capital markets
- **3.7%**
Competitiveness, productive sector and MSMEs
- **0.4%**
Governance and social capital

575

USD MILLION
TOTAL APPROVALS IN BOLIVIA IN 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BOLIVIA

2.1

(USD MILLION)

CAF TECHNICAL COOPERATION FUNDS GRANTED BOLIVIA



INFRASTRUCTURE

- Support given the Bolivian Highway Administration for the development of a system to verify and validate budgets of works for construction projects included in the basic road network through the assessment, analysis, development and implementation of a database of unit prices.
- Support for the organization of the first International Congress Urban Cableways Transport, held in the city of La Paz, with the aim of promoting the exchange of knowledge and experiences between urban cableway operators and generating good operating and maintenance practices.
- Support for the II Urban Transportation Program for Bolivian Cities, which provides technical and institutional assistance to Bolivian cities that are making efforts to improve their urban transport systems. Especially to the city of El Alto, with its relaunch of its urban transport system "Wayna Bus," assistance has been provided with fundraising, design and optimization of routes, maintenance of units, circulation times, among others.
- The studies were carried out in partnership with the French Development Agency AFD for the construction, equipment and implementation of integrated public transport systems in the cities of Tarija and Sucre, with the aim of improving urban mobility in cities and their areas of influence.

SOCIAL INNOVATION

- Conformation of 12 groups of bankomunales, an educational and financial inclusion tool, in partnership of Fundefir and the NGO ENDA– in El Alto.
- Graduation with the "culinary schools in El Alto" project of 560 high-risk youth. Four cooking schools with community kitchens were built, where native products are offered and the benefits of good nutrition are highlighted.

SOCIAL SUSTAINABILITY

- With the participation of 10,000 runners, the pedestrian race La Paz 3600 10k was held for the seventh consecutive year, organized jointly with La Paz municipal government. This edition called on participants to run "against all forms of violence."
- Support of the Citizen Safety Program for Bolivian cities aimed at driving actions for the development of citizen safety plans or specific policy actions in the different municipalities of Bolivia in accordance with the guidelines of the new Public Safety Act.

SOCIAL DEVELOPMENT

- Strategic strengthening of the water sector with several actions including technical standardization for dam safety; engineering design of small-scale drinking water supply and sanitation projects; improved management of water supply and sewerage systems in urban areas; support for the sustainability of rural systems; and promotion of a comprehensive vision in cities through the development of an urban environmental territorial strategy, initially in the city of Oruro.

- Management of the project "Liberty Bread" ("Pan de Libertad") –with the Ministry of Government Affairs, SEVIDA and Banco Mercantil– for the creation of a company within the Obrajes prison. In addition to incorporating medical and psycho-social care, a bakery was built and outfitted, a shop to sell to the public, and training in knitting textiles and sales.



Promotion of competitiveness through the support of productive sectors

ENVIRONMENT

- Support for Amazonia without Fire program (Programa Amazonía sin Fuego—PASF) in order to reduce the incidence of fires in the Amazon region of Bolivia, implementing alternative practices to the use of fire aimed at protecting the environment and ensuring the quality of life of indigenous and rural communities. During 2015, this program was consolidated under the leadership of the Ministry of Environment and Water. This step forward, which will turn Bolivia into a regional leader, kicked off a process of exchange of experiences with Ecuador.
- Support of the carbon footprint project of DAKAR 2015, Bolivia section, aimed at measuring the effectiveness of compensation measures implemented in earlier years, in order to obtain lessons learned that contribute to the environmental management of the country in general.
- Support for the Ministry of Environment and Water to apply the new basic regulation of pre-investment for projects related to the environment and climate change, with the aim of facilitating the programming of environmentally sustainable projects.

GOVERNANCE

- Training of 435 civil society leaders as part of the Leadership for Transformation Program. Training of 197 public officials as part of the 14th edition of the “Governance, Public Administration and Policy Management program aimed at promoting processes and actions to strengthen democratic governance.

COMPETITIVENESS

- Support for the participation of Bolivia in the Milan Expo 2015 in order to promote and implement new business opportunities for the country’s exports, and open new markets for Bolivian products in the 28 countries that form the European Union.
- In partnership with the Netherlands Development Organization (SNV), living conditions were improved for communities in areas of influence of infrastructure projects financed by CAF. This initiative drove the development of community enterprises under an innovative model of franchises by anchor companies (public and private), with a market vision and a social inclusion spirit.
- With the support of the non-profit organization Nueva Economía (Spanish for New Economy) and the Bolivian Confederation of Private Businessmen, a widespread long-distance training session was offered using online platforms for entrepreneurs and established business owners. Similarly, the development of a business network at national and international levels was supported to improve the opportunities of employability and the growth of entrepreneurial initiatives through a scholarship program funded by large and medium-sized enterprises.

CULTURE

- Support of the non-profit Pro Arte y Cultura (Spanish for Pro-Arts and Culture) for the organization of the “X Santa Cruz de la Sierra” international theater festival to continue the support to the cultural development of the department of Santa Cruz de la Sierra. On this occasion, 22 international and 23 local casts presented work, a total of 48 works were staged and 102 programmed performances were attended by 19,211 spectators in 11 days.
- Support of Arteria Producciones for its project ‘2015 Artistic season’, the second cultural artistic workshop for children and young people living in El Alto to generate an alternative space of social prevention in a vulnerable environment through artistic activities that allow a social, human and integral rescuing.



BRAZIL

In 2015, CAF approved a total USD 1.2 billion in operations in favor of Brazil, of which 20% (USD 252 million) corresponded to sovereign risk operations and 80% (USD 982 million) to non-sovereign risk operations.

CAF approved three sovereign operations in favor of different municipalities in the country. Manaus was awarded a USD 100 million loan to support the program of Integration, Mobility and Development Program for the city of Manaus with the aim of implementing new public transport systems and improving urban traffic flows. This operation complements the other two operations (USD 97 million) financed by CAF: qualified works for Punta Negra and four viaducts in high-traffic areas.

In the urban development sector, a USD 92 million credit for Porto Alegre's Program of Coordination and Rezoning of the Urban and Recreational Space, Access and Mobility to restore and revitalize the shore of Guaíba Lake and the city's historic center. The program aims to improve the conditions for mobility and accessibility of the street network with sustainability criteria and foster the municipality's institutional development. The revitalization

of the shore of Guaíba Lake with the opening of Gasómetro, a center of culture and training for the population, will change the image of this iconic city.

Finally, in Taubate, financing for USD 60 million was approved for the Socio-Environmental and Mobility Improvement Program to ameliorate public transport access conditions and the flow of urban traffic in the municipality through investments in road infrastructure, urban mobility and conservation of green areas.

In turn, CAF allocated USD 130 million to the financial sector through uncommitted credit lines to regional development banks like the development agency Desenvolve São Paulo (USD 30 million) and Banco de Desenvolvimento



Integration, Mobility and Development Program for the city of Manaus

de Minas Gerais (USD 100 million) for the financing of SMEs, infrastructure in small municipalities and energy efficiency projects. In addition, lines of credit were renewed for commercial banks in the financial sector, in order to finance foreign trade operations and working capital of the productive sector.

Another highlight is the USD 4 million equity investment made over the course of the year in the investment fund CRIATEC III, which pertains to the Brazilian development bank BNDES.

 **BRAZIL IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	1,234	9,073
Sovereign risk	252	2,680
Non-sovereign risk	982	6,393
Disbursements	677	5,230
Sovereign risk	140	1,297
Non-sovereign risk	538	3,932
		2015
Portfolio		2,098
Sovereign risk		1,319
Non-sovereign risk		779

APPROVALS IN BRAZIL

INTEGRATION, MOBILITY AND DEVELOPMENT PROGRAM FOR THE CITY OF MANAUS

Client/executor: Municipality of Manaus / Municipal Secretariat of Infrastructure (SEMINF)

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: Within the framework of the Master Plan of the Municipality of Manaus, the program seeks to contribute to the municipality's development with the implementation of the Bus Rapid Transit (BRT) systems along the main roadways throughout the city, along with complementary works at some intersections with high traffic volume. The aim is to promote the integration of the city's population by creating urban spaces where people and sports can co-exist, supporting tourism in the region as well. The implementation of this program brings with it a number of benefits that range from improved urban mobility in the city, to the creation of employment opportunities and strengthening of inter-institutional governance.

PROGRAM OF COORDINATION AND REZONING OF THE URBAN AND RECREATIONAL SPACE, ACCESS AND MOBILITY IN PORTO ALEGRE

Client/executor: Municipality of Porto Alegre / Municipal Secretariat of Management (SMGes)

TOTAL AMOUNT: USD 92 MILLION
TERM: 16 YEARS

Objective: Promote a set of actions that seek to revitalize and restore the shoreline of Guaíba Lake, the city's historic center and the quality of urban roadways, with the intention of promoting the mobility and accessibility of people and goods, while improving the urban space. At the same time, the investment will make it possible to develop improvement and revitalization actions for park infrastructure and promote the municipality's institutional development, including the implementation of a new technological structure.

PROGRAM FOR THE IMPROVEMENT OF URBAN AND SOCIO-ENVIRONMENTAL MOBILITY IN TAUBATÉ

Client/executor: Municipality of Taubaté / Secretariat of Government and Institutional Relations

TOTAL AMOUNT: USD 60 MILLION
TERM: 10 YEARS

Objective: Improve the quality of life of the municipality's population through investments in road infrastructure, urban mobility, public safety and conservation of green areas. Contribute to industrial growth; improve the conditions of urban mobility through the reclassification of roadways; organize urban sprawl to the south of the municipality through the reclassification of roads; and, contain the degradation of natural areas with the opening of Vista Alegre and Mata del Bugio parks are the specific goals of this loan.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DO BRASIL S.A.

Client: Banco Do Brasil S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE DESENVOLVIMENTO DE MINAS GERAIS S.A.

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

TOTAL AMOUNT: USD 100 MILLION
TERM: MULTIPLE

Objective: Promote the renovation, expansion and modernization of the productive capacity of businesses in the State of Minas Gerais.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BRADESCO S.A.

Client: Banco BRADESCO S.A

TOTAL AMOUNT: USD 250 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR DESENVOLVE S.P.

Client: Desenvolve S.P.

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

Objective: Finance companies and municipalities located in the State of São Paulo with projects related to power efficiency, innovation and entrepreneurship, among others.

UNCOMMITTED REVOLVING CREDIT LINE FOR ITAÚ UNIBANCO S.A.

Client: Itaú Unibanco S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 2.5 MILLION
TERM: MULTIPLE

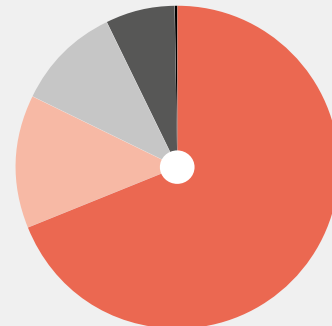
UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SANTANDER BANESPA S.A.

Client: Banco Santander BANESPA S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

2015 APPROVALS BY STRATEGIC AREA



- **68.9%**
Financial systems and capital markets
- **13.4 %**
Economic infrastructure
- **10.5%**
Competitiveness, productive sector and MSMEs
- **7.0%**
Environmental and social development
- **0.2%**
Governance and social capital

1.2

USD BILLION
TOTAL APPROVALS IN BRAZIL IN 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BRAZIL

2.5

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED BRAZIL



INTEGRATION

- Support for the Mercosur university congress forum FOMERCO, organized by the Federal University of Rio de Janeiro.
- Support for the seminar “South American colloquium on metropolitan cities” organized by the municipality of São Paulo.
- Support for the seminar “Urban mobility and citizen security,” organized by the municipality of Fortaleza.
- Contribution to the seminar “Regional integration” organized by the Chamber of Deputies of Brazil, the University of Brasilia (UNB) and the Embassy of Chile.

ENVIRONMENTAL AND SOCIAL DEVELOPMENT

- Support for the Protected Areas Meeting, held by the Amazon Cooperation Treaty Organization (ACTO).
- Support for the presentation of the Andean Instruments Orchestra, organized by the Embassy of Ecuador.
- Support for second module of a training program for community music teachers organized by Acción Social por la Música (ASPM) (Spanish for Social action through music).
- Support for CAGECE, the water and sanitation company in Ceará, to develop a study of energy efficiency at the sewage treatment station, and a new operating model for water treatment station.
- Support for the municipality of Fortaleza for a pre-investment study for a BRT system along Av. Washington Soares.
- Organization of the First National Meeting of Young Leaders in Brasilia, with the participation of 34 young people, within the framework of the #JovenCAF program. Challenges faced by Brazil in the 21st century and new proposals from young people were among the topics addressed.



Support for the Protected Areas Meeting, held by the Amazon Cooperation Treaty Organization (ACTO).

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Support for the seminar on the modernization of municipal management organized by the National Council of Municipalities (CNM) and the Organization of American States (OAS).
- Organization of the IV annual meeting of coordinators of CAF leadership and governance programs with the participation of 14 authorities from academic centers that implement programs at the headquarters of the Getulio Vargas Foundation in Rio de Janeiro.
- Organization of the first meeting of graduates of CAF governance and leadership programs attended by more than 100 former participants of the programs in Rio de Janeiro, with the support of the Getulio Vargas Foundation. The aim was to encourage reflection about the program's contribution to the formation of political and social leaders, as well as to share experiences, challenges and prospects for development in Latin America.

SMES AND MICROFINANCE

- Support for the seminar-congress on financial inclusion organized by the Central Bank of Brazil.
- Support for a project to strengthen SMEs based on training, dissemination of knowledge and awareness building in the municipalities in Brazil, organized by Alianza Emprendedora.

SOCIAL INNOVATION

- Within the framework of the partnership with B Lab, 53 of the country's certified B Corps, along with the B Academic Group with 33 scholars from 14 universities received support to research the social and environmental impact of these companies.



COLOMBIA

In 2015, CAF approved a total of USD 2.4 billion, of which 79% (USD 1.9 billion) corresponded to non-sovereign risk operations and 21% (USD 500 million) to sovereign risk operations.

This year's highlight is the approval of a long-term sovereign-risk loan for USD 500 million for the Program to Strengthen the Public Investment System through project structuring with the objective of contributing—via general budget support—to government efforts to strengthen public investment made by national, regional and local entities. This is the first approval of a sovereign risk operation in the last four years.

In non-sovereign risk, a modernization project of the airport in Barranquilla was approved for USD 50 million and several uncommitted credit lines were renewed in the corporate and financial sectors for USD 1.5 billion aimed at supporting productive and financial industries in Colombia. A line of credit for Bancolombia was increased to up to USD 360 million to facilitate and provide increased funding for foreign trade operations, working capital and investment projects, also supporting the bank's inorganic

growth in the region and fostering projects related to energy efficiency, cogeneration and green business.

On the other hand, it is important to highlight the significant catalytic role played by CAF in Colombia this year. It channeled USD 412 million from Colombian pension funds using the Special Vehicle for Infrastructure Financing in Colombia (VEFIC, for its acronym in Spanish) is a senior debt instrument that seeks to promote the development of key projects to close the infrastructure gap and contribute to sustain national economic growth.

Finally, an equity asset in the Ashmore Andean Fund II for USD 5 million was also approved, aimed at capturing investment opportunities in infrastructure or related investment sectors with a high degree of liquidity and value creation potential through project financing in Colombia, Peru and select Central American countries.



Modernization of the Barranquilla Airport

 **COLOMBIA IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	2,420	7,832
Sovereign risk	500	727
Non-sovereign risk	1,920	7,105
Disbursements	1,221	6,140
Sovereign risk	271	567
Non-sovereign risk	951	5,572
		2015
Portfolio		2,142
Sovereign risk		1,001
Non-sovereign risk		1,141

APPROVALS IN COLOMBIA

PROGRAM TO STRENGTHEN THE PUBLIC INVESTMENT SYSTEM THROUGH PROJECT STRUCTURING

Client/executor: Republic of Colombia / Ministry of Treasury and Public Credit

TOTAL AMOUNT: USD 500 MILLION
TERM: 15 YEARS

Objective: Contribute to the ongoing efforts of the Colombian government to strengthen public investment in national, regional and local entities through policies that facilitate the structuring and execution of projects, which, in turn, contribute to economic and social development in the territory. In addition, this budget support operation will focus on policy actions aimed at supporting the National Planning Department (DNP), which will make it possible to define a national policy to strengthen project structuring and a policy of project standardization.

LONG-TERM LOAN FOR GRUPO AEROPORTUARIO DEL CARIBE S.A.S.

Client: Grupo Aeroportuario del Caribe S.A.S.

TOTAL AMOUNT: USD 50 MILLION
TERM: 15 YEARS

Objective: Position the Ernesto Cortíssoz Airport in the city of Barranquilla as one of the main airports along the Colombian Caribbean coast, to meet the current demand and potential future growth. To do so, a series of investments are planned to cover the management, operation, maintenance, commercial exploitation, adaptation, modernization and reversion of the airside and landside of the airport. The project will also increase travel frequency and the integration with Barranquilla's main arteries, and will enhance the creation of direct and indirect jobs during the construction, operation and maintenance phase.

UNCOMMITTED REVOLVING CREDIT LINE FOR ECOPETROL S.A.

Client: Ecopetrol S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCOLOMBIA S.A.

Client: Bancolombia S.A.

TOTAL AMOUNT: USD 360 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR CONCRETETO S.A.

Client: Concreteto S.A.

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE COMERCIO EXTERIOR DE COLOMBIA S.A.-BANCOLDDEX

Client: Banco de Comercio Exterior de Colombia S.A. (Bancoldex)

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DAVIVIENDA S.A.

Client: Banco Davivienda S.A.

TOTAL AMOUNT: USD 100 MILLION
TERM: MULTIPLE

Objective: Provide financial aid to the Andean and Central American region to fund foreign trade transactions and working capital.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE BOGOTÁ S.A.

Client: Banco de Bogotá S.A.

TOTAL AMOUNT: USD 150 MILLION
TERM: MULTIPLE

Objective: Support the strengthening of Latin American banking and the regional banking integration process underway through the strengthening of regional actors.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BBVA COLOMBIA S.A.

Client: Banco BBVA Colombia S.A.

TOTAL AMOUNT: USD 100 MILLION
TERM: MULTIPLE

Objective: Fund foreign trade transactions, working capital and investments in capital goods. Issue and confirm letters of credit and bank guarantees.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO CORPBANCA COLOMBIA S.A.

Client: Banco Corpbanca Colombia S.A.

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Fund foreign trade transactions, working capital and investments in capital goods. Issue and confirm letters of credit and bank guarantees.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE OCCIDENTE S.A.

Client: Banco de Occidente S.A.

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO COLPATRIA MULTIBANCA S.A.

Client: Banco Colpatría Multibanca S.A.

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR FINANCIERA DE DESARROLLO TERRITORIAL S.A. (FINDETER)

Client: Financiera de Desarrollo Territorial S.A. (Findeter)

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR LEASING PERÚ S.A.

Client: Leasing Perú S.A.

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

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

EQUITY INVESTMENT IN THE ASHMORE ANDEAN FUND II, LP

Client: Ashmore Andean Fund II, LP

TOTAL AMOUNT: USD 5 MILLION
TERM: 10 YEARS

Objective: The fund aims to capture investment opportunities in infrastructure or related sectors with a high degree of liquidity and value creation potential through project financing in Colombia, Peru and select Central American countries. Infrastructure development is important to increase the levels of competitiveness of the regions, so that the Fund seeks to be a vehicle that contributes to the physical integration of Latin America.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE LAS MICROFINANZAS-BANCAMÍA S.A.

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

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Banco de las Microfinanzas-Bancamía S.A. is dedicated to the provision of microfinancing by executing all operations, acts and contracts carried out by banking institutions. This operation will promote the microfinance industry in Colombia, which is undergoing a process of growth and consolidation.

SPECIAL VEHICLE FOR INFRASTRUCTURE FINANCING IN COLOMBIA (VEFIC); MOBILIZATION OF RESOURCES FROM THIRD PARTIES (COLOMBIAN PENSION FUNDS)

Client: CAF-Ashmore Senior Debt Fund for Infrastructure in Colombia

TOTAL AMOUNT: USD 412 MILLION
TERM: 25 YEARS

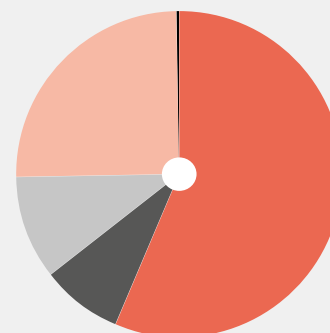
Objective: Enhance the development of the infrastructure sector in Colombia by means of investment via a senior debt instrument through the creation of a private capital fund that channels this debt to infrastructure projects. The investment will address the growing demand for senior debt in the infrastructure sector—transport, energy, basic services, hydrocarbon transport and telecommunications—including projects of the new program of fourth generation (4G) concessions, which are of great importance at the present time for the Republic of Colombia. Infrastructure projects will be developed in roadways, harbors, airports, railroads, rivers and energy, thus including areas of strategic importance for the nation.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 3.0 MILLION
TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



- **56.5%**
Financial systems and capital markets
- **24.9%**
Macroeconomic stability and structural reforms
- **10.2%**
Economic infrastructure
- **8.2%**
Competitiveness, productive sector and msmes
- **0.2%**
Governance and social capital

2.4

USD BILLION
TOTAL APPROVALS IN COLOMBIA DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN COLOMBIA

3.0

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED COLOMBIA



INFRASTRUCTURE

- Procurement of studies and advisory services for the tender of a public private partnership (PPP) contract for the Nuevo Erón prison in Popayan.
- Consultancy for phase II of the fourth-generation road concession program and PPP-mode private initiatives in Colombia.

SOCIAL DEVELOPMENT

- Third phase of program SOMOS as an effective instrument for the construction of human skills in children and young people living in socially vulnerable situations. The program, which is a partnership with Fundación Carvajal, has 1,500 beneficiaries in Buenaventura.

ENVIRONMENT AND CLIMATE CHANGE

- Ex-post environmental and social evaluation of phase III of the Transmilenio project to document the results of the project's environmental and social management, and establish benchmarks for similar projects in Colombia.

GOVERNANCE

- Development of the Governance, Public Administration and Policy Management program in partnership with the University of Rosario and the ICESI, with presence in Bogota, Buenaventura, Montería, Villavicencio, Tumaco and Guapi. There are 270 students enrolled. The program aims to train authorities and support teams from the public sector to contribute to the development of the country with satisfactory levels of governance.
- Support of the "Leadership for transformation" program, which trained 400 leaders from Yopal, San José de Guaviere, Florencia, El Bagre, Barranquilla and Bogota, fostering natural leaders in terms of their vision of the country and civic-democratic values.

COMPETITIVENESS

- Support for the second wave of the Program of Exporting Companies of Excellence (3E), coordinated by Bancoldex. The program targets Colombian exporters in non-traditional sectors, excluding mining and energy.
- Construction of guidelines for closing gaps in human capital in Colombia's productive clusters with the Private Council of Competitiveness and the United Nations Development Programme (UNDP).
- Consultancy to improve the quality and relevance of technical education and vocational training in productive clusters in Colombia in two sectors (energy and logistics) and two regions (Antioquia and Atlántico).
- Support for the Chamber of Commerce of Barranquilla's implementation of a model of local productive systems or clusters (APL) in two competitive sectors in the department of Atlántico: final stages of construction and event tourism.



The project “Theatre as an agent of change” incorporates the practice of theater in prisons as a rehabilitation and therapeutic tool.

SOCIAL INNOVATION

- Support given the 32 certified B Corps in the country; formation of the B legal group drafting the bill for not-for-profit and collective interest entities; the creation of a B academic group with 45 scholars from 12 universities researching the social and environmental impacts of these companies.
- Organization and participation in the event “The company as an agent of social transformation” in alliance with Bancolombia and B Lab, in response to the need for a new economy and the reintroduction of business ethics, with Joan A. Mele of Triodos Bank, a leading B Corp in the financial sector.
- Management of the project “Theater as an agent of change” that incorporates theatrical practice inside six prisons as a therapeutic tool and rehabilitation, in partnership with the Ministry of Justice, INPEC and Fundación Teatro Interno. Rehearsals of universal plays were initiated in six prisons in the country to participate in the Festival of Prison Theater and the Ibero-American Theater Festival in February and March 2016. The project also promotes the Casa de Libertad (Spanish for Freedom House), an unprecedented space of support for former inmates.
- Management of the pilot project “Hands that save lives” in Cali, which uses high women with visual disabilities sensory capabilities in early detection of breast cancer.
- In partnership with Socialab, CAF participated in the open-innovation challenge “Ain’t no need” to identify four solutions that use the collaborative economy as a tool to solve problematics associated with poverty.
- Support for the “First Latin American Meeting on Social Innovation in the Public Sector” in alliance with the Universidad de los Andes and the UNDP, among others.
- Formation of 60 groups of community-based financial organizations (bankomunales) mostly comprised of women from female-headed households, and deepening of the model to incorporate a second innovation with the delivery of services to its members.

SMES AND MICROFINANCE

- Training of SME technological innovation managers in the metalworking sector in the south of the Aburra Valley in 20 SMEs aimed at meeting the needs of the aviation sector of Antioquia.
- Support for the qualitative impact assessment of the economic and financial education pilot implemented by the National Ministry of Education.
- Support for BANCOLDEX for the design of the Fund of Funds aimed at strengthening the sector and investing in capital funds that wager on SMEs.

AGRICULTURE

- Support of the study on the characteristics of the agricultural insurance policies in Colombia conducted by the Agricultural Sector Financing Fund FINAGRO to better understand the market, identify information needs and motivate its offering to micro, small and medium-sized agricultural producers.



ECUADOR

In 2015, CAF approved USD 1.0 billion in operations in Ecuador, of which 69% (USD 701 million) corresponded to sovereign risk operations and 31% (USD 313 million) to non-sovereign risk operations. The objective of these operations was two-fold: contribute to high-impact social and productive initiatives, and strengthen the country's financial system.

Of total annual approvals, the energy sector received USD 401 million, including USD 101 million allocated for the Program to Strengthen the National Electricity Distribution System and a USD 300 million Sector-wide Approach for Electricity. In addition, USD 55 million was awarded to the program Progresar to support the change in the productive matrix spearheaded by the national government. In the transport infrastructure sector, USD 25 million was approved for the third phase of a roadwork program in densely populated areas of Guayaquil, and USD 20 million was approved for the second phase of the program Barrio para Mejor Vivir in the municipality of Cuenca. AFD co-financed two CAF-financed projects for USD 100 million each: the PROMADEC III and the Program to Strengthen the National Electricity Distribution System.

In 2015, CAF continued to support corporate and financial sectors with operations for USD 252 million, mainly involving trade finance for customers of banks and agro-

industrial companies. With respect to public banks, the National Finance Corporation CFN received USD 40 million within the framework of Progresar program to promote the country's productive transformation in several sectors, including agroindustrial, tourism, textile, food industry, SMEs manufacturing, among others.

In electricity generation and support for the corporate sector, CAF approved USD 22 million in financing for the company Hidroalto to build a run-of-river hydroelectricity power plant without a dam with an installed capacity of 49.54 MW. In accordance with the National Biofuels Plan, the national distillation company Soderal was granted USD 7 million in financing to increase ethanol production, which will form part of a comprehensive government plan to convert it into an environmentally friendlier fuel. Also, in line with the change in the country's productive matrix, the national food processor Pronaca was awarded a USD 20 million loan to expand its manufacturing capacity in the lines of pork, cured meats and other products.



Phase II of the program Barrio para Mejor Vivir of the Cuenca Municipality

Within the framework of CAF's support to strengthening the country's development bank, a technical cooperation operation was approved to share with CFN officials the lessons learned by the Mexican National Development Bank NAFIN. The experience gave them the opportunity to find out more about procedures and mechanisms related to financial and non-financial products. CFN used the know-how to launch an "electronic factoring" product that will energize the economies of exporters and small suppliers by providing liquidity upfront.

In addition, the country's financial institutions' trust in CAF made it possible to sell a USD 40 million portfolio, which opens space for other operations in the corporate sector.

With these operations, CAF continues to play a key role in the country's process of modernization, transformation and development, addressing priority needs in the most vulnerable sectors.

 **ECUADOR IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	1,014	4,194
Sovereign risk	701	2,651
Non-sovereign risk	313	1,543
Disbursements	754	3,354
Sovereign risk	485	1,884
Non-sovereign risk	269	1,470
		2015
Portfolio		3,045
Sovereign risk		2,888
Non-sovereign risk		157

APPROVALS IN ECUADOR

SECTOR-WIDE APPROACH IN ELECTRICITY

Client/Executor: The Republic of Ecuador / Ministry of Finance

TOTAL AMOUNT: USD 300 MILLION
TERM: 15 YEARS

Objective: Support public investment spearheaded by the government within the framework of its National Strategy of Change in the Energy Matrix, which includes works in the electric sector (generation, transmission and distribution). Its objectives include: reduce imports of petroleum by-products and cut subsidies. This program will make it possible to reduce the average cost of generation, rates and fuel imports and, consequently, cut down on subsidies on fuel imports for thermal generation. This operation complements the Program to Strengthen the National Electricity Distribution System in Ecuador, which is financed with CAF resources.

PHASE II OF THE NEIGHBORHOOD PROGRAM BARRIO PARA MEJOR VIVIR

Client/Executor: Autonomous Decentralized Government of the Cuenca Canton / Executing Unit of Cuenca Projects

TOTAL AMOUNT: USD 20 MILLION
TERM: 15 YEARS

Objective: The program consists of the construction of road infrastructure in 15 urban parishes in the city of Cuenca, which includes approximately 150 km of rigid, flexible paving of gravel and dirt roads, integrating pedestrian mobility toward public transport and tram stations. In that sense, it is expected that these investments will be an engine for the local economy and a source of employment for the community benefited by the works. Furthermore, the economic benefits include an increase in the surplus of the housing; improved sanitation conditions with lower health care costs; elimination of disease vectors present in mud and dust; and, reduced travel times with better conditions of street trafficability.

PROGRAM TO STRENGTHEN THE NATIONAL ELECTRICITY DISTRIBUTION SYSTEM OF ECUADOR

Client/Executor: The Republic of Ecuador / Ministry of Electricity and Renewable Energy

TOTAL AMOUNT: USD 101 MILLION
TERM: 15 YEARS
CO-FINANCING (AFD): USD 100 MILLION

Objective: Improve conditions of the national system of transmission and distribution in terms of quantity, quality and safety, with the aim of ensuring the availability of electricity to meet current and future demand in the areas of impact. In addition, important electricity generation projects will be implemented. This program is part of the Master Plan for Electrification of Ecuador 2013-2022.

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

Client/Executor: Municipality of Guayaquil / Department of Public Works

TOTAL AMOUNT: USD 25 MILLION
TERM: 10 YEARS

Objective: Provide solutions to the population, especially low-income sectors, in terms of their needs for "decent living" conditions. The program systematizes municipal interventions in urban renewal projects and contributes to the integration of peripheral industrial and marginalized areas of the city. It is specifically designed to address transport and social problems in the densely populated parishes of Ximena, Tarqui, Pascuales, Chongon, among others. The plan, which provides continuity to two CAF credit operations approved in 2011 and 2012, includes 18 projects for the reconstruction and paving of streets, and improvements in several working-class neighborhoods and industrial sectors of the city.

CORPORATE LOAN FOR SOCIEDAD DE DESTILACIÓN DE ALCOHOLES S.A.- SODERAL

Client: Sociedad de Destilación de Alcoholes S.A.-Soderal

TOTAL AMOUNT: USD 7 MILLION
TERM: 8 YEARS

Objective: The Ecuadorian Government in accordance with the National Biofuels Plan has launched a pilot plan in Guayaquil to replace regular gasoline (known locally as "extra") with an ecological fuel that replaces 5% of imported gasoline with ethanol made from locally produced sugarcane. Along the same lines, a series of incentives have bolstered ethanol production, which translates into an increase in the demand for this resource. To address increased demand, the company Soderal, as part of the government strategy, will expand its anhydrous alcohol (ethanol) production capacity with the help of the loan approved by CAF.

PROGRESAR PROGRAM FOR CHANGE OF THE PRODUCTIVE MATRIX

Client/executor: Republic of Ecuador / Corporación Financiera Nacional (CFN)

TOTAL AMOUNT: USD 55 MILLION
TERM: 15 YEARS

Objective: Finance investments in fixed assets of companies in priority sectors and value chains identified by the national government as part of its agenda for change in the productive matrix. These investments will be made through the granting of credit facilities so that companies can promote or sustain the growth of its exports, as well as strategically replacing imports and diversify production with added value. In this way, the aim is to develop the national productive sector in the medium and long term, which will benefit the Ecuadorian population in general by increasing the country's productivity, which, in turn, will be of great importance for the region.

DUÉ HYDROELECTRICITY POWER PROJECT

Client/Executor: Hidroalto S.A.

TOTAL AMOUNT: USD 22 MILLION
TERM: 10 YEARS

Objective: Support the change in the energy matrix, which is currently fossil-fuel intensive, in accordance with the strategy fostered by the national government, in order to increase the country's energy generation capacity and the power system's supply. The project calls for the construction of a run-of-river hydroelectric power plant with an installed power of 49.7 MW. The project includes interconnection facilities that correspond to a substation and a 25 km transmission line to the San Rafael substation, located along the Dué River, province of Sucumbios.

CORPORATE LOAN TO PROCESADORA NACIONAL DE ALIMENTOS C.A.-PRONACA

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

TOTAL AMOUNT: USD 20 MILLION
TERM: 5 YEARS

Objective: Contribute to an increase in production through new farms owned by the company, as well as improve the quality of meat, transforming traditional farms into climate-controlled tunnel farms, deploying technological improvements that enable greater efficiencies in production. These actions seek to increase Pronaca's productivity, considered a leading company in the field of food and agribusiness in Ecuador.

PHASE III OF THE ENVIRONMENTAL SANITATION PROGRAM FOR COMMUNITY DEVELOPMENT - PROMADEC III CO-FINANCING BY AFD

Client/Executor: The Republic of Ecuador / Ministry of Electricity and Renewable Energy

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: In accordance with the National Plan for Good Living 2009-2013, the Ecuadorian government established a goal to connect 82% of all households to the public water network, as a cornerstone for the establishment of a joint and sustainable economic and social system. The third phase of the program aims to improve the coverage, quality and management of drinking water, sewerage, sewage treatment and solid waste management in small and medium-sized municipalities in Ecuador, leveraging achieved progress and lessons learned.

UNCOMMITTED REVOLVING CREDIT LINE FOR OTECEL S.A.

Client: OTECEL S.A.

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR PROCESADORA NACIONAL DE ALIMENTOS C.A.-PRONACA

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

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE LA PRODUCCIÓN S.A.-PRODUBANCO

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

TOTAL AMOUNT: USD 34 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital for the bank's clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR GRUPO DUFERCO CEC-IPAC S.A.

Client: Grupo Duferco CEC-IPAC S.A.

TOTAL AMOUNT: USD 20 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE GUAYAQUIL S.A.

Client: Banco de Guayaquil S.A.

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO INTERNACIONAL S.A.

Client: Banco Internacional S.A.

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BOLIVARIANO C.A.

Client: Banco Bolivariano C.A.

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PROCREDIT C.A.

Client: Banco Procredit C.A.

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital for the bank's clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DEL PACÍFICO S.A.

Client: Banco del Pacifico S.A.

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Finance working capital and foreign trade needs of the bank's small and medium-sized agribusiness clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR CORPORACIÓN DE DESARROLLO DE MERCADO SECUNDARIO DE HIPOTECAS-CTH

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

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Finance the purchase of mortgage portfolio with the aim of financing the development of mechanisms to mobilize resources for housing and related infrastructure, and undertake processes of property ownership.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO GENERAL RUMIÑAHUI S.A.

Client: Banco General Rumiñahui S.A.

TOTAL AMOUNT: USD 5 MILLION
TERM: MULTIPLE

Objective: Finance farmers and small businesses dedicated to the cultivation of African oil palm as well as finance corn growers' investments in irrigation systems.

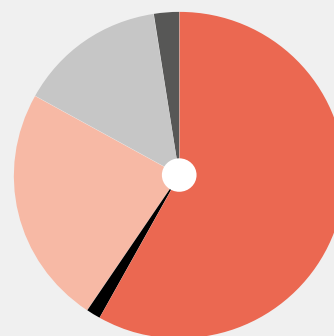
UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PICHINCHA C.A.

Client: Banco Pichincha C.A.

TOTAL AMOUNT: USD 35 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital for the bank's clients.

2015 APPROVALS BY STRATEGIC AREA



- **58.1%**
Economic Infrastructure
- **23.8%**
Financial systems and capital markets
- **14.2%**
Competitiveness, productive sector and MSMEs
- **2.5%**
Environmental and social development
- **1.4%**
Governance and social capital

1.0

USD BILLION
TOTAL APPROVALS IN ECUADOR DURING 2015

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO D-MIRO S.A.

Client: Banco D-Miro S.A.

TOTAL AMOUNT: USD 3 MILLION
TERM: MULTIPLE

Objective: Finance working capital needs through microcredits for small poultry farmers, subsistence fishing, handcrafted textiles and other micro-business ventures in biotrade activities in the provinces of Guayas, Santa Elena, Los Rios, El Oro and Manabi.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 11.7 MILLION
TERM: MULTIPLE

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ECUADOR

11.7

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED ECUADOR



INFRASTRUCTURE

- Launch of the publication *Infraestructura Pública y Participación Privada: conceptos y experiencias en América y España* (Public infrastructure and private equity: concepts and experiences in the Americas and Spain), to present alternative forms of participation for the private sector in the development of infrastructure and analyze experiences, mainly in Spain and Latin America. CAF's contribution represented an input to the design and approval of the recent PPP act.
- Support conferred to the government of the province of Pichincha to conduct advanced pre-feasibility studies for the access road project: *Conexión AGR-EI Arbolito*.

SOCIAL SUSTAINABILITY

- Completion of the productive development project for the community of Colta, province of Chimborazo, through which 10 farmer groups, representing a total of 270 families, were trained in organic production, assembly of nurseries and community savings.

SOCIAL DEVELOPMENT

- In the face of an eventual eruption of the Cotopaxi Volcano, and the effect that the event would have on the drinking water supply in the Metropolitan District of Quito, technical cooperation resources were granted for a consultancy to provide the municipal water and sanitation company with guidance on monitoring, control of the designs and construction of overhead pipelines across several rivers that would be affected by a volcanic eruption.
- The European Union (EU) donated EUR 4 million within the framework of its initiative LAIF-Water and Waste Water Investment Programme in Latin America, with KIW as the financial institution and CAF as executing agency for investments in water and sanitation. CAF and KIW signed a technical cooperation agreement to develop studies to improve the quality of water and sanitation projects in several municipalities.

SOCIAL INNOVATION

- In 2015, CAF continued to support the management and transition of Maquita from non-profit organization to social enterprise: provision of equipment and management for the operation of its plant for semi-finished cacao products; strengthening of its tracking systems for its 22 community collection centers; and the inclusion of young people as internal control inspectors. In addition, activities were initiated to integrate the productive activity of cacao with tourism thereby contributing to the development of local communities.



Modernization of the Guayaquil bus terminal

ENVIRONMENT

- Six thousand different native tree species were planted on 46.7 acres (18.9 hectares) in the northeastern sector of the Cerro Blanco protected forest in Guayaquil, in order to neutralize 189 tons of CO₂, equivalent to the CAF-Ecuador office's carbon footprint. This project was carried out in conjunction with The Nature Conservancy and Fundación Probosque.
- Within the framework of the "measurement of the carbon footprint of Ecuador's food exports" workshops in Guayaquil and Manta, the results of the calculation of the carbon footprint of the banana, chocolate-cacao and tuna sectors were presented.
- Recognition of the financial institutions whose initiatives promote the internalization of environmental and social management principles and practices through the creation of the Sustainable Finance category at the Latin America Green Awards, 2015 Edition.
- Feasibility studies for the "new sectoral mitigation mechanism" program in the waste management sector in five municipalities.

SMES AND MICROFINANCE

- Technical cooperation operation aimed at institutional strengthening granted to the Superintendency of Companies, for the revision and analysis of legislation, institutional aspects and the market for negotiable commercial invoices.
- As a result of CAF's participation in the Agroinvestments Trust, a USD 5.5 million line of credit was approved, along with the disbursement of USD 1 million from a multilateral bank for agricultural producers, an example of the entity's catalytic role in the country.

INSTITUTIONAL DEVELOPMENT AND GOVERNANCE

- Implementation of the leadership program for transformation and governance, policy management and public management carried out by the University of Cuenca and Escuela Superior Politécnica del Litoral (ESPOL), which benefited more than 200 leaders and 108 public officials.
- Implementation of the Program for Leadership, Management and Local Innovation, organized by FARO Group (Foundation for the advancement of reforms and opportunities), to strengthen sub-national democracy through capacity building activities and an exchange of experiences among mayors and municipal officials.
- Organization of the first national meeting of young leaders in Manta, with the participation of 22 Ecuadorian young people, within the framework of the #JovenCAF program.

COMPETITIVENESS

- The productive development program Progresar engaged in institutional strengthening activities to improve the internal processes of credit, incorporate environmental requirements and develop non-financial services.
- Technical cooperation resources granted to the Chamber of Small and Medium-sized Enterprises for the development of processed foods and metalworking productive chains.
- Launch of the design process of the export excellence program in Ecuador, through a public-private partnership (ProEcuador and Fedexpor), aimed at developing small and medium-sized exporters' business intelligence and capabilities, as well as the implementation of improvement processes in products and destinations.



PANAMA

In 2015, CAF approved a total USD 527 million in operations in Panama, of which 57% (USD 300 million) corresponded to sovereign risk operations and 43% (USD 227 million) to non-sovereign risk operations.

CAF continued to position itself as a key player in the national government's project to provide the country's entire population with access to drinking water, sanitary bathrooms, basic services and wastewater treatment. Of the total approvals, USD 185 million was awarded to support the implementation of the sanitation project for Panama City and Bay, of which USD 110 million was allocated for the construction of the second module of the Wastewater Treatment Plant (PTAR, for its acronym in Spanish). In addition, two operations—USD 30 million and USD 45 million—were approved for the complementary works needed for the implementation of the third stage of the sewerage system project in San Miguelito and Panama Norte, settlements located east of Panama City.

A highlight of 2015 was the approval of USD 115 million for a sector-wide approach for transport, which grants freely available resources to the Republic of Panama, in recognition of investments in this sector over the period 2014-2016.

For the financial sector, USD 226 million in uncommitted revolving credit lines was approved to finance foreign trade operations, working capital and support for the agro-industrial sector. Bancolombia Panamá and Banco Nacional de Panamá were granted credit lines for USD 50 million each, with Global Bank Corporation and Multi Bank receiving USD 30 million each.



Construction of the second module of the wastewater treatment plant

 **PANAMA IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	527	1,962
Sovereign risk	300	1,289
Non-sovereign risk	227	673
Disbursements	155	1,334
Sovereign risk	76	825
Non-sovereign risk	79	509
		2015
Portfolio		1,177
Sovereign risk		806
Non-sovereign risk		371

APPROVALS IN PANAMA

SECTOR-WIDE APPROACH FOR TRANSPORT *Client/Executor: Republic of Panama / Ministry of Economy and Finance*

TOTAL AMOUNT: USD 115 MILLION
TERM: 15 YEARS

Objective: The main aim of the Strategic Plan of the Government of Panama (PEG, for its acronym in Spanish) is social equity: raising the population's standard of living, boosting competitiveness and sustainable economic growth, and giving priority to public investment. Over two-thirds (71.5%) of the five-year budget is allocated for social development (water and sanitation, garbage removal, housing, urban transport, healthcare and transfers) and human development (basic education, technical training). In this regard, by contributing freely available resources, the operation aims to support the design, structuring and implementation of public policies to improve the transport sector carried out by the Republic of Panama.

SANITATION PROGRAM FOR PANAMA CITY AND BAY—SECOND MODULE OF THE WASTEWATER TREATMENT PLANT *Client/Executor: Republic of Panama / Ministry of Health*

TOTAL AMOUNT: USD 110 MILLION
TERM: 16 YEARS

Objective: Improve the sanitary conditions, particularly in low-income city neighborhoods, in order to reduce the pollution of the riverbeds and urban rivers in the metropolitan area of Panama City. In addition, the project aims to environmentally restore Panama Bay's ecosystem, through the construction and operation of a wastewater treatment plant. The project, which constitutes the second module of an operation that has been successfully implemented since 2013, outlines the implementation of complementary works for the sewerage system, and contributes to institutional strengthening aimed at reinforcing the operational and maintenance competencies of the infrastructure.

THIRD STAGE OF SEWERAGE SYSTEM PROJECT IN SAN MIGUELITO AND PANAMA NORTE *Client/Executor: Republic of Panama / Ministry of Health*

TOTAL AMOUNT: USD 30 MILLION
TERM: 16 YEARS

Objective: Continue the expansion of the system of wastewater collection and treatment in the metropolitan area, as part of the Sanitation Project for Panama City and Bay (PSCBP, for its initials in Spanish), the Republic of Panama's largest investment project in the field of public health and environmental improvement. This project will improve health conditions, the environment and the population's quality of life. The operation, which gives continuity to the project's first and second stages, will provide basic sanitation to 70,000 inhabitants of the districts of San Miguelito and Panama Norte. This will improve their living conditions, recover the environmental quality of the area and reduce the risks to human health.

THIRD STAGE OF SEWERAGE SYSTEM PROJECT IN SAN MIGUELITO AND PANAMA NORTE II *Client/Executor: Republic of Panama / Ministry of Health*

TOTAL AMOUNT: USD 45 MILLION
TERM: 16 YEARS

Objective: Build two groups of sewer drainage works called package 1 "Panama Norte" and package 2 "Samaria and Arnulfo Arias," two essential components of the Sanitation Project for Panama City and Bay (PSCBP, for its initials in Spanish). These sewer networks will be connected to the collector of the Juan Díaz River Basin, which is under construction. All this will contribute to improving public health and the population's quality of life.

UNCOMMITTED REVOLVING CREDIT LINE FOR GLOBAL BANK CORPORATION S.A. *Client: Global Bank Corporation S.A.*

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO NACIONAL DE PANAMÁ *Client: Banco Nacional de Panamá*

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Finance the foreign trade operations, working capital and investment projects for the bank's clients.

UNCOMMITTED REVOLVING CREDIT LINE FOR MULTI BANK S.A. *Client: Multi Bank S.A.*

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE BOGOTÁ S.A.-PANAMÁ *Client: Banco de Bogotá S.A.-Panamá*

TOTAL AMOUNT: USD 20 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCOLOMBIA PANAMÁ S.A.
Client: Bancolombia Panamá S.A.

TOTAL AMOUNT: USD 50 MILLION
 TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR CREDI CORP BANK S.A.
Client: Credi Corp Bank S.A.

TOTAL AMOUNT: USD 15 MILLION
 TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR MICROSERFIN S.A.
Client: Microserfin S.A.

TOTAL AMOUNT: USD 1 MILLION
 TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO LA HIPOTECARIA S.A.
Client: Banco La Hipotecaria S.A.

TOTAL AMOUNT: USD 15 MILLION
 TERM: MULTIPLE

Objective: Finance the portfolio of Banco La Hipotecaria in Panama and its Colombian subsidiary (La Hipotecaria Compañía de Financiamiento); grant guarantees in favor of creditors that finance its Colombian subsidiary (under warranty of La Hipotecaria Panamá). This credit line seeks to facilitate Panamanians' access to credit so they can buy their own homes, which is a problem that affects a large part of the population because of high prices as result of the exponential growth of the construction sector in the country coupled with the high demand for real estate.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO PANAMEÑO DE LA VIVIENDA S.A.
Client: Banco Panameño de la Vivienda S.A.

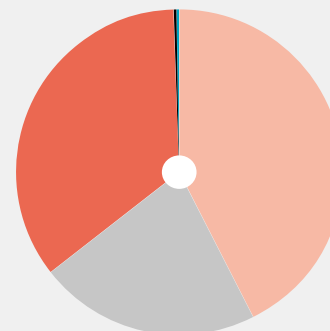
TOTAL AMOUNT: USD 15 MILLION
 TERM: MULTIPLE

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

OTHER TRANSACTIONS WITH COOPERATION RESOURCES
Client: Multiple

TOTAL AMOUNT: USD 0.9 MILLION
 TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



- **42.7%**
Financial systems and capital markets
- **35.1%**
Environmental and social development
- **21.8%**
Economic infrastructure
- **0.2%**
Governance and social capital
- **0.1%**
Competitiveness, productive sector and MSMEs

527

USD MILLION
 TOTAL APPROVALS IN PANAMA DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PANAMA

0.9

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED PANAMA



INFRASTRUCTURE

- Support for the Central American Fiber Optic Network (REDCA, for its acronym in Spanish) for the study of traffic along Internet exchange points (IXP) in Panama.

SOCIAL DEVELOPMENT

- Support for the Panamanian Chamber of Books for the organization of the XI International Book Fair.
- Support for the Private Sector Council for Educational Assistance (COSPAE, for its acronym in Spanish) for the organization of the Business Forum for “Technical Training, Employment and Public Safety.”
- Support for a non-profit Foundation for the Development of Controlled Environment Agriculture for the organization of the International Congress on Controlled Environment Agriculture.

ENVIRONMENT

- Support for the Panamanian Government for the institutional strengthening and modernization of its environmental management system.
- Support for the Natura Foundation for the organization of the XVII Annual Assembly of the Network of Environmental Funds in Latin America and the Caribbean.

GOVERNANCE

- Strengthening of the governance, public administration and policy management program conducted in partnership with the University of Panama and George Washington University.
- Support for the “Leadership for Transformation program” carried out in partnership with Universidad Católica de Santa María la Antigua (USMA, for its acronym in Spanish).



Sector-wide approach for transport

COMPETITIVENESS

- Support for the Panamanian Chamber of Commerce, Industries and Agriculture for the organization of Expo Logística 2015.
- Support for the Panamanian Association of Business Executives for the organization of CADE 2015: Logistics, the motor of development for Central America and Panama.
- Conducted study to develop an investment roadmap for the agricultural sector in Chiriqui, through a contribution to the Inter-American Institute for Cooperation on Agriculture (IICA, for its acronym in Spanish).

INSTITUTIONAL DEVELOPMENT

- Support for the Ministry of Foreign Affairs for the coordination of foreign policy with the National Development Agenda.
- Institutional strengthening of the David and Baru municipalities and a proposal for the creation of the municipality of Tierras Altas in the province of Chiriqui, through the Interior Ministry of Panama.
- Institutional strengthening in technological innovation at the Universidad Tecnológica de Panamá (UTP, for its initials in Spanish).



PARAGUAY

In 2015, CAF approved a total USD 307 million in operations in Paraguay, of which 65% (USD 200 million) corresponded to sovereign risk operations and 35% (USD 107 million) to non-sovereign risk operations.

In relation to sovereign risk operations, CAF provided technical and financial support to the road transport sector. USD 100 million was allocated for a project to build access roads and bridges in the Eastern region of the country, which is the second phase of a similar program approved in 2014. The paved Roadway Network program received USD 100 million to finance construction, upgrading and maintenance works (CREMA for its initials in Spanish). These approvals give continuity to CAF's strategic financing for Paraguay's road sector, as part of the National Development Plan (PND, for its initials in Spanish).

In relation to non-sovereign risk operations, CAF renewed several financial institutions' lines of credit, representing approvals for a total of USD 107 million. The renewals aimed to contribute to high-impact, socio-productive initiatives through financing for foreign trade operations and working capital. The approved lines of credit were granted Banco Continental for USD 25 million and Banco Itaú and Banco Regional for USD 20 million each. It should be noted that the renewal of Interfisa Banco's credit line for USD 3.5 million included an equity investment of USD 0.5 million.



Support was granted Paraguay's national government in the design of a national policy for science, technology and innovation.

 **PARAGUAY IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	307	1,228
Sovereign risk	200	747
Non-sovereign risk	107	481
Disbursements	102	361
Sovereign risk	66	193
Non-sovereign risk	36	169
		2015
Portfolio		291
Sovereign risk		203
Non-sovereign risk		87

APPROVALS IN PARAGUAY

PROGRAM FOR THE IMPROVEMENT OF ACCESS ROADS AND BRIDGES IN THE EASTERN REGION

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

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: Increase and maintain the level of service of a substantial section of the priority access road network in order to contribute to affected rural communities' socio-economic development and access to social services. This will be achieved through a series of components that include upgrading and management of approximately 350 km of priority main roads and the development of engineering projects for bridges. These investments will benefit local, regional and national economic growth as well as social welfare throughout the project's area of influence. This operation represents the second stage of the improvement program for access roads and bridges in rural areas, approved by CAF in 2014.

THE PAVED ROAD NETWORK PROJECT

Client/executor: the republic of paraguay / ministry of public works and communications

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: Contribute to the completion of a paved road network with levels of trafficability, preserving road heritage for the country's economy. The direct benefits of the project include reduced travel times, lower operational costs and less vehicle maintenance for the users. The project is in line with the government's current strategy to implement works within the framework of the country's National Development Plan (PND for its initials in Spanish) and in the context of the territoriality approach to public investment. The proposed works in the Eastern part of the country are of vital importance for establishing ties between departments and cities in the region, including trade in areas of logistics development linked to the port of Pilar and the Paraguay-Parana waterway.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO CONTINENTAL S.A.E.C.A.

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

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

Objective: Promote economic development through the facilitation of investment, financing and lines of credit available in the country or abroad.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANVIVIENDA

Client: Banvivienda

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Finance activities in support of micro-enterprises and small and medium-sized enterprises in Paraguay.

UNCOMMITTED REVOLVING CREDIT LINE FOR INTERFISA FINANCIERA S.A.E.C.A.

Client: INTERFISA Financiera S.A.E.C.A.

TOTAL AMOUNT: USD 4 MILLION
TERM: MULTIPLE

Objective: Financing for micro and small companies in Paraguay.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCOP S.A.

Client: BANCOP S.A.

TOTAL AMOUNT: USD 3 MILLION
TERM: MULTIPLE

Objective: Finance small and medium-sized enterprises in Paraguay. Bancop was created with the purpose of generating new and innovative sources of financing in the market of cooperatives that contribute to the development and growth of the productive bases of the agro-industrial sectors and to support the country's sustainable development.

UNCOMMITTED REVOLVING CREDIT LINE FOR VISIÓN BANCO S.A.E.C.A.

Client: Visión Banco S.A.E.C.A.

TOTAL AMOUNT: USD 5 MILLION
TERM: MULTIPLE

Objective: Finance activities in support of micro-enterprises and small and medium-sized enterprises in Paraguay.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO ITAÚ PARAGUAY S.A.

Client: Banco Itaú Paraguay S.A.

TOTAL AMOUNT: USD 20 MILLION
TERM: MULTIPLE

Objective: Finance projects and investments aimed at the development of SMEs and the consumer segment.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BILBAO VIZCAYA ARGENTARIA PARAGUAY--BBVA PARAGUAY

Client: Banco Bilbao Vizcaya Argentaria Paraguay-BBVA Paraguay.

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Support BBVA Paraguay in its strategy aimed at granting commercial loans to companies linked to agriculture and livestock.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO REGIONAL S.A.E.C.A.

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

TOTAL AMOUNT: USD 20 MILLION
TERM: MULTIPLE

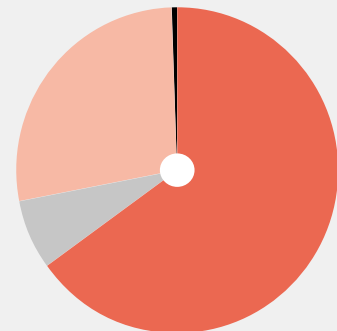
Objective: Finance activities in support of micro-enterprises and small and medium-sized enterprises in Paraguay.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 0.8 MILLION
TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



● **65.1%**
Economic infrastructure

● **27.7 %**
Financial systems and capital markets

● **7.0%**
Competitiveness, productive sector and MSMEs

● **0.3%**
Governance and social capital

307

USD MILLION

TOTAL APPROVALS IN PARAGUAY DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PARAGUAY

0.8

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED PARAGUAY



INFRASTRUCTURE

- Support for the Ministry of Public Works and Communications through the approval of two technical cooperation initiatives for the preparation of road projects.

SOCIAL DEVELOPMENT

- Support for the Ministry of Education through technical cooperation initiatives to assess and survey educational infrastructure needs.

SOCIAL INNOVATION

- Mapping and survey of data in the Buen Pastor female penitentiary in Asuncion, in order to design a business model of human development inside the prison.

GOVERNANCE AND PUBLIC ADMINISTRATION

- With academic support from George Washington University, the Governance, Program of Public Administration and Policy Management was organized for the first time through the office of graduate studies of Universidad Columbia del Paraguay. In 2015, 111 public officials and civil society actors were trained through this program.
- Support for the national government to design a national policy for science, technology and innovation in Paraguay, in order to define a comprehensive strategy for the development of initiatives to overcome barriers and constraints that affect the different stages of the innovation process and limit the innovation potential of Paraguayan institutions and companies.
- Support for a plan to revitalize the historic center of Asuncion through the National Office of the Secretary of Culture, thereby strengthening the executive secretariat of the Masterplan for the Revitalization of the Historic Center of Asuncion (PlanCHA, for its acronym in Spanish) through the training of its members, generation of baseline data, definition of an implementation plan and launch of a pilot plan; as well as dissemination, promotion and consolidation of the ideas raised in the PlanCHA between the main players able to influence the plan's objectives.
- Support for the Undersecretariat of Economy (SSEE, for its acronym in Spanish) of the Ministry of Finance to strengthen the competencies of the SSEE's technical levels, as well as the development of economic, financial, fiscal and public borrowing policies.



Support for initial education initiatives

SMES AND MICROFINANCE

- Support for the organization of the V National Microfinance Summit.

YOUTH

- Organization of the first national Meeting of Young Leaders in Paraguay, within the framework of the #JovenCAF program. Twenty-five young Paraguayan leaders met in Asuncion to discuss the development needs and perspectives of their country.
- Participation in the VI Ibero-American Congress of Young Entrepreneurs and the V Congress of Young Entrepreneurs of Paraguay organized by the Ibero-American Federation of Young Entrepreneurs (FIJE, for its acronym in Spanish) and the Association of Young Entrepreneurs in Paraguay (AJE, for its acronym in Spanish). Within the framework of the meeting, which brought together more than 1,000 young people from the business sector, CAF was acknowledged for its institutional support for the development of the entrepreneurial youth in Paraguay and Ibero-America.



PERU

In 2015, CAF approved a total USD 2.4 billion in operations in favor of Peru, of which 33% (USD 781 million) corresponded to sovereign risk operations and 66% (USD 1.6 billion) to non-sovereign risk operations.

In 2015, approvals for the Republic of Peru included a USD 81 million co-financing operation for the second stage of the Majes Sigwas project, which CAF first financed in 2010. The project's implementation will provide irrigation for 95,136 acres (38,500 hectares) in Pampas de Sigwas, taking advantage of the surplus water of the Apurimac River with the construction of the Angostura Dam, in addition to water regulation, diversion, catchment and diversion works. Moreover, this operation strengthens CAF's position as the main financier in the Peruvian irrigation infrastructure sector.

CAF also approved the renovation of two contingent credit lines for the Republic of Peru for a total of USD 700 million. These approvals included USD 300 million to address contingencies that may arise from emergencies related to natural disasters and USD 400 million in support of the government's public debt management strategy to mitigate risks arising from international financial markets.

Another highlight was a corporate loan awarded to La Virgen S.A.C. for USD 50 million. This special purpose vehicle was created to build and operate a run-of-the-river hydroelectric power plant in two phases. The first will bring 64 MW online and the second, 84 MW of capacity, in the province of Chanchamayo, in the region of Junin in Peru. The power plant will sell 74% of its energy on the spot market with the remaining portion sold through long-term electricity supply agreements.

Likewise, CAF approved another USD 31 million in new revolving lines of credit for financial institutions in the agricultural sector, to finance credit facilities for agro-industry and focus the private sector's strategy on the sector's productive transformation. The total is divided into USD 30 million for Agrobanco and the expansion of a USD 1 million line of credit for Cooperativa Abaco. In addition, CAF renewed USD 1 billion in credit lines for the financial sector and USD 375 million for the corporate sector during 2015.



Olmos Irrigation and Hydroelectricity Power Project

 **PERU IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	2,366	11,359
Sovereign risk	781	3,780
Non-sovereign risk	1,585	7,578
Disbursements	545	4,394
Sovereign risk	130	740
Non-sovereign risk	415	3,654
		2015
Portfolio		2,310
Sovereign risk		1,572
Non-sovereign risk		738

APPROVALS IN PERU

PHASE-STAGE II OF THE MAJES SIGUAS PROJECT

Client/Executor: Republic of Peru / Arequipa Regional Government

TOTAL AMOUNT: USD 81 MILLION
TERM: 16 YEARS

Objective: Establish internationally competitive agriculture in Pampas de Sigüas, making the area one of the main sources of new jobs and income. A series of investments are planned in relation to the construction of a regulation dam in Angostura; the Angostura-Colca diversion tunnel; the Lluçlla-Sigüas diversion works, which will include the construction of the Lluçlla water intake and a three-chamber desander; and other works related to piping, regulating vessels and the distribution network to the header of the lots for the irrigation of 95,136 acres (38,500 ha), which will contribute to the agricultural development of the area. The loan represents the second stage of an operation approved by CAF in 2010.

LONG-TERM LOAN FOR LA VIRGEN S.A.C.

Client: La Virgen S.A.C.

TOTAL AMOUNT: USD 50 MILLION
TERM: 15 YEARS
CO-FINANCING (DEG): USD 30 MILLION

Objective: La Virgen S.A.C. is a special purpose vehicle created to build and operate a run-of-the-river hydroelectric power plant in two phases: 64 MW in phase 1 and 84 MW in phase 2 in the province of Chanchamayo, in the region of Junin, Peru. The power plant will sell 74% of its energy on the spot market with the remnant sold through long-term electricity supply agreements.

UNCOMMITTED REVOLVING CREDIT LINE FOR THE REFINERY REFINERÍA LA PAMPILLA S.A.A.

Client: Refinery La Pampilla S.A.A.

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR TECNOLÓGICA DE ALIMENTOS S.A.-TASA

Client: Tecnológica de Alimentos S.A. - TASA

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

CONTINGENT CREDIT LINE

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

TOTAL AMOUNT: USD 400 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR TELEFÓNICA DEL PERÚ S.A.A.

Client: Telefónica del Perú S.A.A.

TOTAL AMOUNT: USD 100 MILLION
TERM: MULTIPLE

Objective: Finance the second largest telecommunications company in Peru with the purpose of contributing to the nationwide expansion of this sector. Investments will help give the Peruvian population access to fixed-line and mobile telephone services, satellite TV and broadband internet, which are cornerstones for the socio-economic development of today's societies.

UNCOMMITTED REVOLVING CREDIT LINE FOR GRAÑA Y MONTERO S.A. AND SUBSIDIARIES

Client: Graña y Montero S.A. and subsidiaries

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

Objective: Issue bank guarantees to cover obligations of GyM S.A. and its subsidiaries, and grant bridge loans to jump start projects.

CONTINGENT CREDIT LINE FOR NATURAL DISASTER EMERGENCY RESPONSE

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

TOTAL AMOUNT: USD 300 MILLION
TERM: MULTIPLE

Objective: Provide timely resources in the event of a natural disaster for prevention, rehabilitation and reconstruction of possible losses of physical, natural and social capital throughout the country. If needed, the credit line would confer Peru immediate resources for primary care of victims, rehabilitation of critical public services, reconstruction of works and the purchase of medicine, equipment and instruments as needed.

UNCOMMITTED REVOLVING CREDIT LINE FOR PETRÓLEOS DEL PERÚ S.A.-PETROPERÚ

Client: Petróleos del Perú S.A.-PETROPERÚ

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital, including letters of credit for imports, required by PETROPERU, the main state-owned national oil company, which transports, refines and sells fuels and other petroleum products.

UNCOMMITTED REVOLVING CREDIT LINE FOR MOTA ENJIL PERÚ S.A. AND SUBSIDIARIES

Client: Mota Engil Perú S.A. and subsidiaries

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

Objective: Issue bank guarantees to cover obligations of the company and its subsidiaries. Mota Engil Peru carried out several infrastructure projects in the country; this line of credit will help develop this sector, which is vital to the Peruvian economy.

UNCOMMITTED REVOLVING CREDIT LINE FOR CORPORACIÓN FINANCIERA DE DESARROLLO S.A. -COFIDE

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

TOTAL AMOUNT: USD 350 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO DE CRÉDITO DEL PERÚ S.A.

Client: Banco de Crédito del Perú S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR SCOTIABANK PERÚ S.A.A.

Client: Scotiabank Peru S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BBVA CONTINENTAL

Client: BBVA Continental S.A.

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO INTERNACIONAL DEL PERÚ S.A.- INTERBANK.

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

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR COOPERATIVA DE AHORRO Y CRÉDITO ABACO

Client: Cooperativa de Ahorro y Crédito ABACO.

TOTAL AMOUNT: USD 3 MILLION
TERM: MULTIPLE

Objective: ABACO is a microfinance institution focused on the financing of agricultural activities and value chains that benefit small producers, micro and small enterprises in rural areas.

UNCOMMITTED REVOLVING CREDIT LINE FOR FINANCIERA CONFIANZA S.A.A.

Client: Financiera Confianza S.A.A.

TOTAL AMOUNT: USD 6 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO INTERAMERICANODE FINANZAS S.A.

Client: Banco Interamericano de Finanzas S.A.

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

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

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO AGROPECUARIOS.A.-AGROBANCO

Client: Banco Agropecuario S.A.-Agrobanco

TOTAL AMOUNT: USD 30 MILLION
TERM: MULTIPLE

Objective: Finance Agrobanco's activities and those of the bank's customers; as well as the issuance of guarantees or surety bonds. Agrobanco is the Peruvian government's main financial support instrument for the development of the agricultural sector. Its objective is to promote and facilitate loans for the agricultural sector mainly from retail lenders, and, to a lesser extent, wholesale lenders, providing technical assistance as needed.

UNCOMMITTED REVOLVING CREDIT LINE FOR FINANCIERA EDYFICAR S.A.

Client: Financiera EDYFICAR S.A.

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

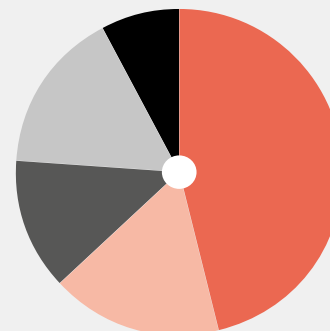
Objective: Finance investment projects and working capital for the development of small and micro enterprises in Peru.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 1.5 MILLION
TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



- **46.3%**
Financial systems and capital markets
- **16.9%**
Macroeconomic stability and structural reforms
- **16.1%**
Environmental and social development
- **12.9%**
Economic infrastructure
- **7.7%**
Competitiveness, productive sector and MSMEs
- **0.1%**
Governance and social capital

2.4

USD BILLION
TOTAL APPROVALS IN PERU DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PERU

1.5

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED PERU



INFRASTRUCTURE

- Support for the Ministry of Housing, Construction and Sanitation (MVCS, for its initials in Spanish) for the improvement and modernization of mobility and public transport systems in Peruvian cities.
- Organization of a workshop about mobility and transport in the provincial municipality of Piura to discuss mobility issues in the city of Piura, and work on a roadmap.

SOCIAL SUSTAINABILITY

- Support for the project to structure an inter-district public system of bicycles in an effort to structure, design, and determine the bases for the implementation of a transportation system with financial, operational and social sustainability in six districts in the city of Lima.

SOCIAL DEVELOPMENT

- Support for the design of an urban system in the territory of direct influence of the third stage of the Chavimochic special project, framed in the development of new cities in Peru led by the Ministry of Housing, Construction and Sanitation (MVCS).

GOVERNANCE

- Training of 440 leaders within the framework of the XI Edition of the Leadership for Transformation program organized by the Universidad San Martín de Porres at their Lima and Callao campuses.
- Training of 633 public managers within the framework of the XIII edition of the Governance, Public Administration and Policy Management program organized by the Pontificia Universidad Católica del Perú on the Cusco, Huancayo, Trujillo, Tarapoto, Arequipa, Cajamarca and Lima campuses.
- Support for and participation in the first Inter-American Meeting of Young Legislators organized by the Congress of the Republic of Peru in alliance with the Organization of American States (OAS).



SOMOS program, a network of sports for development in Latin America.

COMPETITIVENESS

- Support for the sustainable economic development of the aquaculture sector along the South coast, through recovery and sustainable exploitation of marine biomass by small-scale fishermen.
- Design of a proposal for a national policy of entrepreneurship, which defines a comprehensive strategy for the development of initiatives to overcome the constraints that affect the stages of the entrepreneurial process and limit entrepreneurial potential in Peru.
- Support for the development of trade fair in the value chain and the promotion of entrepreneurship in Arequipa through strengthening local business agglomerations, as well as institutional capacities for metalworking, clothing and textile sectors.
- Review and redesign of COFIDE's strategic plan to strengthen the role of Peru's development bank and to focus on the priority sectors identified by the government.

DEVELOPMENT STRATEGIES AND PUBLIC POLICIES

- Support for the 2016 Elections project "Focusing the Electoral Debate" in collaboration with the Economic and Social Research Consortium (CIES, for its acronym in Spanish).
- Support for the elaboration of a priority agenda in the field of urban mobility through the project Public Policy Dialogue in conjunction with the Institute of Peruvian Studies (IEP, for its acronym in Spanish).

SOCIAL INNOVATION

- Launch of the social innovation project for connectivity and health in communities of the Peruvian Amazonia, in partnership with Hispanic American Health Link (EHAS), to create a public-private social healthcare business, and convert isolated Peruvian communities into active stakeholders in their development, especially in health, improving upon traditional telemedicine.
- Launch of B Lab's promoter group in Peru in order to support the development of the B Corp model in the country.
- Launch of the "Social Innovation and University Management" seminar, in alliance with the Union of Universities of Latin American, the Avina Foundation and other actors, to foster a dialogue between civil society and the university and to empower academia as an agent of change in sustainable development.
- Launch of a business model at the Miguel Castro Castro penitentiary based on ceramics as a therapeutic and productive tool, in partnership with the not-for-profit Asociación Dignidad Humana y Solidaridad. The procedure to create a community-based financial institution (bankomunal) within the penitentiary was initiated.
- A presentation entitled "What do our organizations need to innovate?" was given at the "Management of innovation and innovation in management" colloquium, organized in Lima by the Pontificia Universidad Católica in Peru.



URUGUAY

In 2015, CAF approved five operations in favor of Uruguay for a total of USD 588 million, of which 87% (USD 510 million) corresponded to sovereign risk operations and 13% (USD 79 million) to non-sovereign risk operations.

Two sovereign risk operations were approved in 2015. The first one was the renewal and extension of a contingent line of credit to the Ministry of Economy and Finance from USD 400 million to USD 500 million. The line of credit aims to support the Oriental Republic of Uruguay's public debt management strategy via a preventive financing instrument.

In addition, CAF granted a USD 10 million loan to the Uruguayan Postal Service for the construction of New Postal Logistics Facilities to increase its logistical capacity and generate greater operational efficiency in the provision of postal services.

Three operations without a sovereign guarantee were approved for USD 77 million, among which a co-financing facility of up to USD 50 million was approved for companies or special purpose vehicles that receive

financing from the Financial Trust Debt Fund for Infrastructure in Uruguay (VEFIU, for its acronym in Spanish). This facility will support public-private projects in several infrastructure sectors, such as transport, logistics and energy, among others. In addition, lines of credit for the companies CEREOIL and TEYMA were renewed for USD 15 million and USD 12 million, respectively, earmarked for the pre-financing of exports and supplier payments.

Finally, to complement CAF's financing activities in Uruguay and support the country's development process, the institution awarded USD 2 million in non-refundable resources to finance projects linked to competitive and financial development, social inclusion, the development of policies in the field of transport and energy, the promotion of culture and the generation of knowledge.



The financial trust debt fund for infrastructure in Uruguay (VEFIU)

 **URUGUAY IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	588	3,304
Sovereign risk	510	2,847
Non-sovereign risk	79	456
Disbursements	200	613
Sovereign risk	136	419
Non-sovereign risk	64	194
		2015
Portfolio		655
Sovereign risk		550
Non-sovereign risk		104

APPROVALS IN URUGUAY

CONSTRUCTION OF POSTAL LOGISTICS FACILITIES FOR THE NATIONAL POSTAL SERVICE OF URUGUAY

Client/Executor: Eastern Republic of Uruguay / National Postal Service

TOTAL AMOUNT: USD 10 MILLION
TERM: 10 YEARS

Objective: Confer the Uruguayan postal service with postal logistics facilities to handle the required processes and ensure operations are carried out efficiently. The project includes the construction of a large multifunctional space for conducting logistical and operational tasks, such as: reception, storage, classification, value addition and dispatch of packages and correspondence to/from worldwide destinations. The new facilities will replace the three current facilities that process national and international correspondence and parcels.

CONTINGENT CREDIT LINE

Client/Executor: Eastern Republic of Uruguay / Ministry of Economy and Finance

TOTAL AMOUNT: USD 500 MILLION
TERM: MULTIPLE

Objective: Support the public debt management strategy spearheaded by Uruguay's Ministry of Economy and Finance through a preventive instrument of financing that provides financial resources to the country in a manner that is competitive and consistent with its liability management strategy in the event that the country cannot access international capital markets.

UNCOMMITTED CREDIT LINE FOR CEREOL URUGUAY S.A.

Client: Cereol Uruguay S.A.

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

Objective: Further support the agro-industrial activity in Uruguay through local and international banks. At the same time it aims to accompany growth of production and exports of the leading agrifood sector companies in Uruguay.

UNCOMMITTED REVOLVING CREDIT LINE FOR TEYMA URUGUAY S.A.

Client: Teyma Uruguay S.A.

TOTAL AMOUNT: USD 12 MILLION
TERM: MULTIPLE

Objective: Promote environmental and sustainability good practices in the private sector through TEYMA, a key player in the implementation of innovative solutions for sustainable development.

CO-FINANCING FACILITY FOR BUSINESSES OR SPECIAL PURPOSE VEHICLES THAT RECEIVE FUNDING FROM THE FINANCIAL TRUST DEBT FUND FOR INFRASTRUCTURE IN URUGUAY (VEFIU)

Client: Fund Manager (CAF-AMU)

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

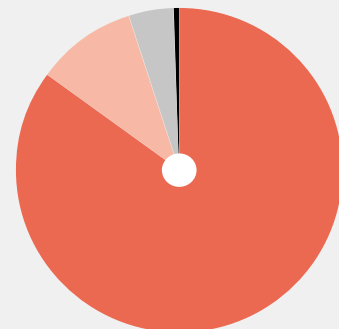
Objective: Grant a credit facility, in the form of co-financing, whose beneficiaries are mainly public-private partnerships in the infrastructure sectors (in a broad sense: transport and logistics, energy, social sector, etc.) in Uruguay without ruling out other projects of national interest carried out under a different modality.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 1.8 MILLION
TERM: MULTIPLE

2015 APPROVALS BY STRATEGIC AREA



- **85.0%**
Macroeconomic stability and structural reforms
- **10.1%**
Economic infrastructure
- **4.6%**
Competitiveness, productive sector and MSMEs
- **0.3%**
Governance and social capital

588

USD MILLION
TOTAL APPROVALS IN URUGUAY DURING 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN URUGUAY

1.8

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED URUGUAY



COMPETITIVENESS

- Support for the development of the stock market, through an assessment of the structure of the stock market in Uruguay, and recommendations for its development.
- Support for the School of Economics and Administration of the Universidad de la República to conduct a review of its graduate programs.
- Support for the Ministry of Industry, Energy and Mining to provide technical assistance to four collective management organizations for the formulation and implementation of productive projects, associated adding value to their products and their inclusion in growing sectors of the economy.
- Support for the network of angel investors that form part of the program Xcala, through three local networks, to increase the number of investors in each of the networks; the number of female investors; the number of operations concluded by the network; and, the amount of financial resources captured by the network.

SOCIAL INNOVATION

- Support for the establishment of B Lab as a model that promotes the use of market forces to resolve social and environmental problems and the promotion of 11 B Corps in the country.
- Participation in B Lab's the regional meeting with the aim of contributing to the movement's strategic plan in the medium term.
- Organization of two open calls in association with Socialab in support of two generations of "CAF Innovators" and the incubation of their startups.

SOCIAL INCLUSION

- Contribution to the state-owned company OSE to carry out a feasibility study for the optimization of the purification process performed by water treatment plants and applied to running and Sauce Lagoon water, and to develop a preliminary plan to address taste and smell issues in drinking water.



Support to optimize the purification process at treatment plants, running water and Sauce Lagoon.

TRANSPORTATION

- Analysis of measures for multimodal optimization and introduction of new technologies.
- Support for the municipality of Montevideo for the implementation of a survey about urban mobility in the metropolitan area of Montevideo to develop public policies and project management initiatives that enable efficient, modern and sustainable mobility.
- Strategic proposal for the development of the port of Montevideo and related business units so that the National Port Authority can reconsider long-term investment needs to translate them into specific investments that contribute to the sustainability of the port business.

ENERGY

- Support for the Electricity Market Administration's project to integrate wind resource and solar radiation forecasts with the optimal operating tools of the National Interconnected System.

CULTURE

- Assistance to the non-profit organization Amigos del Teatro Solís (Spanish for Supporters of the Solís Theater) in the development and implementation of a software program that provides visitors with access to the theater's digital archives.
- Historic and cultural revitalization of Montevideo's historic center.



VENEZUELA

In 2015, CAF approved a total USD 501 million in operations in favor of Venezuela, of which 80% (USD 400 million) corresponded to sovereign risk operations and 20% (USD 101 million) to non-sovereign risk and non-reimbursable technical cooperation operations.

In energy sector, with the objective of accompanying the National Electrical Sector Development Plan (PDSN, for its acronym in Spanish), CAF approved USD 100 million to expand the capacity of transformation and power supply in the regional system, particularly in the central region of the country (Valles del Tuy). This operation seeks to strengthen the electricity distribution system through the construction of a large 230/115 kV substation, which will be fed by the 765 kV lines coming from the National Transmission System. The substation, called Cua, will facilitate the construction of three new 115 kV substations (Yare II, Valle Verde and Cantarrana). Altogether, the project will supply the electrical power required to meet energy demand of Valles del Tuy's local population and development centers.

In addition to financing for the electricity sector, USD 300 million were approved for a comprehensive

scope sectoral program for road infrastructure. The purpose of this program is to preserve the country's road infrastructure, promoting sustainability and improving the levels of trafficability and service. The sectoral program will support the continuity of the implementation of the National Plan for Road Maintenance within the framework of the 2013-2019 Master Plan from the Ministry of Ground Transportation and Public Works.

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

Finally, the institution granted close to USD 1 million in non-refundable resources to finance projects related to issues such as governance, education and culture, competitiveness, social innovation, among others.



Project to expand the capacity of electricity transformation and power supply in the regional system

 **VENEZUELA IN FIGURES** (in millions of USD)

	2015	2011-2015
Approvals	501	2,251
Sovereign risk	400	2,045
Non-sovereign risk	101	206
Disbursements	364	2,269
Sovereign risk	363	2,265
Non-sovereign risk	0	5
		2015
Portfolio		3,094
Sovereign risk		3,094
Non-sovereign risk		0

APPROVALS IN VENEZUELA

COMPREHENSIVE-SCOPE SECTORAL LOAN FOR ROAD INFRASTRUCTURE

*Client/Executor: Bolivarian Republic of Venezuela /
Ministry of Economy and Finance*

TOTAL AMOUNT: USD 300 MILLION
TERM: 15 YEARS

Objective: Support the restitution of resources for the implementation of investments carried out for the management of the road sector, in matters related to the development of land transport, as part of the Plan of the Fatherland, the Second Socialist Plan of Economic and Social Development of the Nation, for the 2013-2019 period. The program will promote investments in new road networks and the conservation of the road infrastructure, with a subsequent positive impact on the improvement of the trafficability conditions, road safety and the quality and level of service, thus facilitating vehicular transport and user comfort.

EXPANSION PROJECT FOR VALLES DEL TUY

*Client/Executor: Bolivarian Republic of Venezuela /
Corporación Eléctrica Nacional, S.A.*

TOTAL AMOUNT: USD 100 MILLION
TERM: 15 YEARS

Objective: Expand the 230 and 115 kV transmission capacity in the electrical system of Valles del Tuy to improve service quality, reduce the load on current substations and contribute to the socio-productive development of the region. Four new substations with their respective transmission lines are planned. They will improve the quality of the electrical service for a population of approximately 517,000 inhabitants in the state of Miranda. It is estimated that these works will generate 1,000 direct jobs and 400 indirect jobs.

UNCOMMITTED REVOLVING CREDIT LINE FOR VENEZUELA'S ECONOMIC AND SOCIAL DEVELOPMENT BANK (BANDES)

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

**TOTAL AMOUNT: USD 100 MILLION
TERM: MULTIPLE**

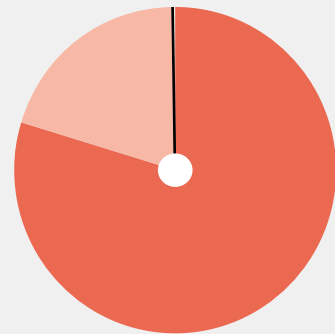
Objective: Finance development and expansion of public and private companies in the sectors associated with infrastructure, energy, oil, telecommunications, technology, agricultural and food, among others.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

**TOTAL AMOUNT: USD 0.9 MILLION
TERM: MULTIPLE**

2015 APPROVALS BY STRATEGIC AREA



- **79.9%**
Economic infrastructure
- **20.0 %**
Financial systems and capital markets
- **0.2%**
Governance and social capital

501

USD MILLION
TOTAL APPROVALS IN VENEZUELA IN 2015

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN VENEZUELA

0.9

(USD MILLION)

CAF TECHNICAL
COOPERATION FUNDS
GRANTED VENEZUELA



GOVERNANCE

- Support for the Governance, Political Management and Public Management Program, which aims to train local government authorities, technical teams and civilians whose function is geared to development management and decentralization. This program will allow participants to exercise their functions with a focus on sustainable development, strategic vision and public efficiency, thereby strengthening municipal development. In 2016, the program will place greater emphasis on public management issues. It will be implemented in Venezuela by the Universidad Católica Andrés Bello and Universidad Simón Bolívar. The institutions will work separately but with the same approach and themes.
- Training for 400 civil society leaders within the framework of the second edition of the Leadership Program for Transformation, organized by the Gumilla Center at its sites in Anzoategui, Bolívar, Caracas, Delta Amacuro, Lara, Mérida, Miranda, Monagas, Nueva Esparta, Sucre, Trujillo and Vargas.

COMPETITIVENESS

- Contribution for the organization of an event to establish an informative and organizational platform for reviewing the cacao industry in Venezuela and the structuring of the economic and social proposals and strategies needed to address the challenges and opportunities in this industry.

SOCIAL INNOVATION

- Startup of the project “Culinary culture as an axis of social innovation” to build a sustainable ecosystem of social, economic and environmental innovation and to utilize gastronomy as an innovative pole for local development, social inclusion, strengthening of self-esteem and national identity.
- Presentation entitled “Social innovation, an imperative of the 21st century” given at the Conference of Innovative Cities in Latin America, organized by Universidad Central in Venezuela.

ENERGY

- Support for Corpoelec (the national electric corporation) to carry out technical, international and specialized consultancy on issues related to management, monitoring and evaluation of generation, transmission and distribution projects underway in the national electricity sector through Corpoelec as the affiliated entity. This technical assistance contemplates an assessment of Corpoelec’s current situation, the methodology to carry out the project management process, the definition of the scope of a project management office and training of human capital to ensure proper project management.
- Support for the Ministry of Electric Power to hire an international consulting firm to facilitate the design and definition of the national energy matrix for the next 35 years and the sub-matrix of the electricity sector to maximize matrix sustainability, through a methodological procedure that values social, environmental, strategic and economic factors.



Música para Crecer (Music to Grow) Program

WATER AND SANITATION

- Technical assistance for support to implement the program to rehabilitate and optimize the major water purification plants in Venezuela. This operation aims to strengthen the project management capacity of the Central-West axis of HIDROVEN through the recruitment of a technical consultancy that drives a process of training, knowledge transfer and best practices for HIDROVEN and the management of projects of the Central-West axis, which will result in an improvement of the implementation of the rehabilitation program of the major treatment plants of Venezuela financed with CAF resources.

EDUCATION AND CULTURE

- Support for the non-profit organization Asociación Civil Valores Educativos (Vale TV) to perform the post-production of the documentary film "Climate Change and the Cariaco Basin". The documentary is about the Cariaco Basin, the largest and deepest underwater anoxic basin in the world that reaches a depth of up to 1,350 meters, containing marine sediments dating back more than 15,000 years. The scientific community has analyzed these sediments to assess the planet's climate change from prehistoric times to the present day.
- Support for the implementation of the VI Latin American and Caribbean Week, an event organized in the Universidad Simón Bolívar, which contributed to a series of reflections and debates of great interest on issues of urban mobility, use of information technologies in the tourism sector, the status of the integration of Venezuela to Mercosur, among others.

HUMANITARIAN AID

- CAF awarded a USD 50,000 grant in the form of humanitarian aid with the objective of contributing in a quick and timely manner to the efforts of the Venezuelan government to provide immediate attention to the inhabitants of the areas affected by flooding in the state of Apure.



CAF performed the first two operations in Barbados in 2015 for a total amount of USD 85 million

OTHER SHAREHOLDER COUNTRIES

BARBADOS/CHILE/
COSTA RICA/SPAIN/
JAMAICA/MEXICO/
PORTUGAL/DOMINICAN
REPUBLIC/TRINIDAD
AND TOBAGO

BARBADOS

In 2015, CAF financed its first two operations for Barbados with the approval of two freely usable quick-disbursing sovereign loans. During the first week of July 2015, within the framework of the first visit of CAF's Executive President, Enrique García, to Barbados, a USD 50 million PBL was granted with the aim of supporting the country's growth and development strategy for the period 2013-2020.

In November, CAF approved another financing operation, granting USD 35 million in a Sector-wide Approach for Transport (swaps) to develop tourism. This operation recognizes the Barbados government's investment efforts in transport over the last two years, which led to increased competitiveness in tourism, the country's main economic activity, which employs about half of the population and generates more than one quarter of the foreign exchange flows in the local economy.

In addition, over the course of the year, several missions visited the country to identify new financing needs, especially in drinking water and sanitation, road infrastructure and transport. CAF also gave technical assistance to the Ministry of Finance and Economic Affairs to strengthen its public investment unit (PIU). This technical assistance will allow the ministry to complete a strategic plan for the PIU, improve training and transmission of expert knowledge, and design and implement public investment projects submitted to multilateral bodies more effectively.

OTHER SHAREHOLDER COUNTRIES IN FIGURES (in millions of USD)

	2015	2011-2015
Approvals	1,978	6,738
Sovereign risk	1,235	3,918
Non-sovereign risk	743	2,820
Disbursements	1,130	3,618
Sovereign risk	688	1,637
Non-sovereign risk	443	1,982
		2015
Portfolio		1,137
Sovereign risk		558
Non-sovereign risk		580

CHILE

In 2015, CAF strengthened its position in Chile with the approval of the first long-term operation and the first financial line of credit in the country. The approved long-term operation was a USD 50 million corporate loan for Atacama Solar S.A. to build, operate and maintain a 143 MW photovoltaic park, 75 km from Iquique, capital of the Tarapaca region, in the north of Chile, one of the areas with the highest level of solar irradiation in all of Latin America. In turn, Banco Santander Chile was awarded a USD 50 million line of credit for short-term working capital operations.

In addition, throughout the year, CAF and Corporación de Fomento de la Producción de Chile (CORFO) held several working meetings in an effort to establish a strategic relationship between the two institutions with the aim of producing a greater impact on the Chilean productive sector and, in particular, the country's SMEs. In this regard, both institutions defined a balanced work agenda to define technical assistance aimed at strengthening the leasing and factoring industries. Approval was expected in 2016. CORFO and CAF agreed to analyze co-financing opportunities and evaluate new future technical assistance operations to address issues related to social innovation and credit risk.

In addition to CAF's financing efforts in Chile, four technical assistance operations were approved for a total of USD 560,000 in 2015. In the first operation, ENAP, the national oil company, was granted USD 370,000 to assess energy efficiency in the company's productive processes in order to establish a baseline of energy consumption in the oil refining and gas production operations, and electricity generation systems.

Secondly, CAF approved a USD 50,000 operation to sponsor the International Festival of Social Innovation (IFSI) in 2015. The purpose of this operation was to support efforts to bolster entrepreneurship and social innovation as agents of change, as well as to encourage a new way of doing business that addresses social issues by working in a collaborative, intersectoral and multidisciplinary manner.

Thirdly, CAF approved an operation of technical assistance for USD 65,000 in favor of the Superintendency of Banks and Financial Institutions to assess knowledge, skills, attitudes and behaviors of individuals in regard to financial issues to achieve a better understanding of the different dimensions of the financial culture of the Chilean population and design a suitable of financial education and inclusion policy.

A final operation was approved for USD 75,000 in favor of non-profit organization Progresia to conduct a comparative analysis of the degree of institutional development between Uruguay and Chile. The operation will make it possible to publish an analysis of the two countries' institutional performance; facilitate the organization of municipal councils to gather feedback from citizens; and, promote

the development of training in relation to institution strengthening and regional integration of Chile with the rest of the region.

In addition to financing and technical cooperation operations, CAF consolidated its intention to contribute and exchange different experiences of knowledge development in Chile in 2015. In this regard, in partnership with two Chilean universities, CAF analyzed the effectiveness of different public policy interventions for youth employment and social inclusion of young people. The institution also co-participated in research projects on topics related to asymmetric information in the health insurance market in Chile. During the presentation of CAF's economics and development report entitled *(RED: A more effective state. Skills for the design and implementation of public policies, and how to learn from them)*, Chilean political-institutional stakeholders discussed the challenges for increasing government skills related to bureaucracy, public procurement, citizen participation, and systems of monitoring and evaluating public policies.

COSTA RICA

In 2015, CAF reaffirmed its support of Costa Rica's microfinance sector with the renewal of Banco Improsa's line of credit for local small and medium-sized companies. Several missions held in 2015 made it an auspicious year for future operations. They identified financing and technical assistance needs, which will possibly result in one or more operations for the sovereign sector in 2016.

SPAIN

In 2015, CAF strengthened its relationship with the government of Spain, with public and private entities, and with leading academic institutions in the country.

Within the context of CAF's growing presence in Spain at an institutional level, King Felipe VI awarded the institution the Grand Cross of the Order of Isabel the Catholic, which was presented by the Secretary of State for Cooperation and Ibero-America to CAF Executive President Enrique García, in recognition of the efforts made by the institution and the president to promote relations between Spain and the Ibero-American community.

Several memorandums of understanding were also signed with Spain to promote greater cooperation on issues of water and sanitation, cities and education. For example, agreements were signed with the Ministry of Agriculture and Environment and the Ministry of Foreign Affairs and Cooperation, in which the Ministry of Economy and Competitiveness also figures as a signatory. These agreements encourage joint work and the use of knowledge in certain Spanish institutions to contribute to the development of the region.

Institutional representation increased mainly due to CAF's presence on boards and councils of prestigious foundations and institutions, which favored trade and relations between Latin America and the Iberian Peninsula. CAF is a member of the Euroamerica Foundation, Casa de América, Fundación Iberoamericana Empresarial (FIE), Fundación Carolina and the Elcano Royal Institute. Furthermore, the institution actively participates in the Business Leadership Forum organized by the IE Business School.

In this regard, the institution has achieved a greater impact and dissemination among the most important Spanish companies and institutions, being recognized as a promoter of Ibero-American relations for the progress of Latin America and the Caribbean.

In the business sector, the European office's activity is oriented toward the strategic goal of globalizing CAF's business, as well as become the link between Europe, particularly Spain and Portugal, and Latin America and the Caribbean, which defines the relationship with the European public and private business sector.

For the purpose of understanding the needs of Spanish companies in Latin America and to serve as a bridge with the region, CAF supported the creation of the Ibero-American Council of Competitiveness and Productivity, and strengthened its participation in the Fundación Iberoamericana Empresarial, Spanish for Ibero-American Business Foundation (FIE, for its acronym in Spanish), which organized the meeting "Exchange of ideas and proposals on issues related to infrastructure in Ibero-America." Additionally, an alliance forged with the Vocento Group led to the organization of a series of events entitled "Future in Spanish" held in Madrid, Logroño, Malaga and Valencia, which served as a platform for institutional, business and cultural encounters between Spanish and Latin American stakeholders.

This approach to Spain's business base identified a growing demand among small and medium-sized enterprises for instruments that allow them to initiate a process of internationalization toward Latin America and the Caribbean. In response to this need, a decision was made to adapt the existing credit line with the Official Credit Institute (ICO, for its acronym in Spanish) allocating resources to cover guarantees and surety bonds.

In the area of knowledge, partnerships with national think tanks were expanded, including an agreement signed with the Elcano Royal Institute. Along this same line, a study on the phenomenon

of political disaffection and governance affecting all regions was conducted within the framework of the agreement of academic collaboration with Universidad de Alcalá. Based on this theme, an international colloquium entitled “Where are we headed? Political disaffection and governance. The political challenge” was held, where the preliminary findings of the study conducted in June were released. This research resulted in the edition and publication of a was presented in November.

Finally, a relationship with Fundación Carolina was established. In partnership with this institution, the first program of Ibero-American public leadership will be held in 2016 with the participation of 15 high level officials from Latin America. CAF also participated in the International Congress “Elites and leadership in times of change” organized by Universidad de Salamanca and FLACSO Spain. In this regard, CAF formed a strategic alliance with Universidad de Salamanca and other universities of Europe, within the framework of the European Academic Network, which actively contributes to the generation and dissemination of knowledge on topics of interest to Latin America, as well as to the international positioning of the institution.

JAMAICA

In 2015, activity focused on identifying key priority operations for the country’s development that meet the criteria to receive CAF’s support. Additionally, efforts were made to examine the agenda of assistance technical in Jamaica to boost value added interventions that complement the institution’s financial action.

MEXICO

In 2015, CAF approved a total of USD 522 million for Mexico, of which 96% (USD 500 million) corresponded to sovereign risk operations and 4% (USD 22 million) to non-sovereign operations.

Of the approved operations for the sovereign sector, CAF allocated USD 500 million for Mexico through the renewal of uncommitted revolving lines of credit granted to development institutions. In this regard, a USD 200 million line of credit for Bancomext and a USD 300 million line of credit for Nacional Financiera (Nafin) were renewed, aimed at financing working capital, foreign trade and projects of their clients, among other specific activities. In regard to the non-sovereign sector, an equity investment of USD 15 million was

approved for Partners Group Mexican Energy Infrastructure 2014. The fund will provide additional capital for the construction and operation of new gas pipelines and other related projects, such as gas compression and storage or electricity generation. Similarly, a USD 5 million uncommitted revolving line of credit of loans, guarantees and surety bonds was approved for the Finterra Group, to cover general financing needs of the entity and its customers, and the issuance of guarantees in favor of creditors that finance the group.

In respect to social issues, CAF allocated technical cooperation resources to support the development of the II International Congress of Pedestrians “ReCiudad,” organized by local groups Liga Peatonal, Cholula en Bici and A Pata, in order to discuss, propose, and generate pedestrian mobility solutions adapted to the urban reality of Cholula and Mexico.

On the other hand, CAF contributed to the preparation of a road design manual for Mexican cities to encourage local governments to adopt urban plans that prioritize green and efficient mobility, security, accessibility and efficiency in urban movement, under the concept of “complete streets” in harmony with CAF’s program Cities with a Future. The institution also provided support for the development of CITEK FORUM 2015 in order to offer a platform to lead the community toward the knowledge economy through topics related to the economic sectors in the states of Guanajuato, Queretaro, Jalisco, Aguascalientes, Michoacan and San Luis Potosi (in the region of the Bajío). This provided a space to create networks of knowledge on global innovation and technology initiatives.

In the education sector, CAF formed a partnership with The Trust for The Americas to provide support for the program “Democratech: Democratizing innovation in favor of vulnerable communities” for the creation of innovation centers (hubs), which work as a training vehicle to allow participants to deepen their technological knowledge.

With the Instituto Tecnológico de Estudios Superiores de Monterrey, CAF sponsored the seminar “Exponential technological change,” with the purpose of promoting the use of technology in the preparation of proposals for public policies for development.

In matters related to public policy, support was given to the governorship of Jalisco aimed at strengthening its technical capacity for development. In this context, the “International forum of innovation and metropolitan governance” was organized; a conceptual model was created for the implementation of a laboratory of innovation for the city of Guadalajara; an evidence-based system for the improvement of public policies was developed; and, the open government agenda was promoted through the preparation of an inventory of government practices in the entity.

Likewise, in conjunction with the government of Mexico City, two events were organized: the forum entitled “Airport, city and urban transformation” and ExpoPyMEs CDMX 2015 “The great urban transformation of Mexico City,” which addressed opportunities for development represented by the current location of Mexico City’s international airport, mitigating the effects from the airport’s relocation,

and attracting investments with a long-term vision of improving the quality of life of citizens.

CAF also contributed to the strengthening of the institutional and public action capacity of Mexico City in relation to strategic management policies and responsible use of water in the public space, through multidisciplinary technical support from experts in the field and the inclusion of these topics in the public and political agenda of the Federal District.

CAF sponsored the organization of the III Forum of Citizen Participation of the municipality of San Pedro Garza Garcia, with the aim of supporting the agenda of citizen participation in the planning of policies and matters related to municipal governance.

In an effort to foster social innovation, CAF, together with Fundemex, supported the promotion of efficient partnerships of cooperation between social companies and private companies integrated into the entities of the Coordinating Business Council, to promote the development and strengthening of social enterprises.

CAF also sponsored projects among the four member countries of the Pacific Alliance in the third edition of LAB4+ and organized the first edition of the Pacific Alliance Forum of Leading Businesswomen in Mexico City, to continue the promotion of competitiveness and productive integration of women entrepreneurs and SMEs in Mexico and the region.

Alongside the Organization for Cooperation and Economic Development, CAF sponsored the development of the sixth OECD Roundtable of Mayors and Ministers in Mexico City, with the aim of providing a platform for dialogue between national and subnational leaders from OECD member and non-members countries.

CAF also worked with the National Institute of Entrepreneurship to contribute to the design of a country-brand-like strategy to position and promote the development of an ecosystem of innovation and entrepreneurship in Mexico. The project was also promoted thanks to the development of the Startup Nations Summit 2015, which was carried out in the city of Monterrey in order to promote entrepreneurship in the region in the areas of health, energy, education and financial technology.

Finally, in partnership with Universidad Tecnológica de la Riviera Maya, CAF contributed to the generation of proposals that promote and ensure sustainability in the use and management of water in the aquifer Gran Acuífero Maya (GAM) through the study of the peninsular undersoil over dry caves and cenotes in eight geographical areas of importance in the states of Quintana Roo and Yucatan, the dissemination of results through academic papers and reports, and the fostering of public policy proposals through forums and multidisciplinary debates.

PORTUGAL

CAF continued to strengthen its activity with Portugal over the course of 2015. Highlights include the institution's efforts to foster relations between Europe and Latin America through the IV Strategic Triangle: Latin America-Europe-Africa, an event organized by the Instituto para a Promoção e Desenvolvimento da América Latina (IPDAL), where specialists and high-level institutional officials from these three continents gathered to analyze and present concrete proposals for improvements in their mutual relations.

Additionally, building on its commitment to development in Portugal's business sector, CAF made an equity investment of EUR 500,000 in Sociedade para o Financiamento do Desenvolvimento (SOFID), a Portuguese financial credit institution. CAF increased its catalytic activity and reinforced SOFID's capital to support Portuguese companies' investments in emerging economies. This transaction, which enhances CAF's relationship with the government of Portugal, is a key tool in supporting the Portuguese private sector in the region. In the business sector, CAF finances Mota Engil, one of Portugal's leading engineering and construction companies with operations in Peru and Mexico.

In the academic sector, Institute of Social Sciences of the Universidad de Lisbon joined the academic network of CAF to promote the study of Latin American issues in Portugal.

OTHER ACTIONS CARRIED OUT BY CAF'S EUROPEAN OFFICE

CAF's reputation as a leading stakeholder in Latin America and the Caribbean has increased as the institution continues to promote the links between the region and the European continent at institutional, business and academic levels driving Europe's growing interest in the region.

In 2015, an institutional visit to Brussels and Luxembourg strengthened relations with the European Investment Bank (EIB), as well as with the European Commission (EC) through the Directorate-General for International Cooperation and Development (DEVCO) and the European External Action Service (EEAS).

CAF's executive president conducted institutional visits to several European countries with support from CAF's European office. In the United Kingdom, he met with officials from the Foreign and Commonwealth Office (FCO) and HM Treasury, and also met with the

prime minister's special climate change envoy, and the Department of Energy and Climate Change (DECC) to promote partnerships on infrastructure and climate change.

A roundtable event was organized with members of "The City UK" to discuss legal and financial advice, project financing and PPP initiatives. A meeting was also held with representatives of "Future Cities Catapult" to generate synergies with CAF's Cities with a Future program.

Similarly, CAF executive president's participation at events in France and Italy further consolidated the institution's image in Europe. In Paris, he took part in a seminar organized by Business France about multilateral development banks' activities to analyze the economic situation in Latin America; measures to restore economic growth; and the opportunities offered by the region to foreign investors. He also participated in the VII International Economic Forum for Latin America and the Caribbean, organized by the OECD and the IDB in collaboration with France's ministries of finance and economy.

In Italy, he participated in the VII Italy-Latin America and Caribbean Conference, where representatives of Latin American countries and the Italian Government met.

CAF was present at the European Union-Community of Latin American and Caribbean States (EU-CELAC) Summit in Brussels, represented by CAF's director for Europe, who also participated in the business forum organized by the EU aimed at analyzing the role of SMEs as actors in the integral and sustainable growth.

It should be noted that CAF is partner of the Society of Promotion and Participation for Economic Cooperation (PROPARCO) of the French development agency AFD, which assists the private sector in developing countries.

CAF also contributes to the development of its member countries through the dissemination of research generated by the institution and its strategic partners. In this regard, the institution has strengthened its agreements and partnerships with the most prestigious academic institutions and think tanks in Europe: Oxford University and London School of Economics and Political Science in the UK, Sciences Po in France, Universidade de Lisbon in Portugal, the Alcala and Salamanca universities in Spain. These partnerships have positioned CAF as a leading source on topics of knowledge in Latin America.

In 2015, CAF created the European Academic Network to generate synergies and standardize programs of collaboration between the institution's strategic academic partners. Several international conferences were organized within this framework, including the CAF-LSE Annual Conference, a seminar at Universidad de Alcalá and the II CAF-Science Po Conference to discuss current issues pertinent to Latin America. As a result of these actions, the diffusion of knowledge about the region was bolstered, promoting closer ties with Europe.

DOMINICAN REPUBLIC

In 2015, USD 50 million were allocated for the support program for the management of processes of the Ministry of Finance through a programmatic loan of freely available resources, designed to contribute to the optimization of the ministry's management processes. The objective of the actions of public policies that form part of the loan is to support the Ministry of Finance's compliance with transparency and relations with investors and credit rating agencies, as well as to deepen and consolidate the reform of the state's financial management.

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

Finally, a guarantee in favor of the European Investment Bank (EIB) was approved for USD 500,000 for an EIB credit line granted the Dominican development agency, which in turn will allocate the resources to finance microcredit operations of low-income individuals, as well as provide financial training and advice.

TRINIDAD AND TOBAGO

During 2015, the process for formalizing the inclusion of Trinidad and Tobago as a full member of the institution was completed, which has resulted in a much more effective relationship with the country. In this sense, and as a result of the local elections held in September 2015, priority was given to the institutional agenda through dialogue with various agencies and public authorities that made it possible to publicize the various products and services that CAF can provide for the country. As a result, opportunities for CAF to finance priority programs and projects for the development of the country in the coming years were identified, in addition to the definition of a technical assistance agenda for implementing different activities. With all this, the positioning of CAF in the country was strengthened.

Finally, in coordination with the Ministry of Foreign Affairs, CAF supported an international conference about the convergence of the economies of the Caribbean Sea, which was held in May 2015. The conference's most relevant contributions will be released in the first quarter of 2016.

APPROVALS IN BARBADOS

SECTOR-WIDE APPROACH (SWAP) IN TRANSPORT FOR THE DEVELOPMENT OF TOURISM

*Client/Executor: Government of Barbados /
Ministry of Finance and Economic Affairs*

TOTAL AMOUNT: USD 35 MILLION
TERM: 12 YEARS

Objective: Support the efforts of the national government by financing investments in transport infrastructure within the framework of the master plan for the tourism sector, through the recognition of investments made and planned for the period of 2014-2016. The government's master plan for the tourism sector for the period 2014-2023 has three central themes: the provision and development of productive infrastructure, including international ports; training of human resources; and the development of marketing strategies to regain the country's levels of competitiveness as a tourism destination and ensure sustained economic growth.

SUPPORT PROGRAM FOR THE GROWTH AND DEVELOPMENT STRATEGY 2013-2020

*Client/Executor: Government of Barbados /
Ministry of Finance and Economic Affairs*

TOTAL AMOUNT: USD 50 MILLION
TERM: 12 YEARS

Objective: Contribute to the implementation of the country's growth and development strategy through the implementation of public policy actions in support of the Ministry of Finance and Economic Affairs. Specifically, the program aims to implement improvements in the fiscal management of the public sector, as well as in the management of public debt. These actions aim to eliminate inefficiencies in the fiscal management and public credit management processes.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 0.2 MILLION
TERM: MULTIPLE

85

USD MILLION
TOTAL APPROVALS
IN BARBADOS IN
2015

APPROVALS IN CHILE

CORPORATE LOAN FOR ATACAMA SOLAR S.A

*Client/Executor: Atacama Solar S.A. / Sonnedix
Power Holdings Ltd.*

TOTAL AMOUNT: USD 50 MILLION
TERM: 20 YEARS

Objective: Build, operate and maintain a 143 MW photovoltaic park, 75 km from Iquique, capital of the Tarapacá region, in the north of Chile, one of the areas with the highest level of solar irradiation in all of Latin America.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO SANTANDER CHILE

Client: Banco Santander Chile

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 0.7 MILLION
TERM: MULTIPLE

101

USD MILLION
TOTAL APPROVALS
IN CHILE IN
2015

APPROVALS IN COSTA RICA

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO IMPROSA S.A.

Client: Banco Improsa S.A

TOTAL AMOUNT: USD 10 MILLION
TERM: MULTIPLE

Objective: Support one of the leading financial institutions in Costa Rica that caters to small and medium enterprises. It seeks to strengthen the management capacity of the SMEs in the country.

10

USD MILLION
APPROVALS TOTAL
IN COSTA RICA
DURING 2015

APPROVALS IN SPAIN

UNCOMMITTED REVOLVING CREDIT LINE FOR THE INSTITUTO DE CRÉDITO OFICIAL – ICO

Client: Instituto de Crédito Oficial – ICO

TOTAL AMOUNT: USD 300 MILLION
TERM: MULTIPLE

Objective: Support the institution that plays an important role as a promoter of Spain's business sector, responding to its financing needs, encouraging the development of new projects and supporting internationalization processes undertaken by Spanish and Latin American SMEs, in particular.

EQUITY INVESTMENT IN TALDE GROWTH CAPITAL, FCR VENTURE CAPITAL FUND UNDER THE SIMPLIFIED REGIME

*Client: TALDE GROWTH CAPITAL, FCR VENTURE
CAPITAL FUND UNDER THE SIMPLIFIED REGIME*

TOTAL AMOUNT: USD 4 MILLIONS
TERM: 10 YEARS

Objective: Talde Gestión is a pioneering private firm in venture capital management that promotes development of startups. The equity investment in the fund to be established in Spain is to invest, via equity or debt, in medium-sized companies, primarily, which will contribute to the development of Spanish and Latin American companies seeking international expansion, growth and consolidation.

UNCOMMITTED REVOLVING CREDIT LINE FOR CAIXABANK S.A. - SPAIN

Client: CaixaBANK S.A.-Spain

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Finance issuance of sureties and guarantees and loans for working capital.

354

USD MILLION
TOTAL APPROVALS
IN SPAIN IN
2015

APPROVALS IN MEXICO

EQUITY INVESTMENT IN PARTNERS GROUP MEXICAN ENERGY INFRASTRUCTURE 2014, L.P. INC

*Client: Partners Group Mexican Energy
Infrastructure 2014, L.P. INC*

TOTAL AMOUNT: USD 15 MILLION
TERM: 10 YEARS

Objective: Invest in the development and implementation of gas transportation projects and related activities, such as gas compression plants and substations in Mexico. The executor of the investments will be Fermaca, Partners Group's subsidiary in Mexico.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO NACIONAL DEL COMERCIO EXTERIOR S.N.L. BANCOMEXT

*Client: Banco Nacional del Comercio Exterior
S.N.L. BANCOMEXT*

TOTAL AMOUNT: USD 200 MILLION
TERM: MULTIPLE

Objective: Help the institution with medium and long-term resources to finance Mexican exporters and to diversify their sources of financing. BANCOMEXT is a development banking institution used as instrument for the promotion and development of Mexico's foreign trade. BANCOMEXT is a development banking institution used as instrument for the promotion and development of Mexico's foreign trade.

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 1.6 MILLION
TERM: MULTIPLE

UNCOMMITTED REVOLVING CREDIT LINE FOR NACIONAL FINANCIERA S.A.

Client: Nacional Financiera S.A.

TOTAL AMOUNT: USD 300 MILLION
TERM: MULTIPLE

Objective: Finance the working capital needs of Mexican development bank NAFIN to enhance foreign trade, working capital and plant upgrades of the bank's customers; help productive chains; and finance energy projects, among other specific activities carried out by the institution. It is expected that these financing efforts will lead to improvements in the country's development in the medium-term, especially in the energy and manufacturing sectors. NAFIN's broad regional scope is fully aligned with CAF's goals.

UNCOMMITTED REVOLVING CREDIT LINE FOR GRUPO FINTEERRA S.A. DE C.V., SOFOM ENR.

Client: Grupo Finterra S.A. De C.V., SOFOM ENR.

TOTAL AMOUNT: USD 5 MILLION
TERM: MULTIPLE

Objective: Finterra aims to become the leading bank for farmers and medium-sized enterprises involved in the country's food chain. With this objective in mind, the main axis of the bank's business plan is a greater deepening of financial services in the agri-food sector, taking advantage of the ample market unattended by traditional banking. In this regard, the approval of the credit line will contribute to continue consolidating CAF's position as a benchmark in Mexico.

522

USD MILLION
TOTAL APPROVALS
IN MEXICO IN
2015

TOTAL APPROVALS IN PORTUGAL

EQUITY INVESTMENT IN SOCIEDADE PARA O FINANCIAMENTO DO DESENVOLVIMENTO-SOFID

Client: Sociedade para o Financiamento do Desenvolvimento-SOFID

TOTAL AMOUNT: USD 1 MILLION
TERM: 10 YEARS

Objective: SOFID is a financial development institution which aims to contribute to the growth of the emerging and developing countries aligned with Portugal's objectives and strategy, through financial products and services in favor of public and private Portuguese companies investing in sustainable projects in these countries.

UNCOMMITTED REVOLVING CREDIT LINE FOR CAIXA GERAL DE DEPÓSITOS

Client: Caixa Geral de Depósitos

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Finance foreign trade operations and working capital needs.

UNCOMMITTED REVOLVING CREDIT LINE FOR MOTA ENGIL SGPS S.A.

Client: Mota Engil SGPS S.A.- Portugal

TOTAL AMOUNT: USD 50 MILLION
TERM: MULTIPLE

Objective: Support the Mota-Engil Group to expand operations in Peru, Mexico and Colombia, and, as a result, promote infrastructure sector development in the region with the guarantee of the head office in Portugal.

101

USD MILLION
TOTAL APPROVALS
IN PORTUGAL IN
2015

APPROVALS IN DOMINICAN REPUBLIC

SUPPORT PROGRAM FOR THE MANAGEMENT OF THE MINISTRY OF FINANCE'S PROCESSES

Client/Executor: Dominican Republic / Ministry of Finance

TOTAL AMOUNT: USD 50 MILLION
TERM: 15 YEARS

Objective: Support the Dominican government, through the provision of freely available resources for the optimization of the Ministry of Finance's processes. The public policy actions covered by the loan will be mainly geared toward support for the Ministry of Finance in compliance with a set of activities related to the reform of the financial administration framed within its institutional strategic plan.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO BHD

Client: Banco BHD

TOTAL AMOUNT: USD 15 MILLION
TERM: MULTIPLE

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

GUARANTEE IN FAVOR OF THE EUROPEAN INVESTMENT BANK (EIB)

Client: Fundación Dominicana de Desarrollo, INC

TOTAL AMOUNT: USD 0.5 MILLION
TERM: 1 YEAR

Objective: Finance small and medium-sized enterprises in the Dominican Republic with this operation, which represents a guarantee for a local currency loan granted by the European Investment Bank.

66

USD MILLION
TOTAL APPROVALS
IN THE DOMINICAN
REPUBLIC IN 2015

MULTINATIONAL APPROVALS

UNCOMMITTED REVOLVING CREDIT LINE FOR CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA S.A.- CIFI

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

TOTAL AMOUNT: USD 25 MILLION
TERM: MULTIPLE

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

SYNDICATE LOAN FOR CORPORACIÓN INTERAMERICANA PARA EL FINANCIAMIENTO DE INFRAESTRUCTURA S.A.- CIFI

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

TOTAL AMOUNT: USD 20 MILLION
TERM: 5 YEARS

Objective: Finance CIFI's business expansion and diversify funding sources over the medium term.

UNCOMMITTED REVOLVING LINE FOR ABENGOA S.A.

Client: Abengoa S.A.

TOTAL AMOUNT: USD 150 MILLION
TERM: MULTIPLE

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

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

Client: CAF shareholder countries or sub-national entities with sovereign guarantee / To be defined for each loan operation

TOTAL AMOUNT: USD 300 MILLION
TERM: MULTIPLE

Objective: With this line of contingent financing, the countries of the region can request from CAF an individual line of financing in anticipation of future situations of disasters caused by natural phenomena or anthropogenic influence. These include: volcanic activity, avalanches, contamination, epidemics, toxic leaks, pests, frost, hurricanes, fires, rains, snowfall, droughts, and tsunamis, among others.

UNCOMMITTED REVOLVING CREDIT LINE FOR BANCO LATINOAMERICANO DE COMERCIO EXTERIOR S.A.- BLADEX

CLIENT: BANCO LATINOAMERICANO DE COMERCIO EXTERIOR S.A.- BLADEX

TOTAL AMOUNT: USD 150 MILLION
TERM: MULTIPLE

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

OTHER TRANSACTIONS WITH COOPERATION RESOURCES

Client: Multiple

TOTAL AMOUNT: USD 20.1 MILLION
TERM: MULTIPLE

UNCOMMITTED REVOLVING CREDIT LINE FOR THE FINANCIAL FUND FOR THE DEVELOPMENT OF THE RÍO DE LA PLATA BASIN - FONPLATA

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

TOTAL AMOUNT: USD 75 MILLION
TERM: MULTIPLE

Objective: Finance the portfolio growth of this institution, which will focus on sovereign financing of its member countries—Argentina, Bolivia, Brazil, Paraguay and Uruguay.

740

USD MILLION

TOTAL MULTINATIONAL APPROVALS IN 2015

A person wearing a blue long-sleeved shirt, green pants, and a blue cap is walking away from the camera down a dirt path in a vineyard. The vineyard consists of many rows of bare, brown grapevines supported by wooden stakes. The ground is dry and brown. In the background, there are green trees and a range of blue mountains under a clear sky.

CAF'S AGENDA

FOR INTEGRAL
DEVELOPMENT

138	INFRASTRUCTURE
154	ENERGY
158	SOCIAL DEVELOPMENT
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170	ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE
176	PRODUCTIVE, FINANCIAL AND MSME SECTOR
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184	SOCIOECONOMIC RESEARCH
188	INSTITUTIONAL DEVELOPMENT

CAF'S AGENDA FOR INTEGRAL DEVELOPMENT

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

INFRASTRUCTURE

ENERGY

SOCIAL DEVELOPMENT

SOCIAL INNOVATION

ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

PRODUCTIVE, FINANCIAL AND MSME SECTOR

PRODUCTIVE TRANSFORMATION

SOCIOECONOMIC RESEARCH

INSTITUTIONAL DEVELOPMENT

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

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

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

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

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

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

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



INFRASTRUCTURE

CAF's infrastructure agenda is geared toward increasing the development of physical, economic and social connections that enhance intra- and inter-communications across Latin American regions and countries by improving the quantity and quality of transport, logistics, communications and service infrastructure, ensuring their sustainability.

This agenda is implemented through innovative funding mechanisms for public-private projects and by generating and disseminating knowledge; in addition, stakeholders are given instruments such as special technical assistance and technical cooperation economic resources for the design and drafting of infrastructure projects.

In 2015, CAF continued to work on infrastructure sectoral issues and knowledge development in each sector. CAF's analysis focused on roads, sustainable urban mobility, road safety, information and communication technologies, logistics, waterway development, GeoSUR (digital maps of Latin America), Geopolis (Latin American cities and risks), public-private partnerships, regional integration and the IIRSA-COSIPLAN program.

ROADS

CAF's report *IDEAL 2015* shows that roadways is one of the least developed sectors on the continent, reflected in the insufficient number of highways and their poor maintenance.

In 2015, works were initiated to start up the Regional Road Maintenance Observatory, which is expected to be launched in 2016. This initiative will provide an IT tool for producing information and knowledge; driving maintenance decision-making, actions and public policies; and taking care of the dissemination of best road infrastructure management, performance and financing practices.

In regard to road preservation and maintenance, CAF organized several technical training sessions. In Panama, 20 public officials from the Ministry of Public Works were trained. In Colombia, the National Planning Department (DNP) received support to draw up a CONPES document outlining public policies to manage the regional road network (secondary and

tertiary roads). Bolivia received support to improve its primary network through the development of a database of unit prices for highways in order to ensure competitive tender prices for the Bolivian Highway Administration.

Technical cooperation was initiated along with the United Nations Office for Project Services (UNOPS, a UN entity that provides services for project administration) during the second half of the year in order to identify the regulatory frameworks in force for public contracts in Bolivia, Ecuador, Panama and Paraguay. The objective was to get insights into how contracting units work and their role in investment projects.

In addition, support was provided for the revision of *A Road to Environment: A Guide to Good Practices for Environmentally Friendly Roads*, a publication by LACC (Latin American Conservation Council) about the Smart Infrastructure Working Group.

SUSTAINABLE URBAN MOBILITY

In 2015, CAF promoted support activities for the development of sustainable urban mobility, such as road safety, transport-oriented efforts, business plans for commuter ride sharing, studies, orderly urban planning of urban expansion, actual use and real facts about motorcycles, public systems for bicycles, integral urban participation, among other initiatives. The development of these areas was parallel and complementary to the setup and implementation of mass transit systems in the region, such as the metros in the cities of Panama, Lima, Quito and Bogota; bus systems; and La Paz, Fortaleza and Niteroi Bus Rapid Transit (BRT) systems. The idea behind these initiatives was to increase the support for integrated intermodal transportation and bring large benefits to users from an economic, social and environmental perspective.

Along these lines, progress was recorded in regard to a commitment to support the main metros. CAF continued to support the structuring phase of line 1 of the Quito metro and line 2 of the Panama City metro. In Peru, the first stage of line 2 of the Lima metro is under construction, monitored and supervised by CAF.

At a city level, support included technical cooperation granted for the definition and integration of public transport systems in Sucre and Tarija (Bolivia), integral interventions in Monteria and Valledupar (Colombia); Cuenca (Ecuador) and Caracas (Venezuela); preliminary projects for a BRT line in Fortaleza



CAF sustains its commitment to support the major metros in the region.

(Brazil) and Trujillo (Peru); overhaul of the bus system in El Alto and phase II of Puma Katari (Bolivia); a mobility survey in the Metropolitan Area of Montevideo and a study to replace the transport fleet with alternative technologies (Uruguay); support for the implementation of a Transport Green Zone in Santiago, Chile (STZG) and a management model for the urban axis (transport corridor) Alameda-Providencia (Chile); support for the development of the historic center plan in Asuncion (Paraguay); the completion of the mobility plan in Cordoba and the development of mobility plans in Mendoza (Argentina) and El Hatillo-Caracas (Venezuela). Public bicycle systems started to be organized and renovated in the cities of Lima, Caracas, Pasto and Medellin.

A practical guide for the implementation of public bicycle systems for Latin America (*Guía práctica para la implementación de sistemas públicos de bicicleta para América Latina*) and a publication about motorcycles in Latin America (*La Motocicleta en América Latina*) were released as a result of knowledge generation initiatives.

In 2015, the Urban Mobility Observatory (UMO) was expanded to include 28 Latin American cities. Over the course of the year, the database was updated and its release was planned for the first half of 2016. Similarly, the research and analysis agenda based on the UMO continued, which resulted in the publication of white papers on technical vehicle inspection and traffic management.

In this regard, CAF took additional steps toward consolidating its involvement in the international agenda, where high level discussions take place about the performance of countries, multilateral banks and international agencies in terms of mobility, climate change and poverty reduction.

IN 2015, CAF PROMOTED SUPPORT ACTIVITIES FOR THE DEVELOPMENT OF SUSTAINABLE URBAN MOBILITY.





ROAD SAFETY

Traffic accidents are one of the leading causes of death in Latin America. The road safety initiative seeks to promote positive changes in this area, particularly to reduce road accident losses and their consequences. In 2015, CAF assumed the leadership of the Road Safety Initiative of Multilateral Development Banks in charge of the Technical Secretariat, drafting the first management report after five years since the initiative was launched and organizing the banks' participation in the second top-level road safety meeting held in November 2015, in Brasilia.

Actions implemented in 2015 within the framework of this initiative include the development of an internal road safety guide for projects financed by CAF; the completion of a national road safety plan for motorcyclists in Costa Rica; the start of consultancy services to Caxias do Sul (Brazil) to develop a road safety plan; and the identification of technical cooperation options to draft road safety plans for Rio de Janeiro (Brazil) and Guayaquil (Ecuador). Consultancy services were also hired to design training for the formation of road safety auditors and a safety course was given to engineers in Panama City, with over 300 attendees.



INFORMATION AND COMMUNICATIONS TECHNOLOGIES

In order to promote best practices that can solve the main regional deficiencies in connection with information and communications technologies, the study on the ecosystem and digital economy in Latin America (*Ecosistema y la Economía Digital en América Latina*) was completed in 2015, in partnership with ECLAC, cet.la and Fundación Telefónica. Six workshops were organized within the framework of this study attended by close to 250 leading actors of the ICT industry in different countries in the region. These results were also presented at different regional events, such as the V Ministerial Conference on the IT Society in Latin America and the Caribbean, within the framework of the drafting of a regional digital agenda for the eLAC 2018 action plan. In addition, CAF was accepted by the ministers of this integration mechanism as an external observer of this process.

Regional integration projects included an agreement between CAF and COMTELCA, the telecommunications commission in Central America, to support the development of communications infrastructure across the region within the framework of the Mesoamerica Project. Along these lines, CAF and REGULATEL, the most important Latin American forum of telecommunications regulatory agencies in the region, set up a support agenda for the institutional strengthening of regulatory frameworks to expand ICTs. Progress was made in the contracting of technical and economic studies to deploy

the South American Integration Connectivity Network, within the framework of Unasur's infrastructure planning council (COSIPLAN).

In cooperation with Ahciet, GSMA and the Mexican Government, CAF organized a regional telecommunications congress in Latin America (CRT, for its acronym in Spanish) in an attempt to support the industry by raising awareness about best practices. Along these lines, CAF promoted training for ICT authorities in Latin America in skills related to the drafting of ICT policies and regulations by supporting the International School on New Technologies, Public Policies and Creative Innovation promoted by ECLAC and IBEI. In order to lay the foundation for the future of the Internet, CAF and the Latin America and Caribbean Network Information Centre (LACNIC) are financing a study in nine regional countries for the widespread use of critical Internet infrastructure, particularly protocol IPv6. In addition, progress was made in the design of CAF'S ICT Observatory, with an update of the ICT integral development index.

Resources were approved to examine the expansion of local interconnection infrastructure (IXP) for the connectivity network in Central America (REDCA). This study was initiated with the aim to overcome the barriers come up against in the subnational deployment of wireless communication networks in Mexico, Colombia and Peru. Likewise, eight transition plans were drafted for the deployment of digital terrestrial television (DTTV) in the region.



In 2015, a regional analysis was initiated to assess the state of investments in port and airport sectors in order to define portfolio of investments in expansion projects and new port and airport projects up to 2040.

LOGISTICS

CAF implemented the CAF LOGRA program for regional logistics development in Latin America to foster the concept of integral, inclusive and sustainable logistics oriented to creating competitive advantages across the region. This program entered its mature phase in 2015, being widely disseminated on a regional and global scale (fora in Europe and the US). In addition, the logistics Latin American profile (PERLOG, for its acronym in Spanish) was completed, along with the logistics profiles for eight analyzed countries and their respective roadmaps for logistics development (Mexico, Panama, Colombia, Ecuador, Peru, Bolivia, Paraguay and Uruguay). Summaries of these actions were published and stakeholder countries stated their interest in moving forward to develop and implement their applicable roadmaps. Along these lines, an initial pilot project was implemented in Panama, which was well received and given top priority at senior government level.

The regional strategic agenda for logistics development was set up as a PERLOG component and presented at events in Mexico, Panama, Colombia, Peru, Uruguay and at Unasur, where CAF introduced the agenda as a structured proposal aimed at achieving logistics integration across the regional countries and

outlined a methodological proposal to establish a winning logistics model for agri-food value chains, a key sector for the growth of value added regional trade.

In 2015, a regional analysis was initiated to assess the state of investments in port and airport sectors in order to define portfolio of investments in expansion projects and new port and airport projects up to 2040. The aim of this initiative is to generate specific information to identify projects in which CAF could participate as a source of funding.

REGIONAL PROGRAM FOR THE DEVELOPMENT OF SOUTH AMERICAN WATERWAYS

Countries in the region are currently designing or implementing public policies to boost the development of ports and waterways, requiring support from institutions like CAF. Therefore, in 2015, the Regional Program for the Development of South American Waterways was designed along with a short- and medium-term action plan through debate and consensus discussions among authorities and specialists who participated in seminars held in the cities of Rosario and Santa Fe (Argentina), Brasilia (Brazil), Lima (Peru) and Montevideo (Uruguay). As a first result, subnational Mercosur governments, which were present at the II Workshop organized by the Consultative Forum of Mercosur Municipalities, Federated States, Provinces and Departments, have expressed their interest in this initiative.

GEOSUR

The GeoSUR program is a platform that gives users free access to more than 250 web map services (WMS) hosted in servers belonging to close to 100 participating institutions. There are more than 14,000 metadata records that describe available maps and databases. This tool includes new flood maps for the region for events since 2000, data on events in the past two weeks and remote measurements for regional river flows. It also has a database of CAF's projects that supplements IIRSA's existing database (Initiative for the Integration of the Regional Infrastructure of South America). An integrated digital map was produced, including countries in the northern South America, which is consistent with the Central America integrated digital map previously produced with support from CAF and Pan American Institute of Geography and History (PAIGH). A strategic plan for 2015-2017 was defined to improve GeoSUR's integration into

IN 2015, THE REGIONAL PROGRAM FOR THE DEVELOPMENT OF SOUTH AMERICAN WATERWAYS WAS DESIGNED AS A RESULT OF DEBATE AND CONSENSUS AMONG SECTOR OFFICIALS AND EXPERTS.

CAF's projects, such as regional observatories. CAF also supported the design of a tool to assess climate change risk for the entity's investment portfolio. These steps forward have helped to strengthen GeoSUR's position as the main network of geographical information for Latin America and the Caribbean.

GEOPOLIS

This program seeks to contribute to the development of a risk management and prevention culture in Latin America by promoting public policy best practices; generation of knowledge related to earthquake engineering, climate change and availability of water resources; and institutional capacity strengthening to plan how to manage risks stemming from natural disasters.

In 2015, Phase III of this initiative was launched with three technical studies to consolidate its earthquake engineering knowledge generation agenda

1. Bridges, earthquake risk and prevention, to present recommendations for the design and reconstruction of bridges and inspection criteria to assess vulnerability.
2. Affordable housing with one- and two-story homes to make a technical contribution to the definition of affordable housing in Latin America in regard to self-built and engineered or industrial projects.
3. Anti-seismic insulators and dissipators, collecting and analyzing different aspects regarding the use of anti-seismic insulators, and energy dissipators and their application to reduce structural damage caused by earthquakes.

In terms of institutional strengthening, Phase III of the program seeks to move forward in the implementation of the Master Plan for Institutional Strengthening (PIFIN, for its acronym in Spanish) in three countries in the region to plan risk management in case of disaster in different sectors: (i) Colombia, the road sector at national and department levels (Valle del Cauca Department); (ii) Peru, the telecommunications sector; and (iii) Ecuador, the urban road and urban passenger transport sectors in the city of Guayaquil.

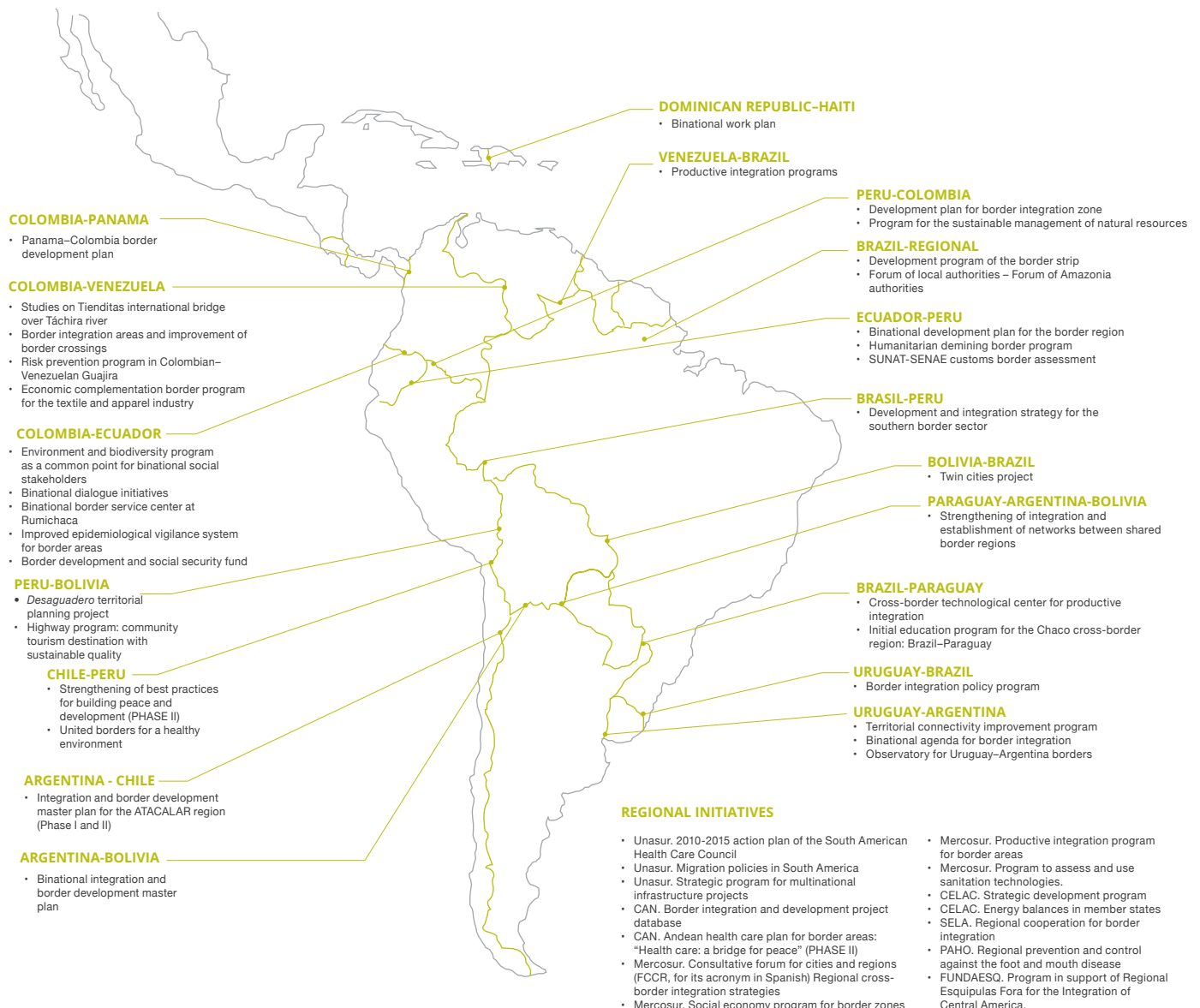
The *IDEAL* Report

The *IDEAL* report is a strategic assessment of the situation of infrastructure—economic, transportation, water and sanitation, energy and telecommunications—in Latin America. The publication *Infrastructure for the integral development of Latin America (IDEAL) 2014* was presented at a conference organized by CAF in Mexico City. At the same time, a seminar was given in La Habana, Cuba, during which academic stakeholders, public agencies and CAF gathered to reflect upon the infrastructure strategic agenda and the country's needs.

PROGRAM FOR THE SUPPORT OF BORDER DEVELOPMENT AND INTEGRATION (PADIF, for its acronym in Spanish)

CAF's strategic vision of border integration allows its shareholder countries to plan and define programs and projects to leverage their shared potential, cooperation opportunities, and dialogue and mutual trust in common border regions.

Through PADIF, CAF promotes binational development and border integration plans, and the establishment of Border Integration Zones (BIZ), along with subregional policies in Unasur, CAN and Mercosur countries, ECLAC and the Mesoamerica Project targeting territorial planning; the design of physical, economic and productive integration projects; the promotion of sustainable human development; and the strengthening of institutions and the social fabric to improve dialogue and cooperation in cross-border areas.



PUBLIC-PRIVATE PARTNERSHIPS

Public-private partnerships (PPP) are a tool to plan and define country infrastructure by means of instruments that include private sector participation in the provision of public goods and services. Based on current regional budgetary restrictions for infrastructure investment, PPPs can contribute to governments' development plans and narrow the infrastructure gap in this region.

Along these lines, considering that Latin America has considerable experience and history in PPPs, the publication of *APP Asociación Público-Privada en América Latina: Aprendiendo de la experiencia* (PPP, Public-Private Partnership in Latin America: Learning from experience) was published, using case studies as a basis for recommendations and lessons learned to exchange experiences in the region and disseminate knowledge in this matter.

The publication was presented at events held in Panama City, Montevideo and Quito, and governments stated their interest in including a public-private work scheme in their development plans to increase the number of infrastructure projects.

CAF continued to provide country offices with support in relation to the origination of PPPs. Two technical cooperation projects are underway: one in Paraguay to strengthen the Public-Private Partnership Unit at the Office of the Technical Planning Secretary, and another one in Colombia, related to Phases I and II of the 4G Road Concession Program. Ecuador is receiving support through the organization of external and domestic workshops and the drafting of terms of reference for future PPP projects.

PPP

APP Asociación Público-Privada en América Latina: Aprendiendo de la experiencia (PPP, Public-Private Partnership in Latin America: Learning from experience) was published using case studies as a basis for recommendations and lessons learned to exchange experiences in the region and disseminate knowledge in this matter.

IIRSA-COSIPLAN

Within the framework of the IIRSA/COSIPLAN initiative, important progress was achieved in 2015, mainly in terms of railway integration, telecommunications and Argentina-Chile connectivity.

In the railway sector, the available technical studies on the Paranagua-Antofagasta bioceanic corridor and the Brazil-Bolivia-Peru bioceanic central corridor were analyzed and a work plan was adopted to determine the economic and environmental feasibility of these two projects.



Significant progress was achieved in the telecommunications sector thanks to financial support granted by CAF to carry out studies for the deployment of the South American Integration Connectivity Network. In addition, progress was made in terms of land connectivity between Argentina and Chile when studies under the Territory Integration Program for the Agua Negra Binational Tunnel were completed, a contribution to the efforts both countries have been making, before the tender process and financing phase for tunnel construction are initiated.

In the area of risk and disaster prevention and management, progress was achieved in prevention-related infrastructure and the design and implementation of the Regional Training Program in Policy Writing and Management about Freight Transport and Logistics for national technical teams. The condition of South American ports and waterways was analyzed country-by-country, as were the challenges that need to be faced in order to attain regional integration.

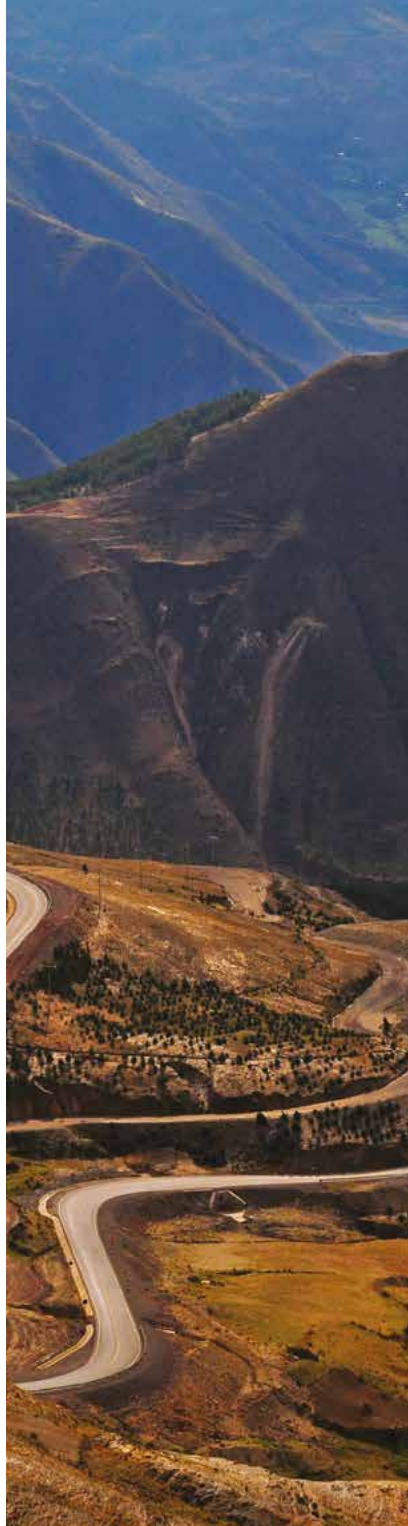
In regard to operations, progress was made in terms of technical cooperation for the development of a Uruguay–Brazil Border Observatory. A term of reference proposal was presented to hire a contractor to draft the methodology for the basic guidelines to draw up integration and border facilitation territorial plans, as a priority action line in the IIRSA-COSIPLAN master territorial planning.

PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF IN THE LAST 20 YEARS¹

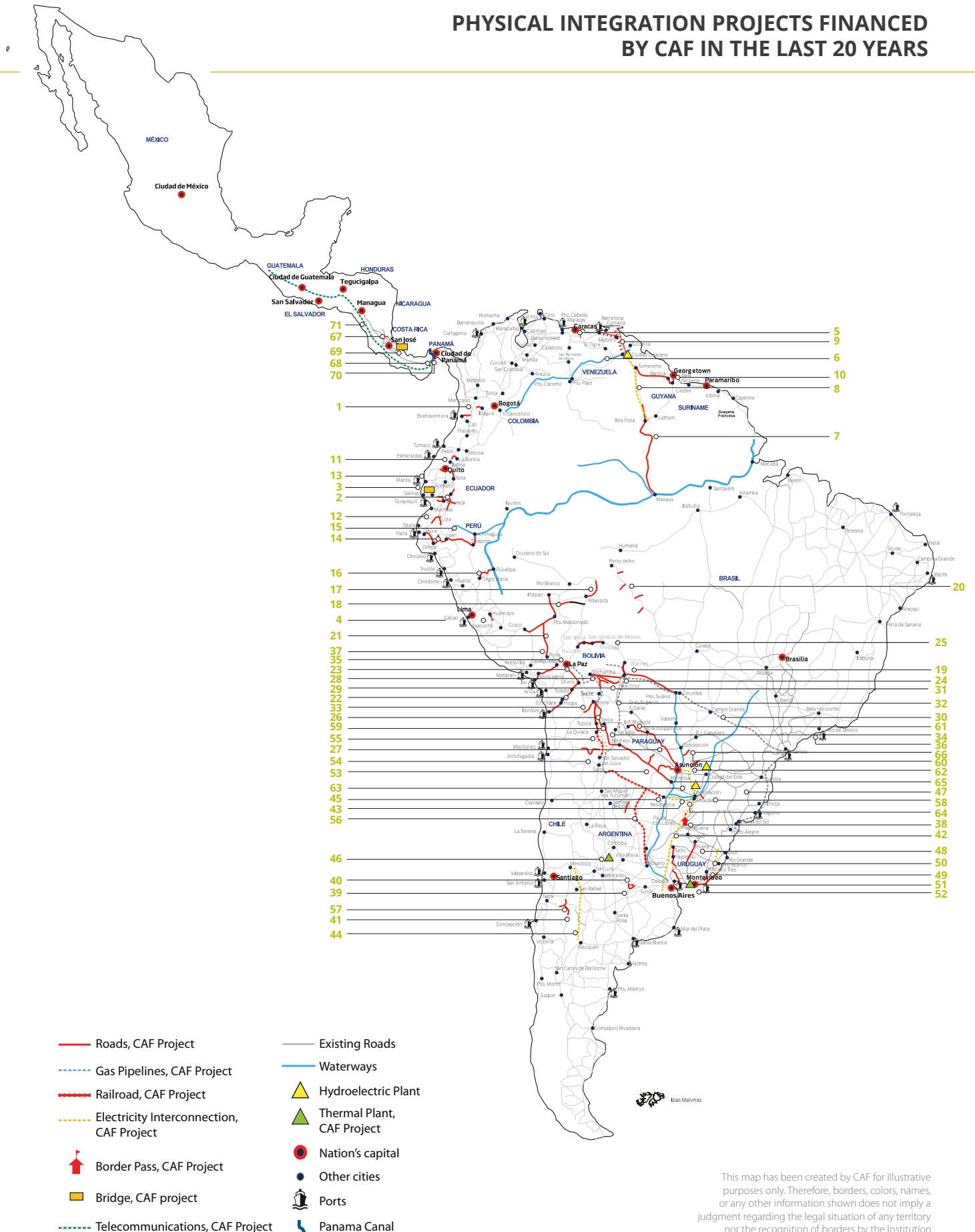
	CAF's contribution	Total investment (in millions of USD)	
Andean Axis			
1	Colombia: Bogota-Buenaventura Road Corridor	447.0	1,116.6
2	Ecuador: Amazon Connection with Colombia and Peru (Carretera Troncal del Oriente) (Eastern Trunk Road)	93.8	152.7
3	Ecuador: Segmental bridge project over Babahoyo river	123.0	133.9
4	Peru: Rehabilitation of the Huancayo-Huancavelica Railroad	14.9	18.8
5	Venezuela: Connection of the Caracas Railroad with the National Network	360.0	1,932.0
6	Venezuela: Support to Commercial Navigation in the Orinoco-Apure River Axis	10.0	14.3
Guyanese Shield Axis			
7	Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8	Brazil: Venezuela-Brazil Electricity Interconnection	86.0	210.9
9	Venezuela: Ciudad Guayana-Maturin- Estado Sucre Railroad Studies	2.6	2.6
10	Venezuela: Ciudad Guayana (Venezuela)-Georgetown (Guyana) Road Studies	0.8	0.8
Amazon Axis			
11	Ecuador: Central Trans-Andean Connection	33.7	54.5
12	Ecuador: Southern Trans-Andean Corridor	70.0	110.2
13	Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14	Peru: Northern Amazon Road Corridor	110.0	328.0
15	Peru: Pre-investment in the Border Region with Ecuador	5.3	8.7
16	Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa tranche)	3.5	13.6
Peru-Brazil-Bolivia Axis			
17	Bolivia: Guayamerin- Riberalta Highway	42.0	45.5
18	Bolivia: Porvenir- Puerto Rico Highway	138.8	198.3
19	Bolivia: Yucumo- Trinidad Highway	234.9	335.7
20	Brazil: Road Integration Program, State of Rondonia	56.4	134.2
21	Peru: Southern Inter-Oceanic Road Corridor (tranches 2, 3 and 4) and guarantees for private structuring	1,004.5	2,091.0
Central Inter-Oceanic Axis			
22	Bolivia: Bolivia-Chile Road Integration Corridor	404.7	649.2
23	Bolivia: La Paz-Oruro Double-carriageway Project	250.0	265.1
24	Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (tranches 3, 4 and 5)	280.0	585.5
25	Bolivia: Santa Cruz-Warnes Double-Lane Project	86.1	160.6
26	Bolivia: Bolivia-Argentina Road Integration Corridor	422.2	792.9
27	Bolivia: Bolivia-Paraguay Road Integration Corridor	379.5	633.6
28	Bolivia: "Y" Road Integration Program	176.9	296.3
29	Bolivia: Rehabilitation of the La Guardia-Comarapa Highway	153.2	224.8
30	Bolivia / Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
31	Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
32	Bolivia: YPFB Transporte Gas Pipeline	128.0	350.4
33	Bolivia: Complementary Road Works	70.0	73.0
34	Bolivia: Sectoral Transportation Program	150.0	221.2
35	Bolivia: Fine-tuning Program for Highways	75.0	107.1
36	Brazil: Complementary Works Program for the Metropolitan Arch of Rio de Janeiro	200.0	334.0
37	Peru: Bolivia-Peru Road Integration Corridor	48.9	176.6

1. The map on page 151 illustrates the physical integration projects financed by CAF.

	CAF's contribution	Total investment (in millions of USD)
Mercosur-Chile Axis		
38	Argentina/Brazil: Paso de los Libres-Uruguiana Border Center	10.0
39	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa road turnoff)	10.0
40	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa railroad turnoff)	35.0
41	Argentina: Buenos Aires-Santiago Corridor (accesses to the Pehuenche Pass, Routes 40 and Route 145)	106.7
42	Argentina: Rincon Santa Maria-Rodriguez Electricity Interconnection	400.0
43	Argentina: Rincon Santa Maria-Resistencia Transmission Line	150.0
44	Argentina: Comahue-Cuyo Electricity Interconnection	200.0
45	Argentina: Road Integration Program between Argentina and Paraguay	110.0
46	Argentina: Extension of the Service Life of the Embalse Nuclear Plant	240.0
47	Brazil: First Phase of the Regional Integration Program, State of Santa Catarina	32.6
48	Uruguay: Mega-concession of the Main Connection Roads with Argentina and Brazil	25.0
49	Uruguay: Road Infrastructure Programs	240.0
50	Uruguay: Program to Strengthen the National Electricity System	150.0
51	Uruguay: Punta del Tigre Thermal Plant Project and Combined Cycle Plant	208.0
52	Uruguay: Dredging and Gas Pipeline Project in Punta Sayago	86.2
Capricorn Axis		
53	Argentina: Pavement of Route 81	90.2
54	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0
55	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0
56	Argentina: Recovery and Improvement of the General Belgrano Railroad	326.0
57	Argentina: Second Phase of the Road Development Program: National Route N° 40	168.0
58	Argentina: Regional Road Development Program II, III and IV	410.0
59	Bolivia: Tarija-Bermejo Highway Program	74.8
60	Paraguay: Rehabilitation and Pavement of Integration Corridors Route 10 and Route 11 and Complementary Works	19.5
61	Paraguay: Integration Corridors and Road Reconstruction Program	222.1
62	Paraguay: Yacretá-Villa Hayes 500 Kw Second Line	50.0
Paraguay-Parana Waterway Axis		
63	Studies for the Improvement of Navigation, Institutional Management and Operational Financial Scheme of the Waterway (Argentina, Bolivia, Brazil, Paraguay and Uruguay)	0.9
64	Argentina: Railroad Integration Program between Argentina and Paraguay	100.0
65	Paraguay: Program for the River Transportation of Iron Ore for the Productive and Trade Integration between Brazil and Argentina	33.0
66	Paraguay: Project to Maintain and Rehabilitate the Paved Road Network	100.0
Mesoamerica		
67	Costa Rica: Investment Program in the Atlantic Corridor	60.0
68	Panama: Highway Rehabilitation and Improvement Program	80.0
69	Panama: Bi-National Bridge over the Sixaola River	5.5
70	Panama: Panama Canal Authority. Expansion Program.	300.0
71	Multinational: Central American Telecommunications Network	14.0
Other projects		210.0
Total		10,342.6
		28,835.8



PHYSICAL INTEGRATION PROJECTS FINANCED BY CAF IN THE LAST 20 YEARS



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



ENERGY

CAF's energy agenda for 2015 focused on the development of sustainable energy systems in Latin America, prioritizing financing for energy infrastructure projects and the drafting of technical assistance programs in line with their strategic lines.

Energy infrastructure financing: In an effort to ensure the availability of electricity to meet current and future demand in Ecuador, CAF supported a program designed to reinforce the national electricity distribution system. Within this framework, financing was granted for a no-dam, run-of-the-river hydroelectric power station with an installed capacity of 49.54 MW in the Dué river to address the growing demand for electricity in the country.

Similarly, a sector-wide approach was approved to strengthen Argentina's electricity sector aimed at supporting the implementation of the programs included in the National Energy Plan for the gas sector. Highlights include the expansion of gas transportation capacity and the Argentine North-East gas pipeline.

Articulation of regional networks: CAF continued to lead the Regional Energy Agenda by coordinating its efforts along with ALADI, ARPEL, ECLAC, CIER, OAS, OLADE and WEC to promote synergies through inter-institutional cooperation. In 2015, this group focused its efforts on three actions:

1. Identify 32 projects under the umbrella of the Regional Energy Efficiency Project (PREE, for its acronym in Spanish) in four countries.
2. Launch a study to identify Strategic Projects for Regional Energy Security (PRESER, for its acronym in Spanish).
3. Design a post-graduate program on Regional Integration at the UNILA, Federal University of Latin American Integration in Brazil.

Promotion of integration projects: a study of electrical interconnections between Bolivia and its neighboring countries was completed, identifying and evaluating energy infrastructure projects for Bolivia to increase energy exports. Based on this study's results, CAF organized a meeting between Bolivian and Brazilian authorities, businesspeople and scholars.

Support of energy efficiency: Chile's national oil company ENAP received support to audit its energy production processes and implement an energy management system. In addition, a study about the status of energy efficiency in Latin America was initiated to identify opportunities and quantify potential investments by the private sector.

In addition, a credit facility was introduced to refinance energy efficiency loans through local banks. The first track of refinancing was carried out with the financial group Bancolombia.

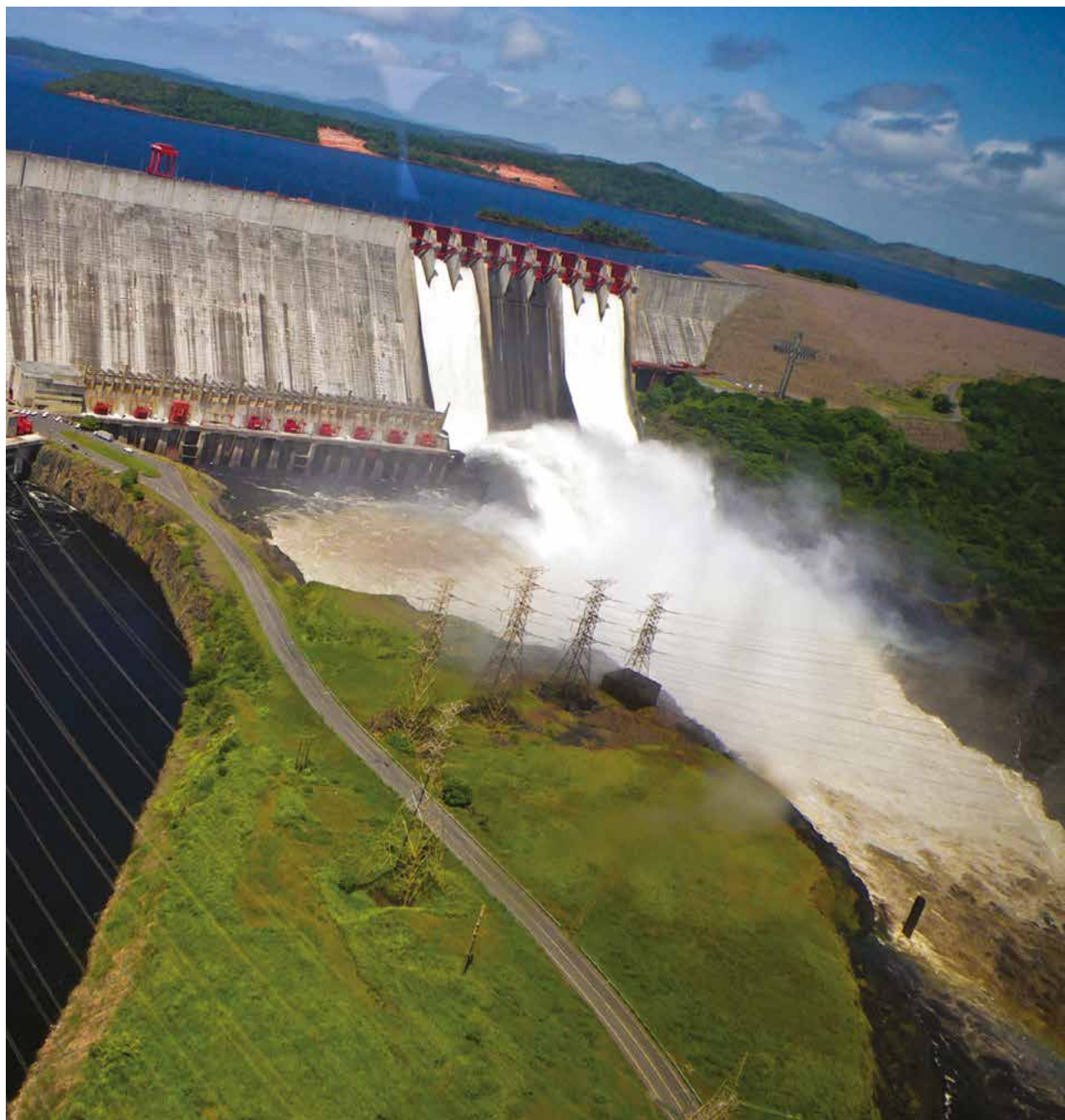


In 2015, the First Challenge of the Regional Initiative of Technological Patents for Development granted awards to five patentable concepts in the fields of desalination technologies, hydroenergy and energy leverage in the home sector.

Support to renewable and clean energy: under the Sustainable Hydropower Program, CAF continued to assess the remaining hydroelectric potential in its member countries in order to identify hydropower generation projects to take advantage of the energy potential in the region. This program is developed in Peru and Bolivia with the support of the ministries of energy. In addition, a regional study was initiated to identify the potential of other South America countries.

Under the umbrella of CAF's Urban Cooling Program, pre-feasibility studies will be conducted for seawater air conditioning (SWAC) projects that use deep cold seawater as a coolant and for Ocean Thermal Energy Conversion (OTEC) projects in the Caribbean. This initiative will advance the development of urban cooling networks using cold water distribution systems through pipes for air conditioning and refrigeration systems in large buildings in continental cities.

With the support of KfW, a call for proposals was launched to manage the fund that will manage the Geothermal Project Development Credit Facility expected to become a risk mitigation mechanism for this type of technology in 2016.



Technological innovation incentives: as a result of the first challenge of the regional initiative Technological Patents for Development, awards were granted for five patentable concepts in the fields of desalination technologies, hydroenergy and the exploitation of energy in the residential sector.

In addition, an Institutional Strengthening Program in the field of Patentable Innovation Technology was created to help national and regional institutions draft strategic development plans for patentable technology.



SOCIAL DEVELOPMENT

In order to improve people's quality of life, CAF helps the countries in the region to develop investment programs and projects that address social inclusion, poverty reduction and access to quality public goods and services for general population. From an integral perspective, CAF is proactive in the social sector by funding opportunity creation, human capital formation, gender equity and citizen participation in critical decisions to develop their own potential both as individuals and as members of a society.

These actions are channeled through three operative axes:

- Finance high social impact investment projects and programs to improve quality of life, mainly in the most vulnerable sectors.
- Provide technical assistance to improve social support institutions and strengthen processes of public policy planning and generation to ensure the relevance, effectiveness and sustainability of interventions.
- Generate knowledge in social areas through initiatives to research, systematize and disseminate best working practices from an innovative perspective.

Along these lines, CAF drafts its social development agenda based on strategic programs supporting the integral development of social sectors in the region according to their own priorities and needs.

INTEGRATED WATER MANAGEMENT

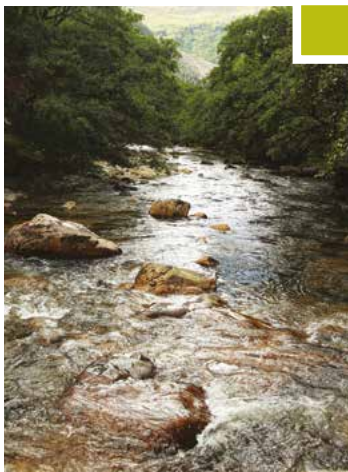
Based on an integral vision of the water cycle, CAF supports its shareholder countries by producing and funding studies, projects and investment programs aimed at improving the quality of life of the population through four lines of action:

1. Management and protection of water basins
2. Drinking water and basic sanitation services
3. Flood management and control
4. Irrigation and agroindustrial development



In addition, CAF seeks to generate the suitable conditions to ensure good management and the sustainability of basic services by strengthening institutions and governance of companies and institutions responsible for water management in the region.

In 2015, loan operations were evaluated and approved in support of water and sanitation services in the Buenos Aires metropolitan area and Norte Grande in Argentina; drinking water, sanitation and irrigation systems for rural populations in Bolivia; irrigation hydropower works in Peru; and drinking water, sewerage and residual wastewater treatment systems in Panama. In addition, pre-investment studies and institutional strengthening initiatives were developed with the help of technical cooperation resources in Argentina, Bolivia, Brazil, Panama, Colombia, Uruguay and Venezuela.



In 2015, loan operations were evaluated and approved for drinking water, sanitation services and irrigation initiatives in rural populations in Bolivia, Peru and Panama.

In 2015, CAF continued to position itself as a knowledge generator in support of Latin American countries and their struggle to access best practices, public policy designs, management models and innovative financing mechanisms that address the major problems faced by the region's social areas. In the water sector, industry analyses and publications were developed, accompanied by actions to disseminate them in the main national, regional and international fora. In addition, CAF supported the development of policy discussions and proposals at the World Water Forum held in South Korea by drafting analytical documents, coordinating South American participation and playing an active role in the main debates about technical, management and funding challenges. Within the framework of the World Water Council general meeting held in November 2015, CAF was invited to sit on the organization's board. The sectoral discussion process encouraged by CAF was continued during the World Water Week in Stockholm and the Latin America – Spain Water Dialogues in Madrid. As a result of these analyses and debates, CAF produced a publication titled *Bases para una agenda del agua en América del Sur (Bases for a water agenda in South America)*.

QUALITY EDUCATION FOR A MORE INCLUSIVE SOCIETY

In recognition of the crucial role played by education in Latin America's transformation, CAF promotes and supports efforts by its member countries to strengthen their educational systems, particularly initiatives that promote equal access to quality education and knowledge generation along with the development of personal skills that impact people's wellbeing and productivity. CAF sees education as one of the most powerful tools to increase social inclusion and equity, improve competitiveness and economic growth, and develop the necessary skills that allows inhabitants to become better citizens.

In 2015, CAF's main lines of work in this regard were continued support to increase access, equity and quality of pre-school, primary and secondary education by funding infrastructure projects and introducing applied technology in education; support for higher technical and university education; and endorsement of entrepreneurship in high-techn areas. In addition, CAF placed education on the region's public agenda using knowledge generation and dissemination initiatives implemented through communities of experts, seminars and publications.

CAF has developed an educational agenda for the period 2016-2020 focused on inclusion, revolving around increased access to education, especially for the groups that are most in need; improved quality for vulnerable populations; and strengthening relevance by improving the bond between school, skills and employment. In addition, CAF will prioritize actions targeting early child development, improved quality of teaching in primary education, and the development of work competencies for young people.

INCLUSIVE URBAN DEVELOPMENT

For CAF, urban development and the improvement of neighborhoods are priority areas for intervention. As a first step, a change of paradigm is a priority goal to transform sectoral interventions into territorial interventions with multisectoral benefits that can move cities toward inclusive, competitive, sustainable and efficient development. Along these lines, CAF promotes knowledge generation through research on good practices, identifying and disseminating them. Local progress in social inclusion topics should be highlighted in this regard. Targets in this domain are aligned with the Cities with a Future program (Ciudades con Futuro), which acts as a hub for all of CAF's business areas in which sectoral interventions originate.

IN 2015, CAF CONTINUED TO POSITION ITSELF AS A KNOWLEDGE GENERATOR IN SUPPORT OF LATIN AMERICAN COUNTRIES AND THEIR STRUGGLE TO ACCESS BEST PRACTICES, PUBLIC POLICY DESIGNS, MANAGEMENT MODELS AND INNOVATIVE FINANCING MECHANISMS.

Additionally, CAF has an aid program for extreme events as an initiative to support central or local governments in emergency situations or events caused by natural phenomena, human intervention or disease outbreaks. This support materialized in 2015 through the renewal of the regional contingent credit line to provide timely financial resources in the event of extreme weather, earthquakes, pollution-related accidents and disease outbreaks, in order to strengthen prevention processes and provide specific care after natural disasters. Within the framework of this regional line, resources were approved to help reconstruct drainage systems in the province of Buenos Aires, Argentina, deteriorated as a result of the emergency situation caused by flooding in August 2015.

In terms of urban development, loan operations were approved in 2015 in support of programs to revitalize public spaces in Manaus and Porto Alegre, and relevant sectoral events were organized. Along these lines, CAF participated in the housing conference held in Mexico City organized by the Centre for Liveable Cities in Singapore, and sponsored the Limapolis conference organized by the Catholic University of Peru in preparation for the Pan American Games that will be held in Lima in 2019. Additionally, CAF led the Latin American participation in the World Cities Summit Mayors Forum in New York City, organized by Singapore's government, and took part in the Cities for Life forum organized by the Medellín city's government.

CAF provided support for an event on heritage restoration in historic centers of Latin American cities organized by UNESCO and Quito's municipality. The institution also sponsored and participated in events encourage debate about the challenges of generating public policies to create resilient and inclusive cities: in Mexico City in support of OECD's meeting of mayors and ministers, and for a forum organized by the municipality of Fortaleza. CAF's presence in international events and the knowledge generation is aligned with the preliminary agenda for Habitat III, to be held in Quito in October 2016. Within the framework of preparations for Habitat III, CAF was selected by the UN to lead on a global scale the first ten policy units that are defining the components of the New Urban Agenda for the next twenty years. The policy unit Right to the city and cities for all proposes a cross-cutting approach to social inclusion challenges in urban environments and is composed of 20 international experts from Russia, Thailand, Mexico, UK, Germany, Chile, Argentina, Spain, India, Peru, Paraguay, USA, Zambia, South Africa, Malawi, Kenya, Uganda, China and Brazil. In 2016, CAF will continue to support the development of the preliminary agenda for Habitat III by sharing knowledge with the UN and its member countries, participating in the substantive debate on the future development of our cities in the coming decades.

IN 2015, LOAN OPERATIONS WERE APPROVED IN SUPPORT OF PROGRAMS TO REVITALIZE PUBLIC SPACES IN MANAUS AND PORTO ALEGRE, AND RELEVANT SECTORAL EVENTS WERE ORGANIZED.



GENDER EQUITY AND INCLUSION

Latin America's positioning as a region of ongoing social development should be accompanied by the provision of capabilities and opportunities for all members of its communities. In line with this, CAF is committed to improving the living conditions of women in the region. One of CAF's main work axes is recognition of gender equality as a cross-cutting aspect in any internal operation. Therefore, multiple initiatives were implemented in 2015 to put into operation CAF's gender strategy.

In early 2015, the Institutional Guidelines for Gender Equity (IGGE) were approved to reflect CAF's vision on gender. These guidelines were created to address this topic with an integral approach and implement actions that could narrow the existing gaps between women and men in terms of access to development opportunities. Given that the purpose of these guidelines is to include gender as a cross-cutting theme in CAF's operations, they will be worked with in greater depth in 2016.

In 2015, the Gender Equity and Inclusion Unit (GEIU) was created in order to ensure a cross-cutting and integral presence of the IGGEs in business areas. During the year, GEIU had formed ties with external partners to implement joint projects in the future. Within this context, CAF's participation in the regional conference on gender in 2015 should be highlighted, with the presence of national and multilateral authorities working to address gender equity and inclusion. In addition, the relationship with UN Women deepened CAF's commitment to project financing and the development of strategic meetings within the framework of the General Assembly of the United Nations.

SOCIAL SUSTAINABILITY

In order to ensure CAF's support materializes as social wellbeing in the region, an initiative called "Multiple looks, one single territory" ("Múltiples miradas, un territorio" in Spanish) was launched in 2015, using art as a means for collective and individual empowerment of 300 children, youths and adults in Latin America, beneficiaries of CAF's social interventions. They participated in an introductory workshop to photography. Their photographs revealed an authentic vision of the social transformation process in the region and were shown as part of an exhibition in CAF's gallery.

PASOS program for socio-productive inclusion

CAF is driving the social and productive transformation in low-income populations directly related to the area of influence of the projects it finances by promoting comprehensive, sustainable and replicable inclusion mechanisms through its PASOS program for rural and urban areas.

In rural communities, the RUTAS project, which seeks to foster rural community-based inclusive tourism, focused on regional integration with the creation of a tourism corridor between Peru and Bolivia. Within an urban context and in line with the completion of the project *Bodegas Verdes* (Spanish for green warehouses) in Venezuela, a publication and a video were produced to highlight the positive impact this project had on the lives of more than 200 women at risk, 35 of whom created their own business and improved their quality of life. In addition, CAF supported the strengthening of the productive capacity of communities located in the north of the Cauca department (Colombia) in partnership with Corporación Vallenpaz; the strengthening of productive capacities for the growing of coffee at two sub-basins along the Panama Canal with *Fundación Natura* (Panama), as well as the development of a productive empowering proposal in rural areas in the municipality of El Hatillo (Venezuela).

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

In 2015, the first online course on maternal-infant health care was completed. Health professionals can access the 10 modules for free from an online created in partnership with the Central University of Venezuela (Universidad Central de Venezuela) (UCV).

With the implementation of 20 telemedicine centers financed with micro-insurance technology, an important step forward was made in regard to health care centers and their health care professionals' use of telemedicine equipment to facilitate remote diagnosing. In addition, work was continued with Banco Solidario, a participating micro-finance company, to reach the goal of 20,000 insured with access to telemedicine based on training received by credit advisors and promotional campaigns to encourage the use of this health care tool.

WITH THE IMPLEMENTATION OF 20 TELEMEDICINE CENTERS FINANCED WITH MICRO-INSURANCE TECHNOLOGY, AN IMPORTANT STEP FORWARD WAS MADE IN REGARD TO HEALTH CARE CENTERS AND THEIR HEALTH CARE PROFESSIONALS' USE OF TELEMEDICINE EQUIPMENT TO FACILITATE REMOTE DIAGNOSING.



SOMOS: Sports Network for Latin American Development

In order to develop competencies and strengthen social skills in children and adolescents from vulnerable communities in Latin America, the SOMOS program has grown into a sports network that focuses on teacher development. It creates synergies and alliances that provides assistance and non-reimbursable funds to promote development and social inclusion through soccer. Over the period 2011-2015 term, SOMOS trained 1,551 sports coaches, physical education teachers, teachers and community leaders in 10 countries in the region, and helped 53,800 children and youths, about 13% of who had some kind of intellectual disability. SOMOS receives support from strategic allies—Special Olympics, UNICEF and Real Madrid Foundation—and 26 partner organizations.

Music to Grow

Aware of the need to enlarge the reach of the methodology “learning by playing” implemented by Venezuela’s National System of Youth and Children’s Orchestras, widely known as “El Sistema,” , and understanding that it was necessary to offer at-risk children and youths beneficial activities in their free time, CAF decided to focus training activities on local instructors and teachers in order to increase the number of children and youth benefitting from the music class. In the first phase, 500 instructors were trained and 1,300 children and youth were taught. In addition, assessment tools continued to be designed both for the choir and the orchestra to support the training of local instructors and teachers.



SOCIAL INNOVATION INITIATIVE

The Social Innovation Initiative (IIS, for its acronym in Spanish) is a CAF's experimental space to capture ideas, services, processes and models for the development of helpful and sustainable solutions to address social challenges in the region. It works on the build-up of dynamic and diverse ecosystems with different sectors and disciplines, including non-traditional actors.

In 2015, IIS-CAF's work focused on two areas in permanent synergy:

ECOSYSTEM DEVELOPMENT FOR SOCIAL INNOVATION

- Partnership with Socialab to promote social innovators in their early stage in five countries—Argentina, Colombia, Chile, Uruguay and Mexico—through seven open innovation challenges. Based on sustainable impact and business models, 800 proposals were received aimed at resolving social problem areas.
- Partnership with B Corps to deepen the model in the region and increase the extent of the fiduciary duty of shareholders to incorporate non-financial interests and positive socio-environmental impacts. The aim is also to promote favorable legislation for B Corps, develop a B Corp academic network and encourage the use of the B Impact Assessment tool for social and environmental benchmarking.
- Partnership with the Union of Latin America Universities (ULAU) and Fundación Avina, among others, to launch a new university social responsibility area to introduce social innovation in all university work axes and turn academic entities into key stakeholders working to bring solutions for social and environmental challenges in the region.
- Partnerships with agents of change to come up with new ideas and identify social innovation stakeholders and models.

OPPORTUNITIES FOR VULNERABLE COMMUNITIES FROM A SOCIAL INNOVATION PERSPECTIVE

This area's main objective is to strengthen the capacities from a perspective of human rights and gender of highly vulnerable sectors and civil society organizations to create opportunities for social inclusion.

This area can be summed up in a portfolio of productive employment and social inclusion for the most vulnerable sectors, on the one hand, and essential services for the general population, on the other:

Productive employment and social inclusion:

Prison population

- **Liberty Bread (Pan de Libertad):** in partnership with several actors, a company was established in a prison in Bolivia. Co-established with the female inmates, this company is based on a balance between productivity and wellbeing, and includes health and psycho-social care, a bakery, a general store open to the public, training and the sale of knitwear.
- **Liberty Theatre (Teatro de la libertad):** Colombia introduced drama lessons in and out of the prison as a therapeutic tool in an effort to use non-conventional social reinsertion tools.
- **Modeling My Future with Clay (Modelando futuro con la cerámica):** Start of a business model at a prison in Lima using clay modeling as a productive and therapeutic tool.
- **Embroidering the future:** Mapping and survey of data in the Buen Pastor female penitentiary in Asuncion, Paraguay, in order to design a business model of human development inside the prison.

Indigenous and rural populations

- **El Alto culinary schools:** . As a result of this initiative, 560 at-risk youths graduated with a culinary degree. Four schools with community kitchens were built. They serve food prepared with local products and highlight the benefits of good eating.
- **The taste of Ecuador's cocoa routes: CAF's** support for Agro Maquita's the transition from non-profit organization to social company included the supply of equipment for its cocoa plant, strengthening of traceability systems and training of young people as control inspectors. Activities integrating cocoa production with community tourism have been put into place.

Population with disabilities

- **Hands that save lives:** in partnership with Discovering Hands, the city government of Cali, San Juan de Dios hospital and Bayer Foundation launched a pilot project in Cali, Colombia, to



Hands that save lives use the sensory ability of visually impaired women for early breast cancer detection.



use the sensory ability of visually impaired women for early breast cancer detection in order to employ individuals with disabilities and address a public health problem.

Essential services for majority groups

- **Financial inclusion and community empowerment program.** Deepening of the self-sustaining bankomunal model for education and financial inclusion in Argentina, Bolivia, Colombia, Dominican Republic and Haiti. 120 bankomunales were created with a total of 1,600 members, 2,000 loans, for a total of USD 90,000. A second innovation was initiated via the generation of protective services, associative health and other services through other groups.
- **Pyramid-based housing services:** a social business model was created to leverage a public-private ecosystem and a trust fund to finance housing improvement works in Moreno (Buenos Aires) and articulate community building companies.
- **Social innovation with connectivity and health care for communities in the Peruvian Amazon:** a sustainable public-private business was created to deliver mobile telephony services to isolated communities empowering them to become active actors of their own development.

In 2015, the IIS and Oxford University published *The missing dimensions in the measurement of poverty*, analyzing factors that act as barriers to overcome poverty, among them: quality of employment; agency and empowerment; violence and physical security; psychological and subjective wellbeing; self-consciousness and humiliation; and social connectivity.

IIS participated in the II German Social Innovation Forum (Berlin), Skoll World Forum on Social Entrepreneurship (Oxford), Regional fora of B companies, II Latin American Forum of Universities (Cordoba), The Globalizer, Ashoka (Buenos Aires), What do our organizations need to innovate? (Lima), International Social Innovation Festival 2015 (Santiago and Buenos Aires).



ENVIRONMENT AND CLIMATE CHANGE

CAF has continued to support the promotion and consolidation of the environmental sector in the region through programs and actions aimed at supporting a sustainable productive transformation in shareholder countries through environmentally sustainable and socially responsible funding operations.

INSTITUTIONAL ENVIRONMENTAL MANAGEMENT UNIT

The main mission of this Unit is to oversee the environmental and social assessment and follow-up processes for all CAF funding operations. In 2015, this Unit processed 808 services: 81 services for operations under an origination phase (committee forms for business), 45 environmental and social reports for operations under an assessment phase, 46 documentary reviews under an implementation phase, 93 assessment and follow-up missions, and 543 technical criteria for operations in the administration and disbursement phase.

With the purpose of improving the quality of institutional environmental management efforts, CAF implemented web-based monitoring system for operations (PSO, for its acronym in Spanish) to plan and monitor credit facilities throughout the different process phases, and developed guidelines for external clients as well as environmental and social safeguarding measures for CAF's funding operations.

In addition, a pilot program was implemented to optimize business processes in order to develop instruments and tools to promote mitigation and climate change adaptation initiatives within the institution's loan portfolio.

Within the framework of knowledge generation efforts in the region, a project called Huella de Ciudades (Cities Footprints) was implemented to determine carbon footprints and the water footprint in the cities of Fortaleza (Brazil), Santa Cruz de La Sierra (Bolivia) and Guayaquil (Ecuador), and actions initiated in previous years were continued in the cities of La Paz, Lima and Quito. In addition, implementation of the Amazonia without Fire program (Programa Amazonía sin Fuego—PASF) continued. In addition to the program's actions to control fires and develop

alternative and sustainable practices to protect Bolivian forests, it kicked off a process of exchange of experiences with Ecuador.

CAF participated in COP21 in Paris by organizing a forum of mayors and presenting the publications on cities' footprint (*Cities Footprint Project: Strategic Outcomes and Methodological Guide*) and the Amazonia without Fire program (*Programa Amazonía sin fuego: Una propuesta de prácticas agropecuarias alternativas y sostenibles en la región Amazónica de Bolivia*).

Institutional Environmental Management Plan (PIGA, for its acronym in Spanish)

In August 2015, the Council for Responsible Sport awarded CAF a silver certification for the fourth edition of the CAF marathon held on April 26, 2015. This Council endorses the social benefits of this event and the measurement or reduction of the carbon footprint. The CAF marathon is the first event in Venezuela to have received this accolade and is comparable to international events such as the Bank of America Chicago Marathon (USA, Silver 2014), the Suissegas Milano Marathon (Italy, Gold 2015) and the Mexico City Marathon (Mexico, Gold 2014).

In November 2015, CAF was awarded the LEED EBOM (Leadership in Energy and Environmental Design, Existing Building Operations and Maintenance) Gold certification for its building in Bolivia. This is the first time this certification is awarded in Bolivia. This accolade awarded sustainable buildings is recognized worldwide. At present, there are 7986 LEED EBOM certification projects in the world, of which 3774 have already been certified. In Latin America, there are 138 projects, 64 of which have been certified, including 15 Gold awards.

In December, 2015, CAF also received a Silver certification for the seventh edition of the LA PAZ 3600 10K race held on October 25, 2015. This certification is awarded by the Council for Responsible Sport, an organization that endorses the social benefits of this event and the measurement or reduction of the carbon footprint, and is the first one earned by a sports event in Bolivia.

Under the zero emission program, an annual inventory of carbon footprint per country and per scope was made covering six action areas. Findings revealed that the per capita carbon footprint in 2015 was 15.62 CO₂ ton/employee.

Environmental and Social Management Program for Financial Institutions

The Environmental and Social Management Program for Financial Institutions (PGASIF, for its acronym in Spanish) aims to encourage the internalization of environmental and social management principles and practices within the region's financial sectors.



Under the zero emission program, an annual inventory of carbon footprint per country and per scope was made covering six action areas. Findings revealed that the per capita carbon footprint in 2015 was 15.62 CO₂ ton/employee.

This strategy is designed to ensure that CAF's shareholders and clients in the financial sector incorporate environmental and social principles and safeguards created for the entity's operations. Phase II of this program was approved in August 2015. A publication collecting the experiences and results of Phase I, including the strategy to reach new goals in the next three years, is currently being drafted.

During 2015, CAF co-chaired the Latin American working group of the United Nations Environment Programme Finance Initiative (UNEP-FI) for the period 2015-2017. In September 2015, the Latin America Green Award was given in Guayaquil and CAF created the Sustainable Finance award category. In addition, UNEP-FI's online training course on climate change, risks and opportunities for financial institutions was updated, and ESRA training workshops organized by Paraguay's Sustainable Finance Roundtable were supported; these workshops were attended by more than 60 representatives of Paraguayan financial institutions.

Sixteen representatives of financial institutions from five countries in the region received a grant to attend the ESRA course to promote the inclusion of environmental and social risk analysis and management guidelines and tools in financial operations.

The drafting of the terms of reference for the establishment of a communication network between grantees to attend ESRA and climate change courses was initiated to create conditions supporting an exchange of experiences and good environmental practice case studies in the region.

GREEN BUSINESS UNIT

The Green Business Unit (UNV, for its acronym in Spanish) implemented a strategic biodiversity program and the CAF forest program, the latter being accompanied by a publication. Both tools include actions that promote a conservationist balance of the natural capital through the sustainable use of natural resources and a search for equitable access and benefits in terms of biological resources with social inclusion in Latin America.

In 2015, CAF fully met the requirements to become an accredited agency to implement projects co-financed by the Global Environmental Forum (GEF). Thanks to this process, CAF gained overall strength to achieve additional improvements of environmental and social safeguarding systems, project assessment and monitoring, and supplementary administrative systems.

In 2015, CAF fully met the requirements to become an agency implementing projects co-financed by the Global Environmental Forum (GEF).

Over the year, the Green Business Unit identified activities and goals within the scope of an integral approach to the sustainable development of vulnerable ecosystems such as the Amazonian

IN 2015, CAF FULLY MET THE REQUIREMENTS TO BECOME AN AGENCY IMPLEMENTING PROJECTS CO-FINANCED BY THE GLOBAL ENVIRONMENTAL FORUM (GEF).

forest; the Maya forest; the Cerrado tropical savanna; Patagonia; and the Pantanal. Other scopes and goals included growth in terms of expertise and regional leadership in biotrade and ecotourism; support of CAF's business areas for the design, dissemination, implementation and monitoring of green financial products, such as a credit line for green business and energy efficiency of up to USD 1.2 billion; and CAF's Latin American cocoa initiative.

In addition, the CAF-GEF-UNEP Andean Biotrade Project was implemented, with a total budget of almost USD 21 million. The project encompasses public and private institutions and the business community in Colombia, Ecuador and Peru. Within this framework, 316 projects were implemented in the fields of ecotourism, food and supplies for the pharmaceutical and cosmetics industry. In addition, direct benefits were granted to 29,600 individuals; 1,300 entrepreneurs received training; the annual income per capita increased by 69%; innovation support was materialized by the development of 28 new products; the opening of markets in the European Union, the USA, Canada and Japan was encouraged thanks to the certified export of USD 27.21 million; and www.biocomercioandino.org was set up as an ongoing information and training platform for entrepreneurs, and a knowledge management biobusiness observatory and tutorial tool.

In addition, the following publications were issued: *Memoria de sistematización Proyecto Biocomercio Andino (English and Spanish)*; the executive summary of the Andean Biotrade Project (English and Spanish); lessons learned under the Andean Biotrade Project; the Biodiversity Strategic Plan (English and Spanish); and CAF's forest program.



CAF provided advice to several countries in the region to develop standardized guidelines as a sectoral tool to determine the reduction of CO₂ emissions through the regional cooperation center, an alliance with the United Nations Framework Convention on Climate Change's Secretariat established in 2013.

CLIMATE CHANGE UNIT

In 2015, CAF became an accredited implementing agency of the Green Climate Fund (GCF). CAF and the French development agency AFD subscribed a special credit line for EUR 100 million to fund climate change activities in cities. The 2014 green funding map was completed, showing that 24% of operations approved in 2014 included a climate or environmental-change component.

From a climate change mitigation perspective, the AFD's carbon footprint calculation tool was fine-tuned to assess projects in Latin America. In addition, the Facility for Performance-Based Climate Finance in Latin America was implemented for the urban solid waste sector in Ecuador; and an initiative was started to include the renewable energy in Colombia and energy efficiency in Mexican industries.

In addition, the development of sectoral NAMAs (Nationally Appropriate Mitigation Actions) was supported for the biomass

(Argentina) and household refrigeration (Colombia) industries; and a project portfolio with a funding potential close to USD 65 million was identified. The Panama Canal Authority received support to carry out a study to identify actions that add value to the Green Route used by ocean-going vessels with high environmental performance and their carbon footprint.

At the same time, potential mitigation actions in the cement sector in Mexico, Peru and Ecuador, and potential energy efficiency and fossil fuel replacement projects for a value close to USD 210 million were identified thanks to a study completed with funding from the European Union.

CAF provided advice to several countries in the region to develop standardized guidelines as a sectoral tool to determine the reduction of CO2 emissions through the regional cooperation center, an alliance with the United Nations Framework Convention on Climate Change's Secretariat established in 2013.

In regard to the adaptation to climate change, two proposals were submitted to the Adaptation Fund for national projects in Ecuador and Peru and a preliminary binational project for Ecuador and Chile, seeking non-reimbursable technical cooperation funds for about USD 16 million. It is expected that the Adaptation Fund will analyze and approve these three projects in 2016.

Progress was made in the analysis of vulnerability and identification of adaptation measures for hydropower stations in Ecuador, and vulnerability studies in the urban environment using the vulnerability indices of the cities of Guayaquil in Ecuador and Arequipa in Peru, in an attempt to identify and prioritize specific adaptation measures to create climate resilience in urban environments.

In 2015, CAF continued to participate in IDFC working groups on topics related to green funding monitoring and reporting; climate finance mobilization and climate change as a cross-cutting topic in financial institutions. In addition, CAF participated in and supported international fora such as the Forum Finance Climat (Paris, France), the IX Latin American and the Caribbean Forum on Carbon (Santiago, Chile), the launch of Common Principles on Climate Finance; and the Fourth Workshop of the Regional Platform of Strategies for Low-Emission Development in Latin America and the Caribbean. By year end, within the framework of the UN Climate Change Conference of the Parties (COP21/ CMP11) in Paris, France, during an event called CAF Day, CAF's strategic partners and clients presented the climate change activities they perform with CAF in the matter of mitigation, adaptation, climate finance and actions in cities.

Finally, CAF and its strategic partners supported the release of the following publications: *Mainstreaming Climate Action within Financial Institutions Five Voluntary Principles and IDFC Green Finance Mapping for 2014*.

IN 2015, CAF BECAME AN ACCREDITED IMPLEMENTING AGENCY OF THE GREEN CLIMATE FUND (GCF).



PRODUCTIVE AND FINANCIAL SECTOR

CAF's support of the productive and financial sectors of its member countries is implemented through a broad range of funding and investment operations and aims to reach the sustainable productive transformation of the country's economies, the strengthening of public and private financial institutions; the promotion of access to funding by micro, small and medium enterprises; and the support of dynamic and innovative entrepreneurship.

In each of the economies where CAF operates and in line with relevant public policies, the institution identifies the competitive sectors with the potential to generate high value added products and services. CAF offers financial services to the companies in these sectors aligned with their needs, such as loans for working capital and expansion projects; A/B loans; partial loan guarantees; guarantees for bond issues; performance bonds; structured financing; financial advice and equity investments, among other services. CAF began to address the food and agro-industry sectors, in addition to its traditional support provided the construction, cement and financial sectors, among others.

The strengthening of financial systems is a critical factor for economic development. Therefore, CAF supports financial institutions through credit operations to facilitate international trade transactions and the funding of productive sectors. In addition, CAF's relationship with financial institutions plays a countercyclical function seen when capital flows to member countries decrease.

With official financial institutions—development banks—, CAF maintains very special bonds as these are fundamental allies for identifying and promoting economic sectors that are susceptible for transformation. CAF manages a support program for integral institutional strengthening in order to develop deeper ties with development banks and also offers funding that can have a relevant and supplementary impact on productive matrix change processes. In addition, CAF encourages the review and improvement of financial system



CAF PROMOTES ACCESS TO FINANCIAL SERVICES FOR THE LARGE GROUP OF ENTREPRENEURS THAT FACE LIMITED ACCESS TO BANK SERVICES SUCH AS CREDIT AND SAVINGS THROUGH INSTITUTIONS THAT CATER TO ENTREPRENEURS.

regulatory frameworks in member countries for the design and introduction of the best existing practices to facilitate user access to the services offered by the system and the capital market.

CAF promotes access to financial services for the large group of entrepreneurs that face limited access to bank services such as credit and savings through institutions that cater to entrepreneurs. CAF seeks to offer the best suitable product to each microfinance institution, according to their specific needs. For example, credit lines in US dollars and local currency, partial loan guarantees, subordinated loans and even equity investments.

Credit guarantee systems are very important allies for small and medium enterprises to access credit. CAF supports these entities through technical cooperation actions, counter guarantees and co-investment operations.



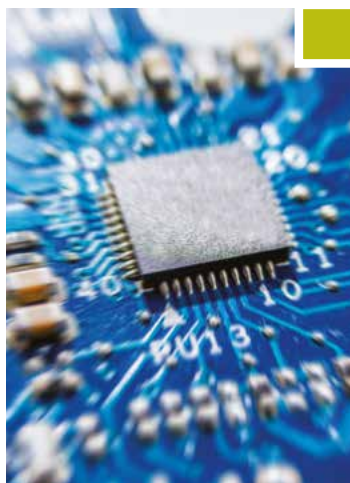
CAF encourages innovative entrepreneurship through equity investments in venture capital funds. These funds, in turn, invest in innovative small and medium enterprises with the potential to become large enterprises manufacturing new products or providing new services, during the startup of operations or growth stages.

Finally, CAF supports multiple initiatives through both reimbursable and non-reimbursable technical cooperation funds, such as projects and platforms for financial inclusion through the use of technology; generating knowledge products such as sectoral reports and studies; organizing events and seminars to help the private sector; and helping the institutional strengthening of several entities.



PRODUCTIVE TRANSFORMATION

Latin America's productive, trade and revenue expansion cycle in recent years, with levels of growth without precedence in the last four decades, did not yield satisfactory results in terms of the region's international market share, which remained at historic levels, close to 5% of total world exports. The region's persistently low levels of competitiveness and productivity lie behind this situation as a result of deficient physical and virtual connectivity infrastructure, financial circuits with a low penetration and are difficult to access, low investments in technology and inadequate human capital development, among other factors. This brings about productive and productivity schemes in the region that lack sophistication. The new world scenario of slower growth reinforces CAF's motivation to support productive transformation in Latin America as an indispensable condition to narrow the development gap in relation to other regions. One of the grounds for encouraging productive transformation that has received great attention in the last few years has been innovation as a core practice to improve business productivity. Countries that have achieved sustainable and accelerated economic growth are characterized by strong productivity development thanks to increasing and sustained investments in technology and innovation. On the contrary, Latin America still shows deficiencies in national innovation systems and relevant investments remain very low. Therefore, in 2015, CAF started to focus part of its resources on strengthening the capacity for innovation of Latin American companies and sectoral research centers.



In 2015, CAF started to focus part of its resources to strengthening the capacity for innovation of Latin American companies and sectoral research centers.

CAF spearheaded the first intervention in the company Colombina to strengthen its innovation management capabilities, and workshops were held in Colombia for the joint drafting of a country agenda among local entrepreneurs, government agencies and knowledge agents such as universities, research centers and management advisory companies. This effort will be continued with similar interventions in Latin American companies and research centers and the development of a workshop to articulate stakeholder participation in Ecuador.

The business sophistication agenda will also need to focus on supporting member countries in topics that enhance entrepreneurship and innovation and promote the required ecosystem. In this environment, CAF promoted meetings in 2015 such as the Latin American Private Equity and Venture Capital Association (LAVCA) in the US to connect key venture capital industry stakeholders, and gatherings with

the non-profit organizations Fundación Ideas (Venezuela) and Innovadores de América (a regional entity) to foster the development of quality entrepreneurship in regional countries.

CAF's work in the matter of entrepreneurship and innovation requires the support of governments so that they can carry out the necessary institutional (regulatory and legal) changes that enable ecosystem development. Development banks and agencies have become key stakeholders to attain this goal, particularly in regard to implementing public policies, as they contribute what is necessary to national financial systems to mitigate potential market failures. Within this context, in 2015, CAF continued to bring support to the institutional strengthening of regional development banks through entities such as COFIDE and Agrobanco in Peru, Bancoldex and Finagro in Colombia, Ecuador's development bank Corporación Financiera Nacional (CFN), Banco de Inversión y Comercio Exterior S.A. (BICE) in Argentina, Banco de Desenvolvimento de Minas Gerais (BDMG) in Brazil, among others. Similarly, top authorities of 25 regional development banks attended the second meeting between CAF and the region's development banks.

In addition to developing new institutional capacities for business development, the region needs to make extra efforts to support productive activities that reach deeper into the regional market and the establishment or consolidation of productive chains with international projection. In 2015, within this environment, the first edition of the Program of Exporting Companies of Excellence was completed in Colombia, seeking innovation in export business models for ten companies; the same program was launched in Ecuador.

Work was also done to support and strengthen metalworking and food chains in Ecuador and Colombia; the textile sector in Peru and Ecuador; the fishery industry in Peru; tourism in Bolivia and Panama; and logistics in Panama and Uruguay. However, in order to boost resource allocation, a strategic planning process implemented during the year established that sectoral work across the region will focus on agro-industry and, in general, on business activities related with the agro-industrial chain. It is in this sector where CAF can contribute the most and create the strongest impact to improve productivity in the region.

IN 2015, THE FIRST EDITION OF THE PROGRAM OF EXPORTING COMPANIES OF EXCELLENCE WAS COMPLETED IN COLOMBIA, SEEKING INNOVATION IN EXPORT BUSINESS MODELS FOR TEN COMPANIES; THE SAME PROGRAM WAS LAUNCHED IN ECUADOR.

In addition, improving the productive capacity of a company or strengthening a chain is partly associated with the productivity of the workforce. Therefore, technical and technological training and education activities should be fostered to close the gap between the demand for training and the supply. In 2015, CAF completed an assessment of technical and

vocational education in Peru and Panama, and workshops were organized to present the results to the public and private sectors. Similarly, the results and final reports of surveys to measure financial capacity in Andean countries (Bolivia, Colombia and Peru) were submitted.

An area of action where CAF is internationally recognized is the promotion of best practices in corporate governance that guide and orient the relationship between company managers and owners. These practices have been rated as indispensable for the sustainable development of business productivity in the modern world. In 2015, CAF continued to support several activities on this issue, such as the fourth annual meeting of corporate governance for state-owned companies in partnership with the OECD and two workshops for SMEs in Peru and Colombia.





SOCIO-ECONOMIC RESEARCH

There is a very close link between research and development. Research is a direct vehicle for societies to move forward and promote their productive capacities. There is an exchange that occurs between research processes and the implementation of effective policies to achieve productive development: regional public policy makers are nourished by research inputs when making decisions that facilitate and stimulate economic and social development.

Along these lines, CAF's Research Support Program (PAI, for its acronym in Spanish) drives the design and implementation of public policies and development strategies in regional countries through knowledge generation and dissemination. CAF is benefitted by the inclusion of topics of interest in its agenda and participates in the debate on significant issues related to Latin American economic and social development.

In 2015, PAI released 12 publications. First of all, the 2015 Report on Economy and Development (RED, for its acronym in Spanish), in digital and printed versions, titled *Un estado más efectivo: Capacidades para el diseño, implementación y aprendizaje de políticas públicas* (A more effective state: capacities for the design, implementation and learning of public policies).

In addition, an issue of the FOCUS newsletter was published, describing the main messages of RED 2015 about state's capabilities.

Moreover, the following research publications were issued in digital format as part of CAF's work series: *Ensayo sobre una política alternativa para el desarrollo latinoamericano* (Essay on an alternative for Latin American development policy), by L. Sanchez-Masi; *La importancia del servicio civil en el desarrollo de capacidades estatales en América Latina* (The importance of civil service for developing state capacities in Latin America), by M. Iocoviello and M. Chudnovsky; *Losing health insurance when young: Impacts of usage of medical services and health*, by D. De La Mata, C. Gaviria; *Los efectos de un programa de transferencias de ingresos en la ciudad de Buenos Aires* (The effects of an income transfer program in the city of Buenos Aires), by A. Hatrick; *Early impacts of college aid*, by J. Cáceres-Delpiano, E. Giolito and S. Castillo; *En busca de los inobservable: Incorporando habilidades en un modelo a la Mincer* (Looking for the unobservable: adding skills to a model à la Mincer), by M. Vera; *The effect of schooling on skills and knowledge in Latin America*, by E. Vazquez and M. Marchionni; *Peer effects in the development of capabilities in adolescence*, by A. Balsa, N. Gandelman and F. Roldán, and *Understanding the math gender gap in Latin American countries* by N. Nollenberger and N. Rodríguez-Planas.

In addition, research projects associated with CAF's priority agenda were developed; eight studies were initiated that will be the input

RED 2015 ABOUT STATE'S CAPABILITIES WAS LAUNCHED AT A REGIONAL LEVEL IN MONTEVIDEO, BUENOS AIRES, BOGOTA, LA PAZ, LIMA, BRASILIA, QUITO, GUAYAQUIL, MEXICO CITY, SANTIAGO AND PANAMA CITY.

for RED 2016 about skills for life and work; the XIII edition of the research support program contest was held, devoted to skills for life and work. Moreover, 125 proposals from 17 countries were presented; four were selected: *Early impacts of college aid*, by J. Cáceres-Delpiano, E. Giolito and S.Castillo; *Signalling cognitive and noncognitive skills: Education and Mismatch in Latin America*, by L. Arozamena, H. Ruffo and M. Santamaría; *The effect of the Kangaroo Mother Care Program (KMC) on wages: A structural model*, by O. Attanasio, D. Cortés, J. Gallego and D. Maldonado; and *Skills for the First Job*, by P. Lavado, E. Abusada and G. Yamada.

Activities disseminating the main conclusions and lessons learned from RED 2014 *Por una América Latina más segura: Una perspectiva para prevenir y controlar el delito (For a safer Latin America: an approach to crime prevention and control)* were continued with presentations in Venezuela, Uruguay, Panama, Trinidad and Tobago, Spain; Brookings Institution and the Interamerican Development Bank in Washington D.C.; the V CAF-ILAS conference held in Beijing, China; the institute of political science studies "Institut d'études politiques Science Politiques" (SciencePo) in France; and the celebration of 20 years of undergraduate studies in economy in EAFIT in Medellin, Colombia.

RED 2015 about state's capabilities was launched at a regional level in Montevideo, Buenos Aires, Bogota, La Paz, Lima, Brasilia, Quito, Guayaquil, Mexico City, Santiago and Panama City.

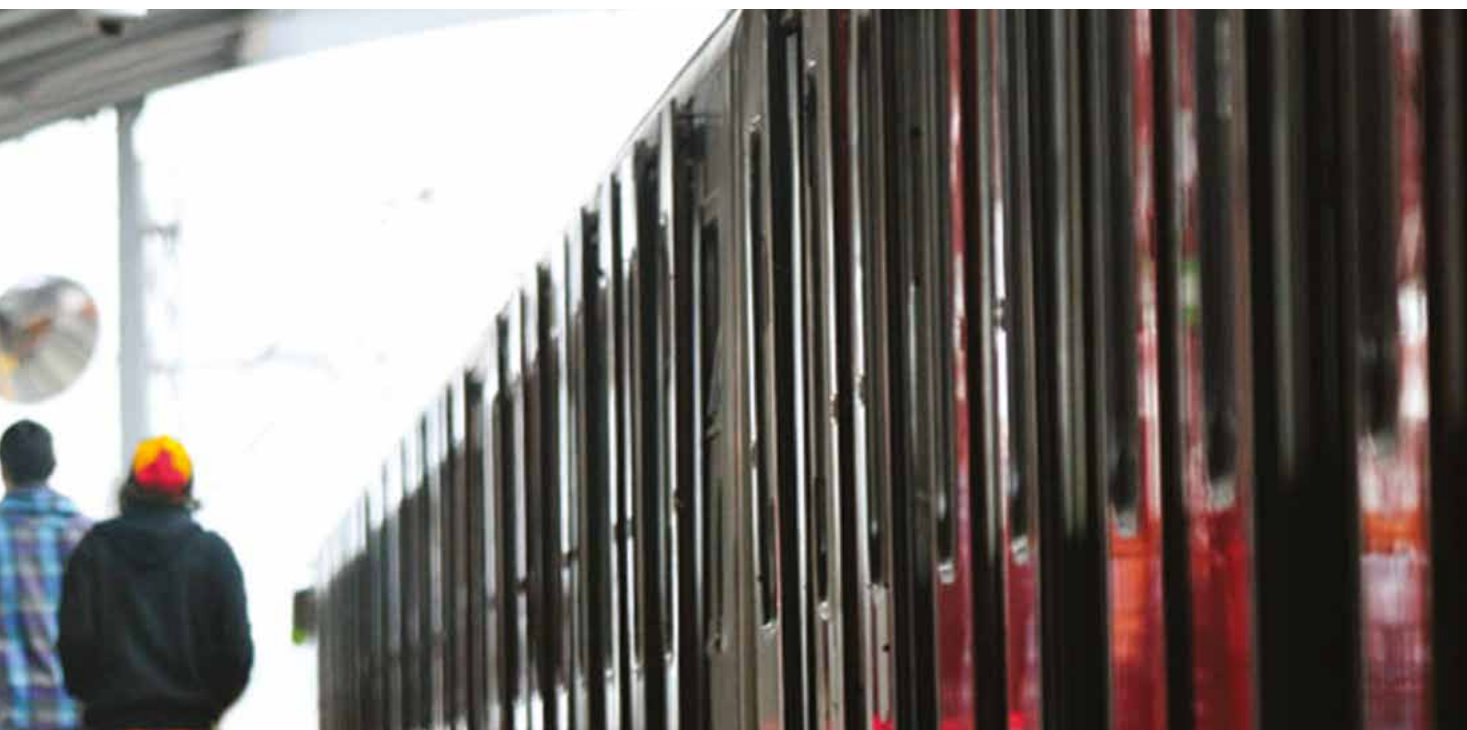
CAF also participated in the XX Annual LACEA Meeting held in Santa Cruz, Bolivia. Every year, this forum gathers the main researchers and scholars in the region. CAF sponsored a



session to present research work on “innovation, skills and poor resource allocation in an informal economy.”

CAF was present at several other conferences and seminars: the I Meeting of CAF'S European Academic Network in Madrid, Spain; the launch of the Latin American Outlook 2015 in Santiago, Chile; the RIDGE/LACEA-PEG Workshop on Political Economy in Montevideo, Uruguay; the XLI Meeting of the Network of Central Banks and Finance Ministries in Washington, D.C.; the International Seminar Opportunities and Challenges for the Economic Development of Latin America and Cuba; the CAF-SEAIN planning mission in Brasilia, Brazil; the XV Asobancaria Banking Convention in Cartagena, Colombia; the International Conference on Monetary Stability and Economic Growth organized by the Central Bank of Paraguay; the XIX Annual CAF Conference held in Washington, D.C.; the meeting of governors of central banks held by the Center for Latin American Monetary Studies in Lima, Peru; the Latin Trade Symposium 2015 in Miami, US; the XII Meeting of Economists in Panama; the Seminar “Multilateral Development Institutions: New Challenges, New Strategies” in Washington, D.C.; the conference The Role of Multilateral Entities in Economic Development held in Montevideo, Uruguay.

CAF sponsored and participated in the meetings organized by the applied research network on public safety “América Latina Crime and Policy Network (ALCAPONE)”, held in Montevideo, Uruguay. Similarly, CAF was present at events organized by the applied research network on international trade “Trade Integration and Growth Network” (TIGN) held on May 15 and 16 in Los Angeles, US.





INSTITUTIONAL DEVELOPMENT

The quality of institutional management in each country is critical to the efficacy of services offered to citizens, a suitable assessment of public policies and sustainable development. CAF's goal is to contribute to improved public management and institutional quality; promoting the development and identification of young, emerging and innovative leadership; and accompanying countries in their search to solve the problem of public safety. CAF continued its work in these three areas in 2015.

PUBLIC MANAGEMENT AND INSTITUTIONAL QUALITY

CAF works hard to strengthen the public sector in support of the development of state capacities and the institutional quality of the democratic system aimed at improving governance at the different government levels and promoting decentralization, local development, strategic vision and public efficiency.

During 2015, CAF spearheaded the implementation of the governance, public administration and policy management program, and the "Leadership for Transformation" program, both accompanied by a process of evaluation and systematic monitoring to guarantee the quality required by CAF for these training sessions; in turn, students were asked to answer a survey about the challenges faced by the region in terms of governance and public management.

The I Regional Meeting of Graduates from the Governance and Leadership Training Programs was held, and the IV Annual Meeting of Coordinators of both programs. Similarly, *the book Gobernabilidad y Liderazgo en América Latina. 15 años de experiencia de los Programas CAF de formación (Governance and Leadership in Latin America. Fifteen years of experience in CAF's educational programs) was published.*

The book series Estado, gestión pública y desarrollo en América Latina (State, public management and development in Latin America) was presented, including the publication of the first three books: Capacidades Estatales, once textos fundamentales (State capacities: eleven fundamental texts); El Valor Estratégico de la gestión pública. Trece textos para comprenderla (The strategic value of public administration. Thirteen texts to understand it); and Economía Política del Crecimiento, Cadenas causales y mecanismos institucionales (The political economy of growth: causative chains and institutional mechanisms).

The Latin American Governance Network was created, composed of program graduates and active participants, to disseminate CAF's activities in the region, coordinate support policies and guidelines, and promote an ongoing synergy. Within the framework of this initiative, website was launched for the graduates of CAF's Governance and Leadership programs, along with a closed Facebook group for graduates and students, and a virtual workspace for coordinators and teachers on Yammer using OWA 365 tools.

Among other regional activities, a "CAF-OLA Public Sector and Academia Dialogue" meeting was held as part of the Latin America on the Move program, and The New School meeting was held in New York City (US) in partnership with the Latin America Observatory (OLA, for its acronym in Spanish). Colombia was discussed during the first meeting, while Mexico was the topic of the second gathering.

In addition, the strategic alliance with the Latin American Center of Public Administration for Development (CLAD, for its acronym in Spanish) to promote knowledge generation in the matter of public administration remained in place. Moreover, CLAD supported and participated in the XX International CLAD Congress on State Reform and Public Administration held in Lima (Peru); the Ibero-American Colloquium on Sustainable Cities (Dominican Republic) was organized by the Dominican Republic Ministry of Public Administration (MAP, for its acronym in Spanish) and CLAD; and strategic support was provided to the Center for the Implementation of Public Policies for Equity and Growth (CIPPEC, for its acronym in Spanish) for the organization of the III Meeting of Latin American Think Tanks. Within the framework of CAF's alliance with CLAD, CAF'S Executive President, Enrique García, received recognition for the institution's commitment to strengthening institutions across the region.

Governance and public administration

The governance, public administration and public management program was launched in Bolivia as a pilot project in 2001. In 2002 it was extended to Argentina, Colombia, Ecuador, Mexico, Panama, Peru and Venezuela. This initiative designed by CAF was enhanced by the academic development contributed by George Washington University, adjusted to each country's reality by local participating universities.

The goal of this program is to train public officers from local governments and their support teams so that they become valuable contributors to the sustainable development of their cities.

In 2015, 13 universities implemented this program in nine countries in the region. The Getulio Vargas Foundation (Brazil), Universidad ICESI (Colombia), University of Cuenca (Ecuador), Universidad Columbia del Paraguay (Paraguay) and Universidad Simón Bolívar (Venezuela) joined the program, which registered 1,949 enrolled students in 2015.

Leadership for Transformation

The Leadership for Transformation program was conceived of under the principle that social coexistence, in any setting, requires that actions by leaders be driven by ethical, civic and democratic values and principles. It began as a pilot project in Colombia in 2002 and was later extended to Bolivia, Ecuador, Panama, Peru and Venezuela.

In 2015, this program was implemented across six countries in the region through seven academic centers. The Universidad Colegio Mayor Nuestra Señora del Rosario (Colombia) and Escuela Superior Politécnica del Litoral (ESPOL, Ecuador) have joined this initiative. In total, 2,157 students were trained.

Training for senior public leaders in Latin America

In recognition that the Latin American public office requires new devices to train technically sound leaders, with the competencies to build viability and sustainability into public policies, in 2015, in partnership with prestigious institutions, CAF developed multiple lines of training and programs to strengthen the capacities of top government officials and senior public directors in the region.

Executive training in leadership and change management for senior public managers in Latin America

Along with the French National School of Administration (ENA, for its acronym in French) and French development agency AFD, CAF implemented the Leadership and Change Management Program to promote current public policy trends. The first course focused on environmental matters within the framework of COP21.

Inter-American higher education program on public policy innovation and management

With the support of the Department for Effective Public Management (DEPM) of the Organization of American States (OAS), the McCourt School of Public Policy from Georgetown University (MSPP/GU) and the Social Policy in Latin America Regional Program from the Konrad Adenauer Foundation (SOPLA/KAS), CAF spearheaded the first edition of the Inter-American higher education program on public policy innovation and management (AIPIM). This is an executive education initiative focusing on senior public sector officers, academic researchers, private sector and press leaders who are familiar with the public policy decision-making process. Of the 120 applicants, 30 were accepted.

Training program for mayors and senior public managers of local governments in management skills for government communication

This program was implemented along with the Latin American Federation of Cities, Municipalities and Associations of Local Governments (FLACMA, for its acronym in Spanish), the Argentine Federation of Municipalities (FAM, for its acronym in Spanish) and the School of Learning Sciences and Social Communication from Universidad del Salvador in an attempt to strengthen accountability in subnational settings. The first edition of this program was implemented under an in-person attendance model, while future editions have been planned as online sessions. Sixty-four public officials were enrolled in all.



In 2015 and along with prestigious institutions, CAF developed multiple lines to train and strengthen the capacities of top government officials and senior public managers in the region.



CAF signed a cooperation agreement with Fundación Scholas Ocurrentes, an entity driven by Pope Francis to enhance actions that accelerate social integration projects through education in Latin American countries.



CAF's Executive President, Enrique García, received the Partners of The Americas award for his support of social and educational equity. Partners of The Americas promotes the "100,000 Strong in the Americas Innovation Fund," an education initiative spearheaded by President Barack Obama for the Western Hemisphere that attempts to improve competitiveness in the hemisphere, boost prosperity and prepare a more competent global workforce.

THE YOUNG AND EMERGING LEADERS

CAF identifies, selects and trains young people with a democratic vision of their country and democratic values so that they become responsible leaders, knowledgeable about the situation of their country, who can commit to building a better future.

National meetings of leaders were held in Brazil, Chile, Colombia, Ecuador, Mexico and Paraguay, along with the V Meeting of Young Latin American Leaders in Panama, with the participation of more than 200 youths.

Within the framework of the institutional alliance with the Ibero-American Youth Organization (OIJ, for its acronym in Spanish), the "Youth Alliance" was held, focused on knowledge generation of the young Latin-American population and the design of policies targeting their needs.

In addition, a cooperation agreement was signed between CAF and Fundación Scholas Ocurrentes —at the Vatican— to enhance actions that accelerate social integration projects through education in Latin American countries. Scholas is an international public non non-profit entity driven by Pope Francis that works with schools and educational communities from public and private settings, laic and from all religious orders, to reestablish the educational covenant.

Another initiative with regional impact implemented in 2015 was the Young Protagonist project by the Ibero-American Federation of Young Entrepreneurs (FIJE, for its acronym in Spanish), an entity promoting entrepreneurship among unemployed youths who are not enrolled in school.

PUBLIC SAFETY

CAF intends to accompany countries in their search for solutions to resolve the public safety problem through knowledge generation projects and the provision of resources.

In terms of public safety, technical cooperation operations initiated in 2014 were continued in 2015 through the Public Safety Program in Argentina and the strengthening of prevention plans in Bolivia.

Along with the Woodrow Wilson Center, a seminar was organized to analyze the main challenges in terms of security and the fight against violence, and raise awareness about different experiences and strategies implemented by the region's municipal governments.

Within the framework of the work with the OAS, progress was made in regard to the implementation of the Inter-American Police Development and Professionalization Program through the Assessment and Design of Guidelines on Educational Planning for the Network. This initiative is expected to train 250,000 police officers in the coming years in Latin America, strengthen social prevention programs and support policies to improve information systems.

**IN TERMS OF PUBLIC SAFETY,
TECHNICAL COOPERATION
OPERATIONS INITIATED IN 2014
WERE CONTINUED IN 2015
THROUGH THE PUBLIC SAFETY
PROGRAM IN ARGENTINA
AND THE STRENGTHENING
OF PREVENTION PLANS IN
BOLIVIA.**

REGIONAL PROMOTION

AND INTERNATIONAL
RELATIONS

CAF IS ACTIVELY PRESENT IN THE MAIN REGIONAL INTEGRATION EVENTS

THROUGHOUT 2015, CAF CONTINUED TO ACTIVELY SUPPORT THE AGENDA OF SEVERAL REGIONAL INTEGRATION MECHANISMS AND EVENTS, IN ADDITION TO CONTRIBUTING SUBSTANTIALLY TO THE STRENGTHENING OF SPACES FOR DIALOGUE AND CONSENSUS IN LATIN AMERICA AND THE CARIBBEAN.

Through the definition and startup of comprehensive work programs with the distinct regional organisms and systems, the institution conclusively contributed to the implementation of the sub-regional, regional and hemispheric agendas for integration and consensus. Likewise, throughout 2015, CAF acted an important bridge between Latin America, Europe and Asia, strengthening the integration agenda.

CAF's ongoing participation and technical support in the development of the region's integration agenda, as well as CAF Executive President's presence at each one of the presidential summits, consolidated the institution's role as the key player in the development of priority projects aligned with the shareholder countries' integration objectives.

CAF mainly promoted projects related to regional physical infrastructure integration, energy market integration, financial integration, productive integration, strengthening of the MSMEs and support for the consolidation of the productive value chains. The institution also promoted regional projects for environmental, social, educational, and cultural development, in addition to several cross-border, bi-national and sub-regional integration and cooperation programs for social unity and the reduction of inequalities.

CAF's presence and active participation in regional fora include: the III Summit of the Heads of State and Government of the Community of Latin American and Caribbean States (CELAC) in San Jose, Costa Rica; the XLVIII Summit of the Heads of State of the Southern Common Market (Mercosur, for its acronym in Spanish) in Brasilia, Brazil; and the XLIX Mercosur Summit held in Asuncion, Paraguay; the Pacific Alliance Summit in Paracas, Peru; the XV Tuxtla Summit of Heads of State and Government on Dialogue and Consensus in Antigua, Guatemala; the VII Americas Summit in Panama City, Panama and the Foreign Relations Minister Meetings of the Ibero-American Summit in Cartagena, Colombia, as well as the CELAC Ministerial Meetings on Infrastructure, Energy, Telecommunications and Border Integration; the Regional meeting of Sub-regional Integration Mechanisms in Latin America and the Caribbean; the Ministerial Councils of the Union of South American Nations (Unasur). CAF also participated in multiple work sessions and meetings of the Andean Community (CAN) commission; the Andean Integration System of the Andean Parliament; Mercosur Advisory Forum of Municipalities, Federal States, Provinces and Departments (FCCR); the Pacific Alliance; and the Executive Secretariat and Co-presidency of the Mesoamerica Project.

In 2105, CAF launched several work and cooperation programs based on a holistic approach of complementarity and convergence, in partnership with many regional integration organizations and secretariats, including the General Secretariat for the Organization of American States (OAS); the Secretariat General for Ibero-America (SEGIB), the Ibero-American Youth Organization (IYO) and the Organization of Ibero-American States for Education; the Latin-America-Eastern Asia Cooperation Forum; the Secretariat General of Unasur; CAN, the Andean Parliament and the Andean Health Organization—Hipolito Unanue Convention; the Mercosur Common Market Group and Social Institute; the Latin American Integration Association (ALADI); the Latin American Energy Organization (OLADE); the Amazon Cooperation Treaty (ACTO); the Association of Caribbean States (ACS); the Latin American and Caribbean Economic System (SELA, for its acronym in Spanish); the Economic Commission for Latin America and the Caribbean (ECLAC) and the Latin American Social Sciences Institute (FLACSO); the Esquipulas Foundation for Peace, Democracy, Development and Integration (FUNDAESQ); the Global Foundation for Democracy and Development (GFDD); and Training Center for Regional Integration (CEFIR, for its acronym in Spanish).

CAF continued to further develop work programs through its work with as presidents pro tempore of the Ibero-American Community, CELAC, Mercosur, Mercosur Advisory Forum of Municipalities, Federal States, Provinces and Departments, Mesoamerica Project, Pacific Alliance, and ACS, among others, including an important network of multilateral institutions, academic entities and social organizations that promote regional integration.

CAF IMPLEMENTED A VAST PROGRAM OF ACTIVITIES RELATED TO EXTERNAL RELATIONS IN ORDER TO STRENGTHEN ITS INTERNATIONAL PRESENCE AND CONTRIBUTE TO LATIN AMERICA'S GLOBAL PROJECTION.

GLOBAL OUTREACH

CAF's implementation of an external relations strategy has been gradual. Furthermore, it has been adapted in light of the changing times, as it accompanied the institution's growth over the last two decades. The incorporation of new member countries and shareholders as well as access to international capital markets set the basis for expanding the presence of the institution outside of the region, particularly in regard to the deployment of its catalytic role, as well as in terms of its recognition and institutional relations.

Today it can be said that CAF has become a regional actor with a strong international presence, as a result of the deepening of the Latin America dimension as well as the steady increase in its capital, annual approvals, loan portfolio and ratings. This presents additional demands in terms of coordination of its external relations and its catalytic role, which require a comprehensive and systematic approach. Consequently, CAF's external relations activity has aimed to implement a comprehensive agenda designed to strengthening its international presence in Latin America through three main strategies: 1. the strengthening of the institution's geographical presence; 2. the establishment of knowledge alliances; and 3. the training of resources and generation of business and investment opportunities.



VII Americas Summit. Panama City, Panama, April 10–11, 2015.



III CELAC Summit, San Jose, Costa Rica, January 28–29, 2015.

Highlights from 2015's administration include:

- Progress made toward establishing closer ties with China, including the opening of a CAF office in Beijing and the creation of an ad hoc work group.
- Closer relations with Cuba in order to explore the incorporation of this country into the framework for the institution's new regional context.
- Consolidation of the CAF Conferences in Washington (XIX CAF Conference), Beijing (V Conference CAF-ILAS), London (II Conference CAF-LSE) and Paris (III Conference CAF-Sciences Po) to encourage public debate on regional development challenges.
- Establishment of the CAF European academic network comprised of six prestigious European universities.
- Support of key meetings with investors interested in the region held in the main international financial centers.

In addition, relations with countries such as United States, France, Italy, United Kingdom, Japan and Singapore were strengthened and dynamic cooperative relations were continued with institutions such as the United Nations, the OEA, Brookings Institution, The Economist, Emerging Markets Forum, AmericaEconomia, Latin Trade, Americas Society/Council of the America and the Americas Institute, among others.

The institution had an active presence as part of various platforms that allowed CAF to promote the region's interests on a global level. The main events in which it participated in 2015 were:

- **First Ministerial Meeting of the China-Celac Mechanism.** Beijing, China, January 8 – 9. This meeting launched the Celac-China cooperation mechanism for the purpose of strengthening political, economic and social ties between both parties. CAF had an active presence at the event, as one of the international organizations committed to the objectives of the new system.
- **II CAF-LSE Conference “Geopolitics and the Global South,” organized by CAF and the London School of Economics.** London, UK, January 16. This conference was focused on the consequences for the multilateral system of the emergence of the Global South, development cooperation and international security, and was based on high-level dialogue between authorities and academics of Latin America, Africa and Asia. Ricardo Lagos, former President of Chile, and Jose Maria Aznar, former President of Spain, were the keynote speakers.
- **First Meeting of the CAF European Academic Network.** Madrid, Spain, January 19. CAF held a conference with its partner universities in Europe (London School of Economics, University of Oxford, Sciences Po, University of Lisbon (Portugal), University of Alcalá (Spain) and University of Salamanca (Spain)) in order to generate synergies in the promotion of knowledge and university cooperation between Europe and Latin America.
- **III Summit of the CELAC.** San Jose, Costa Rica, January 28 – 29. CAF was present at the third summit of the Latin American and Caribbean Community of States, which reaffirmed the region's shared objectives of sustainable development and integration. At this event, Costa Rica handed over the presidency to Ecuador.
- **Energy Roundtables.** Santo Domingo, Dominican Republic, February 12. This roundtable formed a part of a series of seminars on energy policies held in various countries in the region. CAF also participated in the events held in Argentina (March 19), Santiago (June 23) and Panama (September 22).
- **CAF-JBIC Joint Conference.** Tokyo, Japan, February 17. CAF and the International Cooperation Bank of Japan held a meeting with the actors in Japanese- Latin American relations in order to analyze the region's economic prospects and opportunities for cooperation through financial instruments and development knowledge.
- **Renewable Energy Conference: Growth and Investment Opportunities for Latin America.** London, UK, March 24. This conference organized by Canning House explored the potential of the renewable energy sector in Latin America for the purpose of identifying investment opportunities for the United Kingdom.
- **LVI Annual Meeting of the IDB Board of Governors.** Busan, South Korea, March 26 – 29. CAF was present at the Inter-American Development Bank's annual meeting which included a full agenda of bilateral meetings and participation in debates about Latin America's economic challenges.



- **2015 IIF Latin America Economic Forum.** Busan, South Korea, March 28. This meeting was organized by the Institute of International Finance within the framework of the annual IDB Assembly of Board of Governors. It brought together representatives of Latin American financial and business sectors to analyze the challenges faced by the region in the new international economic context and the outlook for its relations with Asia.
- **Latin Trade “CFO Events.”** Sao Paulo, Brazil, April 14. This meeting is the first in a series of business conclaves aimed at the exchange of points of view about regional economic policies and business strategies. CAF also sponsored the events held in Bogota (May 20), Mexico (June 11), Buenos Aires (August 11) and Lima (November 18).
- **IDFC Climate Finance Forum.** Paris, France, March 31. The International Development Finance Club (IDFC) organized this meeting attended by representatives of the main international development banks seeking to establish common principles for strengthening their contribution to climate financing in preparation for COP 21 in Paris.
- **VII Summit of the Americas.** Panama City, Panama, April 10 – 11. The premier meeting of Western hemisphere countries—in which Cuba participated for the first time—contributed to the adoption of consensus to promote regional prosperity with social equity in areas such as education, health, energy and environment among others. CAF supported the Panamanian presidency throughout the preparatory stage



CAF Annual Conference. Washington D.C., United States, September 9 and 10, 2015.

of the summit and developed an important agenda of meetings during the event.

- **V World Strategic Forum.** Miami, United States, April 13–14. This space for analysis and outlook for future challenges of the global society was organized for the fifth year in a row by the International Forum of the Americas of Canada. CAF's Executive President spoke about the outlook for regional integration.
- **I Regional Meeting of CAF Governance and Leadership Graduates, organized y CAF and the Getulio Vargas Foundation.** Rio de Janeiro, Brazil, April 16–17. This forum was organized with the objective of evaluating the contribution of CAF's Governance and Leadership Programs for the formation of political and social leaders in Latin America countries, as well as to provide an exchange of experiences among more than 140 graduates.
- **First International Seminar "Opportunities and challenges for the economic development of Latin America and Cuba."** Habana, Cuba, April 28. The seminar organized by the University of La Habana and CAF brought together a prominent group of authorities and academics from Cuba and Latin America for the purpose of exchanging points of view about the main global economic trends, the structural challenges of the region, Cuban economic opportunities within the framework of the update of its model and the outlook for regional integration.

- **CAF-Latin Finance Investors & Analysts Reception.** London, UK, April 30. This meeting held in one of the major international financial centers presented CAF's strategy to investors and analysts from investment banks.
- **XLVIII Annual Meeting of the Asian Development Bank.** Baku, Azerbaijan, May 2 – 5. A CAF delegation attended the premier annual meeting of the Asian multilateral financial institution, which offered a key opportunity to exchange knowledge and dialog with strategic partners of the Asian institution.
- **V CAF-ILAS Conference: "Citizen security and governance: challenges for China and Latin America," organized by CAF and the Latin American Institute of the Chinese Academy of Social Sciences.** Beijing, China, May 15. This event promoted dialog between authorities and academics from Latin America and China about the most recent research conducted by CAF, ILAS and the OCDE regarding governance, citizen security and education, in an effort to promote cooperation and mutual knowledge.
- **XXIV Annual Energy Conference.** La Jolla, United States, May 20 – 21. This annual event, organized by the Institute of the Americas, offers political leaders and representatives of the leading companies in the sector a space for dialog to analyze the energy challenges of the countries of the Americas.
- **XLV Annual Meeting of the Board of Governors of the Caribbean Development Bank.** Basseterre, St. Kitts and Nevis, May 20–21. CAF was invited to participate as an observer at the annual meeting of the development bank of the Caribbean countries.
- **"Latin American" Cities Conferences.** Mexico City, Mexico, May 21. The Americas Society/Council of the Americas (AS/CoA) held a series of conferences in Latin American cities to promote public debate about key political and economic topics. CAF participated in the meetings held in Sao Paulo (May 27), Bogota (June 11), Santiago (August 7), Buenos Aires (August 27), Monterrey (November 10) and Lima (December 4).
- **First Latin America – Hong Kong Roundtable.** Hong Kong, China, May 26. This roundtable organized by the magazine LatinFinance offered the opportunity to strengthen CAF's presence in one of the main global financial markets and was aimed at promoting investments between China and Latin America.
- **First Latin America–Japan Investors Forum.** Tokyo, Japan, May 28. This forum was designed in partnership with the magazine LatinFinance in order to disseminate new business and investment opportunities between Japan and Latin America, in a context of the region's renewed interest in this country.

- **International Symposium “Political disaffection and governance,” organized by CAF and the University of Alcalá.** Madrid, Spain, June 3. Academics and experts from Europe and Latin America analyzed the challenges of democracy and governance in both regions from a comparative perspective.
- **“Multilateral banks: opportunities for French companies” Seminar.** Paris, France, June 4. CAF, the IDB and the CABEL were invited by the French government to present their financing strategies for development in Latin America and to evaluate possibilities for cooperation with French companies interested in investing in key sectors.
- **VII International Economic Forum on Latin America and the Caribbean.** Paris, France, June 5. The French Ministry of Finance, the IDB and the OECD held this high level forum aimed at analyzing the growth strategies for the region and the mechanisms for promoting a quality education that favors productivity and innovation.
- **Atlantic Business Forum.** Lisbon, Portugal, June 4–5. A high level business meeting was held in the framework of the Atlantic Basin initiative to build consensus related to the need to expand economic cooperation among the Americas, Europe and Africa.
- **V World Cities Summit.** New York, United States, June 8–10. This world summit of mayors and city leaders promotes the exchange of experiences and good practices for sustainable urban development. CAF played a key role in ensuring the presence of Latin America mayors and organized a special event on social inclusion policies.
- **II EU-CELAC Summit.** Brussels, Belgium, June 10–11. This conference gave new impetus to the bioregional relations between Latin America and the European Union based on fostering investments and scientific and technological cooperation. CAF was present as an observer.
- **VII Italy-Latin America Conference.** Milan, Italy, June 12–13. The Italian Ministry of Foreign Affairs held this biannual meeting of Italian and Latin American political and business leaders for the purpose of strengthening dialogue and cooperation. In this context, the CAF Executive President presented proposals for establishing closer Italian-Latin American ties.
- **XLV General Assembly of the OAS.** Washington D.C., United States, June 15–16. This forum of Foreign Affairs Ministers from the hemisphere focused on the current and future challenges for strengthening the efficiency of the Organization of American States.

- **“Infrastructure in the development of Latin America” conference organized by CAF and Nacional Financiera de Mexico.** Mexico City, Mexico, June 22–23. The institution held a high level event to debate the main challenges for infrastructure development in Latin America from a multi-sectoral perspective. Main actors from the public and private sector participated in the conference. The event reaffirmed CAF’s regional leadership.
- **The Global Borrowers & Investors Forum.** London, UK, June 23–24. CAF had an important presence in this forum organized by Euromoney Conferences, which reunited more than a thousand actors from international markets to promote the exchange of viewpoints between security issuers and investors.
- **X Summit of the Pacific Alliance.** Paracas, Peru, July 1–3. In this meeting CAF confirmed its support of the Pacific Alliance’s integration agenda. The Executive President was the main speaker of the Business Summit and met with the Ministers of Foreign Affairs and Commerce of the member countries to present proposals related to financing of infrastructure, entrepreneurship and innovation.
- **First Meeting of the Ibero-American Council for Productivity and Competitiveness.** Mexico City, Mexico, July 6. This was the first meeting of a new cooperation entity whose mission



Beijing Forum for Emerging Markets 2015. Beijing, China, October 18 – 20, 2015.

is to promote improvements in productivity as one of the main elements for driving development of the Ibero-American countries.

- **XLVIII Meeting of the Common Market Council and the Summit of the Chiefs of State of Mercosur and Associated States.** Brasilia, Brazil, July 16–17. CAF participated in this sub-regional summit which incorporated Bolivia as a full member and gave a renewed impetus to the integration process.
- **III Chile-European Union Forum.** Santiago, Chile, July 21–22. This meeting organized by the Euroamerica Foundation with the sponsorship of CAF focused on relations between Chile and the European Union from a multidimensional perspective with emphasis on the importance of innovation as the driving force of development and social inclusion.
- **X International Conference of Economic Studies.** Cartagena, Colombia, July 23–24. This annual conference of the Latin American Reserve Fund brought together prominent bankers of the region, academics and international authorities to evaluate the impact of the deterioration of the global economic environment on Latin America.
- **World Water Week 2015.** Stockholm, Sweden, August 23–28. CAF was present at the premier international forum that brought together decision makers and experts to discuss future water challenges for the planet. In this context, CAF participated in a special session dedicated to the Latin American situation.
- **V CAF Youth Leader Meeting.** Panama City, Panama, August 27–28. In order to actively support the development of new leaders in the region, CAF held this meeting to bring together 45 emerging leaders from the political, business, social and cultural sectors in Latin America to carry out training activities and foster an exchange of viewpoints about the outlooks and challenges of their countries.
- **Cities for Life 2015.** Medellin, Colombia, August 31–September 1. This meeting sponsored by CAF allowed mayors, high level officers and other actors of local governments to exchange ideas about urban innovation and the role of cities in the globalization scenario.
- **XIX CAF Annual Conference organized by CAF, the Inter-American Dialogue and the OEA.** Washington D.C., United States, September 9–10. Around 1,500 leaders of the Americas came together at CAF's international annual event to analyze the challenges to Latin America's development, with a focus on the geopolitical hemisphere, the electoral trends, the economic outlook, the role of the middle class, the integration processes, relations with Asia and the future with Cuba.
- **IX Latin American and Caribbean Carbon Forum (LACCF).** Santiago, Chile, September 9–11. Representatives of the region's governments, international organisms, and companies attended this forum aimed at evaluating the progress in the



Latin-Asia Business Forum. Singapore, October 16, 2015.

carbon market mechanisms, climate financing, strategies for low-carbon development, among others, in preparation for COP 21 Paris.

- **LXX Session of the United Nations General Assembly.** *New York, United States, September 25–29.* CAF participated in the Sustainable Development Summit aimed at establishing the United Nations development objectives post-2015. In this context, CAF made specific contributions regarding topics of institutional strengthening, sustainable cities and gender equity. CAF also attended the general debate as an observer.
- **VII Meeting of Finance Ministers of the Americas.** *Lima, Peru, October 8.* This meeting facilitated the exchange of information between economic authorities of the region with the view to face the challenges presented by the global environment.
- **Annual International Monetary Fund Meeting (IMF) and the World Bank (WB).** *Lima, Peru, October 9–11.* CAF had an important presence at this premier annual meeting of these multilateral financial institutions. The agenda included public and private meetings for the purpose of analyzing the global economic outlook, increasing contacts with key actors and identifying key cooperation opportunities.
- **IV Annual Meeting of the IDFC.** *Lima, Peru, October 10.* The International Development Finance Club (IDFC) held its annual

meeting in Lima aimed at strengthening the coordination and cooperation mechanisms between the main international development banks.

- **Canning House Annual Conference: “Latin America – Prospering in spite of the pessimism?”** London, UK, October 15. Analysts and businesspeople from the United Kingdom and from the region examined the economic outlooks for Latin American countries in an environment marked by external conditions less favorable than those experienced during the past decade.
- **V Multilatinas Forum: “The emergence of the Multilatinas in the Global Scenario”.** Miami, United States, October 15–16. Organized by AmericaEconomia with the sponsorship of CAF, this forum brought together high level executives, governmental authorities and representatives of multilateral organisms to analyze issues related to the role of multilatina companies in the regional and global integration processes.
- **Latin-Asia Business Forum.** Singapore, October 16. IESingapore, the state investment promotion agency of Singapore, brought together about 300 political leaders and businesspeople from Asia and Latin America to promote business and investment opportunities in the two regions.
- **Beijing International Conference on Emerging Markets.** Beijing, China, October 18–20. This conference of emerging market country leaders focused on Chinese foreign investment opportunities in the new international economic environment and the role of the Asian Infrastructure Investment Bank.
- **VI USB Latin American and Caribbean Week.** Caracas, Venezuela, October 19–23. Institute for Higher Education in Latin America of the University Simon Bolivar held the VI Latin American and Caribbean Week to promote a discussion space and an academic exchange about Latin America’s integration challenges.
- **III CAF-Sciences Po Conference “New challenges for Latin America –European Union relations,” organized by CAF and Sciences Po.** Paris, France, October 27. This edition of the conference was aimed at analyzing Europe-Latin America bi-regional cooperation from a political, climatic and commercial perspective, in the presence of more than 300 public, private and academic actors interested in the topic. The keynote speaker of the meeting was Jose Mujica, former president of Uruguay.
- **Latin Trade Symposium.** Miami, United States, October 29. This year the main forum of the magazine Latin Trade addressed the strategies and markets for driving innovation in Latin America with the participation of political and business leaders.
- **International Meeting “Thinking Latin America: Convergence in Diversity.”** Santiago, Chile, November 3–4. The Chilean Minister of Foreign Relations invited political leaders and international authorities from Latin America to engage in a high level discussion about the challenges of development and regional integration.



The Global Borrowers & Investors Forum. London, UK, June 23-24, 2015.

- Global Meeting of the Emerging Markets Forum.** Tokyo, Japan, November 3–5. This dialogue space with the participation of emerging market country leaders from the public and private sectors provided CAF with different perspectives on global economic trends.
- Seminar “China, Latin America, and the EU: “A triangular relationship?”** Hamburg, Germany, November 4. The European Union–Latin American Foundation held this meeting to analyze the new dynamics of the interaction between the European Union and Latin America, in light of the emergence of China in the international scenario.
- II Atlantic Energy Forum.** Mexico City, Mexico, November 5–6. The Atlantic Basin initiative created this space to present and debate proposals for regional energy cooperation, with emphasis on renewable energies and environmental sustainability. CAF sponsored the forum for the second year in a row.
- XLIX Annual FELABAN Assembly.** Miami, United States, November 14–17. The Latin American Banking Federation conducted an international seminar on the occasion of its annual assembly to discuss issues related to the development of infrastructure, financial inclusion and anti-corruption matters were analyzed.



Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21), Paris, France November 30-December 11, 2015.

- **Leadership for the Americas Annual Awards Gala.** Washington, D.C., United States November 17. The Inter-American Dialogue organized this meeting to recognize the contribution of important leaders to the strengthening of democracy, economic and social development and the promotion of cooperation in the hemisphere.
- **Conference of the Parties to the United Nations Framework Convention on Climate Change (COP 21).** Paris, France, November 30–December 11. CAF positioned itself as an important regional actor for the construction of environmentally sustainable and resilient economies with its participation in the most important meeting of the year in the final negotiations of an international agreement related to climate change.
- **XLIX Meeting of the Common Market Council and Summit of the Chiefs of State of Mercosur and Associated States.** Asuncion, Paraguay, December 20–21. CAF participated as observer in this meeting to confirm its support of the sub-regional integration process.

KNOWLEDGE SHARING

CAF PUBLICATIONS SUPPORT
IMPLEMENTATION OF THE
INSTITUTION'S COMPREHENSIVE
DEVELOPMENT AGENDA. A LIST OF
THE TITLES PUBLISHED DURING
2015, WHICH ARE AVAILABLE AT
SCIOTECA.CAF.COM, FOLLOWS.



Report on Economics and Development (RED) 2015: A more effective state. The capacity to design, implement and learn from public policies.

The public policy debate on development has focused on defining which interventions best promote growth and inclusion. It is a challenge to identify what these capacities are and how they work with the efficient production of public goods and services. These facts represent the force behind the 2015 edition of the Report on Economics and Development (RED, for its acronym in Spanish) dedicated to the study of capacities that governments should have in order to improve the effectiveness of public interventions to promote development. The report's findings are focused on four aspects: the presence of a quality bureaucracy; a public procurement system that facilitates the purchase of key inputs for the effective implementation of programs; citizen participation to strengthen the process of accountability; and, finally, the institutionalization of monitoring and evaluation schemes.

Number of pages: 240
Language: Spanish
ISBN: 980-6810-01-5



IDEAL 2014. Infrastructure for the integral development of Latin America

Under the assumption that quality infrastructure is a fundamental factor in the development of more inclusive and competitive societies, CAF presents its fourth edition of the IDEAL series with four thematic areas. The first chapter covers the main developments and trends in infrastructure in the region; the second chapter examines the balance between the state and the market in the provision of infrastructure and related services; chapter three explores the business development in the infrastructure markets and related services, identifies the opportunities and proposes an agenda for Latin America. Finally, the fourth chapter describes works and presents results, along with a group of indicators of the region's infrastructure.

Number of pages: 28
Language: Spanish
ISBN: 978-980-7644-96-9



Latin American Public-Private Partnerships: Learning from experience

This book—developed based on the premise that Latin America has accumulated considerable experience and history in the development of public-private partnerships (PPP)—compiles a set of PPP case studies to obtain recommendations and lessons learned that can be widely applied. This publication explores five projects developed using the public-private partnership model and examines the evolution of Latin America in investment in infrastructure through a global vision, so as to describe the future challenges that the region faces for the application of the model.

Number of pages: 302
Language: Spanish
ISBN: 978-980-422-009-8



Governance of cities: corporate governance at the service of efficiency and the results of companies and public agencies. The case of Medellín, Colombia

Public policies and productive transformation series

This document aims to disseminate the model of corporate governance for the 33 decentralized entities (companies and public agencies) implemented by Medellín, the second largest city in Colombia. The model of corporate governance is based on a strategy of boards of directors/councils that contribute to better institutional decisions.

Number of pages: 103
Language: Spanish
ISBN complete works: 978-980-6810-67-9
ISBN volume: 978-980-422-032-6



Socio-economic drivers of financial education. Evidence for Bolivia, Colombia, Ecuador and Peru

Public policies and productive transformation series

This document identifies the main socio-economic drivers of financial education through relevant information for these four countries through the construction of three indexes (household economy, attitudes and behaviors, and concepts and knowledge economy) that are used to measure the financial literacy of individuals. The results of econometric estimates identify large socio-demographic gaps, particularly gender, age, geographical area, educational level, income and savings capacity.

Number of pages: 105
Language: Spanish
ISBN complete works: 978-980-6810-67-9
ISBN volume: 978-980-422-034-0



The INNPulsa Colombia case study. The evolution of a public policy for hyper business growth.

Public policies and productive transformation series

INNPulsa Colombia is a special Bancoldex program which stimulates the emergence of new companies with high growth potential and gives support to companies that place innovation at the center of their strategy. Various Latin America countries promote public policy efforts aimed at strengthening its entrepreneurship ecosystems. The objective is that the INNPulsa Colombia experience helps contrast ideas and options, in search of the common goal to forge public policies that convert entrepreneurship into the motor for economic growth in Latin America.

Number of pages: 64
Language: Spanish
ISBN complete works: 978-980-6810-67-9
ISBN volume: 978-980-422-001-2



The Start-up Chile case study. Talent attraction program to encourage entrepreneurship

Public policies and productive transformation series

The Start-up Chile program (SUP) launched in 2010 offered high potential entrepreneurs from all over the world incentives to launch their business initiatives in Chile. This publication describes the measures deployed by the government to execute the program ranging from the conception of the pilot plan to the adjustments made as experience is acquired with successive generations of entrepreneurs. It illustrates the difficulties that the organizers must overcome in the face of social, economic, political and cultural realities that persist in the country.

Number of pages: 59
Language: Spanish
ISBN complete works: 978-980-6810-67-9
ISBN volume: 978-980-7644-85-3



The transparency of the corporate governance of state companies in Latin America

Public policies and productive transformation series

The document aims to disseminate Latin American experiences and cases related to productive transformation for the implementation of better practices in public business development. This publication presents the Corporate Governance Transparency Index based on the information available on the web pages of 105 companies from 15 countries in the region, which makes it possible to identify some of the main shortcomings of governance in these companies.

Number of pages: 68
Language: Spanish
ISBN: 978-980-422-004-3



Motorcycles in Latin America: characterization of their use and impacts on mobility in five cities in the region.

This investigation examines how motorcycles are used, the reasons for their use and their subsequent impact on five Latin American cities (Bogota, Barranquilla, Buenos Aires, Caracas and Sao Paolo). The purpose of this publication is to generate inputs for the formulation of public policies that contemplate the various dimensions for motorcycle use and contribute to solutions that address the main negative consequences as a result of their use.

Number of pages: 290
 Language: Spanish
 ISBN: 978-958-57674-7-8



Indicators of technological innovation by region

This document compiles the main data and indicators that will be used throughout the implementation of the regional I initiative for technological patents. The methodology for the use of the indicators is internationally accepted and used based on previous works of the OECD and World Bank.



Survey of the measurement of financial capacities in the Andean countries

CAF, within the framework of the project entitled Productive Inclusion and Financial Education for Businesswomen through the Emerging Countries Solidarity Association (ASPEM, for its acronym in Spanish) and the microfinance network COPEME, financed and supervised the implementation of a survey to measure the financial capacities in the Andean countries (Bolivia, Colombia, Ecuador and Peru) developed by the Organization for Economic Cooperation and Development (OECD). This document assesses individuals' knowledge, skills, attitudes and behavior regarding financial topics.

Number of pages: 80
 Language: Spanish
 ISBN: 978-980-422-008-1



Indicators of technological innovation for Latin American and Caribbean countries

This report is the result of CAF's Technological Patents for Development Initiative carried out in 2014 and 2015. One of the main objectives of the report is to provide a preliminary evaluation of the state of technological innovation in the Latin American and Caribbean region. The purpose of the initiative is to present to the reader easy to understand material that reflects the state of technological innovation in the region based on empirical data and to produce a baseline for the evaluation of impact which will allow CAF and its partner institutions to analyze the importance of the initiative in the region.



Social development through sports

As part of a strategic alliance, SOMOS, a network of sports for development in Latin America, Fundación Amiga and Sportmeet agreed to put into place a proposal focused on promoting group development and culture of integration through sports. This document explains the proposed methodologies and results of its application.

Number of pages: 100
Language: Spanish
ISBN: 978-9978-19-651-9

Sports4Peace and the 6 rules of the game

This publication seeks to raise awareness and promote the value of children and young people's participation in a recreational or sports activity as part of a competitive or team sport. The rules of Sports4Peace are designed to develop the so-called "golden rule" principle ("do unto others as you wish them to do to you") through motor and sports activities. All six rules have the same value and are interdependent of each other, offering the opportunity to live and experience concrete peace-oriented actions through sports and games.

Number of pages: 36
Language: Spanish
ISBN: 978-9978-19-651-9

Ecuadorian and international games

This document presents various methodologies in the form of games to encourage and stimulate in children different abilities and skills for physical contact, the development of trust, knowledge, communication, conflict resolution, cooperation, among others. Each game presents its goal, development, methodological orientation and style of teaching, resources and facilities necessary to practice them. Several games are based on soccer as a fun teaching practice.

Number of pages: 152
Language: Spanish
ISBN: 978-9978-19-651-9

Emblematic cases of urban development: topics

This report compiles experiences, information and analysis of urban development in Latin America. It also presents a selection of emblematic regional urban development cases that have captured public interest. The objective of the document is to encourage the exchange of successful experiences by giving them merit, provide incentive for them to be replicated in other countries and to support Latin American development.



Governance and leadership in Latin America. Fifteen years of experience with CAF training programs.

With the Governance, Political Management and Public Administration Program, CAF sought to contribute to the institutional strengthening and the decentralization process underway through the training of authorities and technical teams in the effective performance of their functions from a perspective that has attempted to ensure an appropriate balance between political, economic and social variables. In a complementary manner, via the Leadership for Transformation Program, CAF promoted the construction of a new style of leadership based on ethical and democratic values, providing training to those men and women who work on a daily basis to improve the quality of life of their communities.

Number of pages: 59
Language: Spanish
ISBN: 978-980-422-000-5

Cities footprint project : strategic outcomes and methodological guide

This publication presents the main results of the project called Footprint of cities and a methodological guide based on the first measurement of the carbon and water footprints carried out by the project in La Paz, Quito and Lima over the period 2012-2015 and, subsequently, in Guayaquil, Fortaleza and Santa Cruz de la Sierra in 2015-2016. It also contains tools for environmental planning and management for the identification, prioritization and development of actions that contribute to climate change adaptation and mitigation.

Number of pages: 122
Language: Spanish and english
ISBN: 978-980-422-028-9

Bodegas Verdes: Entrepreneurship stories

To promote productive empowerment of women, CAF in partnership with non-profit Asociación Civil por la Caracas Posible and UN Women created the Bodegas Verdes initiative, businesses where women from low-income communities in Venezuela have the opportunity to organize themselves and receive training to produce and sell household cleaning products reusing recyclable containers. This publication explains the main principles of the project, the economic and social context in which it is applied and the most emblematic cases of empowerment.

Number of pages: 66
Language: Spanish
ISBN: 978-980-7445-04-7

Political economy of growth

The aim is to promote the creation of a pervasive culture of excellence in public management and share experiences to support those involved in the design and implementation of public policies associated with institutional strengthening, as well as contribute to the debate based on an understanding of the main challenges facing the regional institutions moving forward.

Number of pages: 508
Language: Spanish
ISBN: 978-980-422-031-9



The strategic value of public administration: Thirteen texts to understand it

Facing the challenge of creating public policies that adapt to the changing landscape of Latin America, this series was created to disseminate and build an understanding about how the state and institutions in Latin America impact the region's development, providing information on the arguments surrounding the international theoretical debate, as well as transmitting the analysis of significant experiences of our societies and elsewhere.

Number of pages: 692
Language: Spanish
ISBN: 978-980-7644-87-7

The future of water and sanitation services in Latin America

This document analyzes the situation of drinking water and sanitation services in Latin America, with special emphasis on the effect of the fragmentation of smaller service providers, which results in the presence of thousands of managers of different types and sizes, which struggle to achieve financial sustainability because they do not reach the necessary economies of scale.

Guidelines for a water agenda in South America

After a consultation process between key water stakeholders in the Americas and representatives of the various sectors involved in water issues, CAF coordinated the preparation of this document taking into account the following priorities: (I) water and sanitation services for everyone; (ii) water and energy; (iii) water and food security; (iv) climate change adaptation and risk management; (V) management of ecosystems; and (vi) governance and finance for sustainability.

Number of pages: 81
Language: Spanish
ISBN: 978-980-7644-99-0

Water and energy

As part of a consultation process between key water stakeholders in the Americas and representatives of the various sectors involved in water issues, CAF produced this summary document, which reflects the institution's commitment to address the issue of the water-energy link for the subregion of South America as an input to the regional process of the Americas.

Number of pages: 32
Language: Spanish
ISBN: 978-980-7644-89-1



Water and food security

Within the framework of the VII World Water Forum, CAF coordinated this study in order to assess the current situation of water resources in the region in an effort to identify the demands and opportunities for international cooperation to support the promotion of a sustainable use of water for food production, and help strengthen food security in the region.

Number of pages: 30
 Language: Spanish
 ISBN: 978-980-7644-90-7

Universalization of drinking water and sanitation services

This report, which reflects CAF's commitment to the World Water Council, explores the issue of universal access to water and sanitation services in the nine Spanish-speaking countries in the subregion of South America, who took part in the discussions held at the Forum, as an input to the regional process of the Americas.

Number of pages: 52
 Language: Spanish
 ISBN: 978-980-7644-88-4

Climate change adaptation and risk management

Within the context of the VII World Water Forum, CAF coordinated the preparation of this document to promote the debate on the articulation of a strategy that enhances the commitment to water resources in Latin America and the Caribbean.

Number of pages: 38
 Language: Spanish
 ISBN: 978-980-7644-91-4

Water governance

Within the framework of the VII World Water Forum, CAF coordinated the preparation of this document as a synthesis of a process of consultation between key water stakeholders in the Americas and representatives from varied sectors involved in water issues. This publication identifies the problem of the financial gap seen in the water sector in South America and discusses its relationship to governance.

Number of pages: 32
 Language: Spanish
 ISBN: 978-980-7644-93-8



Economic insecurity of water in Latin America: from abundance to insecurity

One of the major problems that many societies must face in the 21st century is the scarcity of water. CAF coordinated the preparation of this document as a synthesis of a process of consultation between key actors of water in the Americas and representatives from the various sectors involved in water issues, in order to understand the challenges of the economic scarcity of this resource and water insecurity in Latin America and the Caribbean.

Implementation of the human right to water in Latin America

After a consultation process between key water stakeholders in the Americas and representatives of the various sectors involved in water issues, CAF coordinated the preparation of this document taking into account the following priorities: the sub-item on “Human right to water and sanitation,” which is part of the axis “Safe water for everyone,” one of the priorities established by the Regional Process of the Americas.

Water agenda for South America: challenges, outlook and strategy

In the framework of the 7th World Water Forum, CAF coordinated the preparation of this series as a summary of a consultation process between key actors of the water sector throughout the Americas and representatives of various sectors involved in water matters in order to present the region’s main efforts in reaching the Millennium Development Goals and to define issues that still need to be addressed.

Number of pages: 34
Language: Spanish
ISBN: 978-980-422-014-2

Number of pages: 81
Language: Spanish
ISBN: 978-980-7644-94-5

Number of pages: 52
Language: Spanish
ISBN: 978-980-7644-99-0



Water and ecosystems

There are great challenges for the management of ecosystems in South America, which include lack of economic valuation of forest ecosystem services. This publication, coordinated by CAF within the framework of the VII World Water Forum, highlights the role played by ecosystems in the provision of water services for different applications and ongoing activities.

Amazon without fire program

One of the cross-cutting axes of CAF's actions is climate change adaptation and mitigation. In this context, the experience of the Amazon without fire program was systematized in order to disseminate, implement and develop actions and proposals to reduce the incidence of forest fires and protect the Amazon rainforest.

Application of the IIRSA-EASE methodology

The application of the environmental and social evaluation methodology (EASE) with a strategic focus seeks to improve the understanding of a territory that hosts the binational project to optimize profits, mitigate risk and facilitate instruments that make it possible to establish strategies, lines of action and associated investments to generate options of sustainable development to the territory.

Number of pages: 38
 Language: Spanish
 ISBN: 978-980-7644-92-1

Number of pages: 176
 Language: Spanish
 ISBN: 978-980-422-029-6

Number of pages: 340
 Language: Spanish
 ISBN: 978-980-7644-51-8

ARTS AND CULTURE

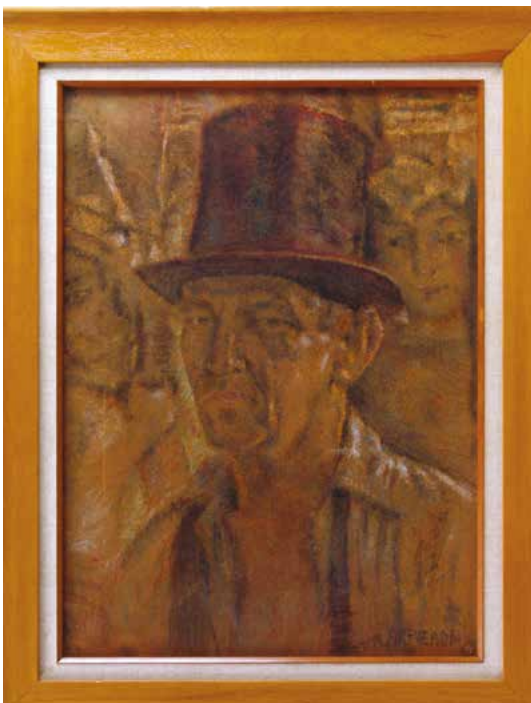
AWARE OF THE TRANSFORMATIVE POWER OF ART AND ITS POTENTIAL IN CULTURAL INTEGRATION IN LATIN AMERICAN. CAF THROUGHOUT ITS HISTORY HAS BEEN A PERMANENT DRIVER OF THE EXCHANGE AND PROMOTION OF CULTURE AND ART IN ITS SHAREHOLDER COUNTRIES THROUGH THE CAF GALLERY AT ITS HEADQUARTERS IN CARACAS, VENEZUELA, AND ARTESPACIO IN THE CAF BUILDING IN LA PAZ, BOLIVIA.



Las edades del árbol, Ezequiel Barakat



Títere y dormida, Alejandra Alarcón



Autorretrato, Armando Reverón.

Three fine artists from Argentina, Chile and Uruguay inaugurated the 2015 exhibition programming at the CAF Gallery with their exhibition “*Cono Sur a la luz del Trópico*” in March. Subsequently, CAF showed the extent of its social initiatives through the exhibition “*Múltiples miradas, un territorio,*” which used photography as an instrument of social inclusion in addressing the social transformation of vulnerable populations that are directly related to physical and economic infrastructure interventions, programs and projects financed by the institution, from the perspective of what the collective well-being means through the eyes of the beneficiaries as creators and protagonists.

The end of the exhibition season coincided with the anniversaries of CAF and the Central Bank of Venezuela (BCV) which served as a celebratory framework for “*Grandes maestros, pequeños formatos,*” a final exhibition of 22 works from Venezuelan and Latin American artists.

The gallery Artespacio hosted several exhibitions open to the public, including “*Todos los días en todas las cosas*” by Roxana Hartmann; paintings by Raúl Lara; “*Cómo hacerse cuerpo*” by Alejandra Alarcón; “*Oscilación*” by José Ballivián; “*La feliz muerte del arte,*” multiple artists; “*Múltiples miradas, un territorio,*” “*Metaficción*” by Alejandra Delgado and “*Margen: Afiche Argentino*” within the framework of the Poster Biennial.

SPORTS AND INTEGRATION

THROUGHOUT 2015, CAF REINFORCED ITS COMMITMENT TO SPORTS AS A FACTOR OF INCLUSION AND SOCIAL DEVELOPMENT. WITH THE CAF-CARACAS 2015 MARATHON, THOUSANDS OF LOCAL AND FOREIGN RUNNERS FLOODED THE STREETS IN A SHOW OF SPORTSMANSHIP AND LATIN AMERICAN INTEGRATION.



Almost 11,000 runners from more than 30 countries participated in the fourth edition of the CAF-Caracas Marathon. Runners from Colombia, Venezuela, Bolivia and Peru came in at the top places.

In 2015, the event received silver certification. This recognition granted by the Council for Responsible Sport, an international organization, endorses the marathon's social benefits, including the measurement and reduction of the environmental/carbon footprint.

The marathon for Latin American integration continued to position itself as one of the most important competitions in the region, certified by the International Association of Athletics Federations (IAAF), the Association of International Marathons and Distance Races (AIMS) and the Venezuelan Athletics Federation. By 2015, it was recognized as the Venezuelan National Championship, a qualifier for the Pan American Games of Toronto and the Beijing Athletics World Cup.

On the other hand, in Bolivia, the seventh edition of the La Paz 3600 race was held with the participation of 10,000 athletes who ran 10 kilometers against violence in all its forms, and ratified this Bolivian city as an ideal high-altitude sports destination. The 3600 La Paz 10K race also received silver certification awarded by the Council for Responsible Sport, in recognition of a responsible sporting event.

In this regard, CAF promotes human development through sports as a tool for social inclusion, in the context of its Agenda for Integral Development.



SPECIAL REPORT

PUBLIC-PRIVATE
PARTNERSHIPS IN THE
DEVELOPMENT OF THE
REGION

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INFRASTRUCTURE AND DEVELOPMENT

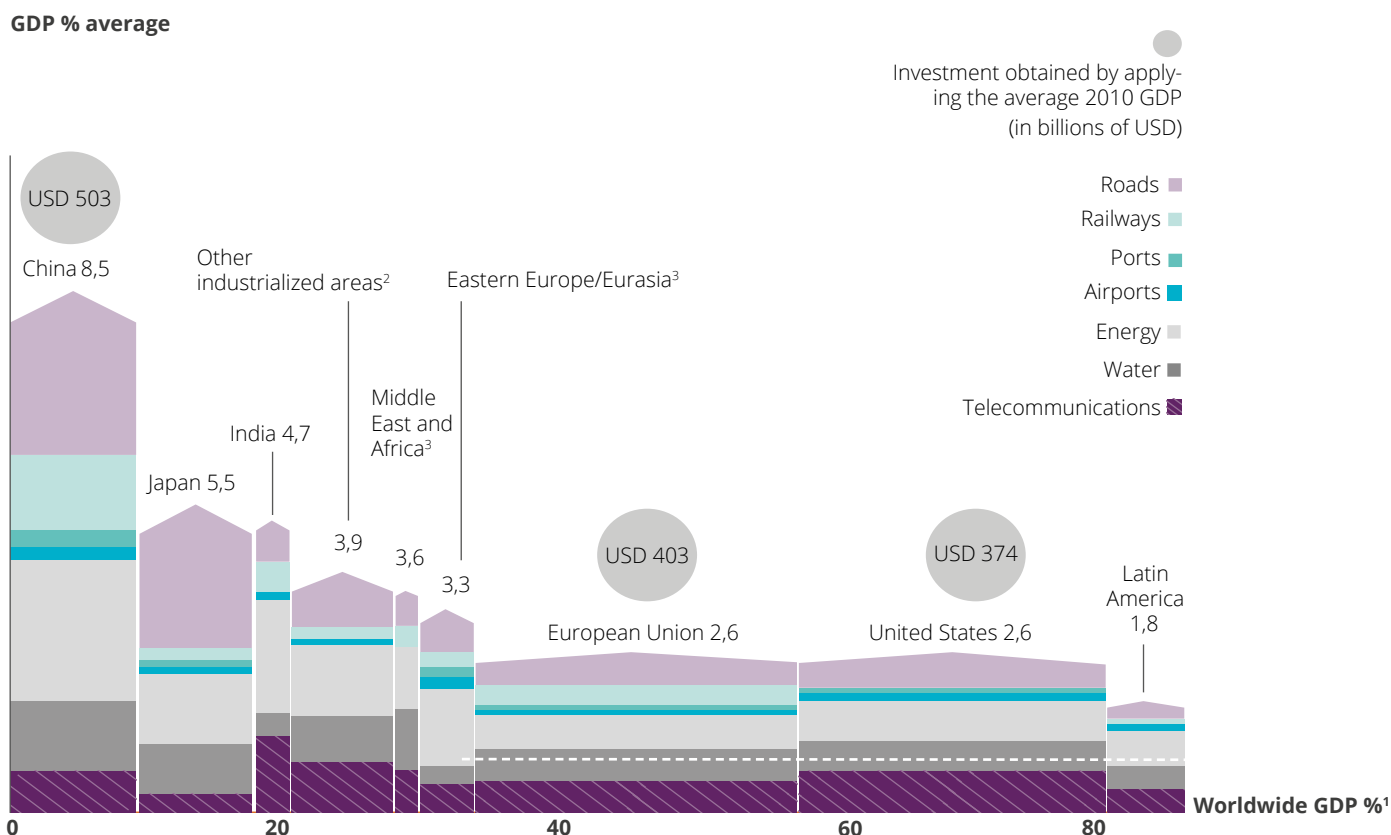
Infrastructure is one of the basic and urgent requirements for Latin American development. The proper positioning of the region on the world map of competitiveness requires the articulation of its territory with adequate and efficient infrastructure that allows for the increase in competitiveness and improvement of quality of life of its inhabitants. This challenge requires a large amount of financial resources, advanced and varied technology, and an enormous institutional and administrative capacity.

Although it is true that investment in infrastructure does not alone guarantee regional economic growth, the efficient provision of infrastructure services is one of the most important and necessary aspects of development policies. It has actually been shown that progress in this sector is a major driver of the economy, by promoting improvement in productivity, international competitiveness and social wellbeing. On the other hand, infrastructure networks are a pillar of economic structure for countries and their markets.

Along these lines, Latin America has paid special attention to the contribution of infrastructure to economic growth in the region, fostering infrastructure development in many countries in recent years. These periods of expansion have been accompanied by larger infrastructure investments and an increase in the use of infrastructure.

However, on average, the region still remains very much below the worldwide trend for investments in this area. In Latin America, only 1% – 2% of GDP has been invested in infrastructure in the past years, quite far from the 8% – 10% invested by some Eastern Asian countries.

FIGURE 1 Percentage of GDP spent on infrastructure investment 1992-2011



1 Percentage of GDP for 2010 for 86 countries.

2 Australia, Canada, Croatia, Iceland, Liechtenstein, New Zealand, Norway, Singapore, South Korea, Switzerland, Taiwan (Taipei) and Arab Emirates.

3 Excludes unusual data for ports and trains for Nigeria. Including those an average of 5.7 is obtained.

Source: adapted from McKinsey Institute (2013).

Today, after more than a decade of exceptional growth, economic activity in Latin American countries is losing momentum. While each country performs differently, growth projections for the upcoming years is around 0.6% in 2016 according to analyses carried out by CAF.

Given this scenario, the slower pace of growth will limit the national and local governments' capacity to invest in infrastructure works in the region.

THE PPP CONCEPT IN INFRASTRUCTURE INVESTMENT

Public-private partnerships (PPPs) represent a tool for maintaining the investment rate in infrastructure and development projects, which are essential for improving the quality of life of millions of Latin Americans.

PPPs are instruments that incorporate the participation of the private sector in the provision of public goods and services with the idea that the private sector can contribute to better efficiency and quality in the allocation of public resources by means of adequate risk-sharing.

The advantages of PPPs are clear: they incorporate the technical and managerial knowledge of the private sector, contribute added value and higher technical efficiency by integrating all project phases (design, construction, financing, maintenance and operation) and at the same time represent additional funds for governments to deploy socially necessary infrastructure works that the public sector cannot perform due to budget constraints.

Infrastructure is one of the areas that can benefit the most from this type of investment, especially because if Latin America wants to enter the league of developed regions, it needs to leverage an amount of funds that today the public sector cannot afford alone.

As it has been shown, private investment has played a fundamental role in financing different types of infrastructure in the past decades. At the beginning of the 1990s, various Latin American countries understood the need to open the doors to private investors when it was evident that the public sector could not meet all of the region's needs. To do so they started to undertake a series of structural and regulatory reforms that promoted the implementation of new collaboration models between both sectors. The purpose was to combine the two financing sources in the best possible way. At this point, the public-private partnership model was understood by many of these countries as an opportunity to continue promoting infrastructure development in the region.

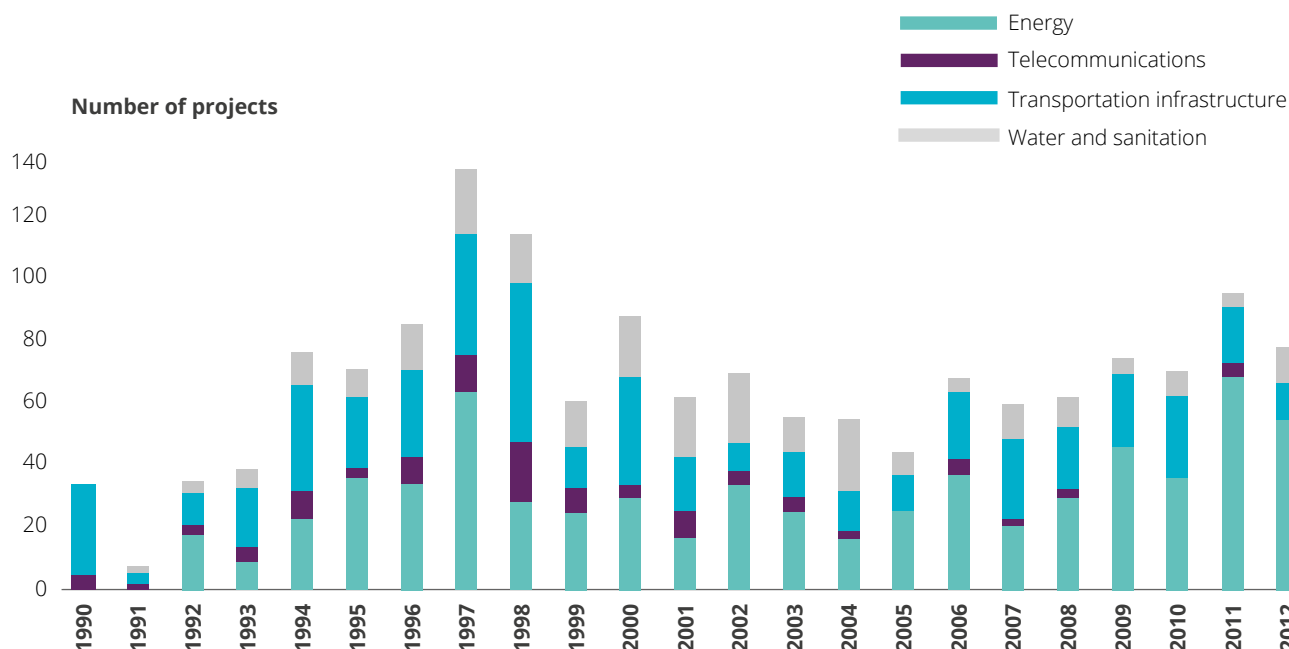
Public-private partnership schemes are one of the major innovations introduced in the Latin American infrastructure sector in recent years. The prior experience of other countries, such as Spain and England, has served as a foundation for the development of this form of cooperation in the region.

This scheme involves an efficient sharing of risks between the private sector and the government under contracts that establish the criteria for participation and the responsibilities for each one of these parties, involved in the development of projects that impact a public asset. These cooperation partnerships last many years and the private sector plays a fundamental role in the maintenance and operation of infrastructure, or in the development of a service, thus participating in project funding.

The application of PPPs ranges from energy and transportation infrastructure to the provision of drinking water and sanitation, education and health care services.

In Latin America, investments in infrastructure have been made mainly in the areas of transportation (mostly highways), electricity (power supply and generation), telecommunications and public facilities. The water and sanitation, and the urban transportation sectors lag behind the rest.

FIGURE 2 Percentage of evolution in the number of projects in different sectors carried out under a PPP model in Latin America



Source: Prepared by José Manuel Vassallo based on World Bank data. PPI Project Database.

THE PROMOTION OF PPPS IN THE REGION

As one of the main sources of multilateral infrastructure financing in Latin America, CAF recognizes the importance of promoting new cooperation schemes between the state and private companies to drive significant infrastructure growth in the region. Therefore, the institution promotes the idea of setting up projects of public interest developed under private participation mechanisms.

Some Latin American countries have been developing infrastructure projects for several decades in which the public and private sectors have participated. This has allowed for significant progress in the consolidation of regulatory and institutional frameworks which become more and more efficient over time. Brazil, Chile, Colombia, Mexico and Peru are examples of these experiences; in some cases, CAF provided the necessary financial and consultative support.

CAF has broad experience in providing consultancy services to and structuring PPP projects in LA countries. In Peru, for example, the concession of interoceanic highways, irrigation projects and electrical transmission lines can be highlighted. Likewise, CAF has supported hydropower generation projects in Ecuador, wind energy in Uruguay, as well as penitentiaries, urban highways, sea ports and airports in Colombia.

As part of its commitment to regional development, CAF has also accompanied national governments in their generation of legal, regulatory and institutional frameworks, in the understanding that this is a priority aspect for the good functioning of the model. CAF's support to Colombia for the institutional reorganization of the transportation sector, including the creation of the National Infrastructure Agency (ANI, for its acronym in Spanish) and the contributions made to regulatory matters in Uruguay and institutional strengthening in Paraguay can be highlighted.

Similarly, with the intention to support the exchange of experiences in the region and the sharing of knowledge related to public-private partnerships, CAF has issued a series of publications that have further developed this topic, while presenting some lessons learned and challenges for the future which can be key to the success of PPPs in Latin America.

In 2010, CAF presented the book *Public Infrastructure and Private Participation: concepts and experiences in*

America and Spain. In this first publication, the role of public infrastructure was analyzed as a key element for the boosting of competitiveness in Latin America from the triple perspective of macroeconomics, regional integration and funding. At the same time, the importance of promoting different private-public partnership schemes that offer the possibility to select alternate funding sources to reduce the regional infrastructure gap was highlighted.

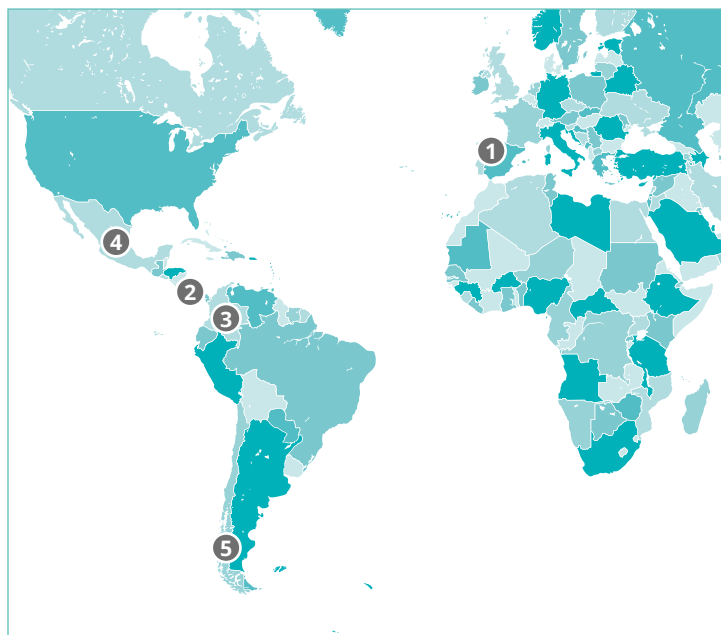
This publication was helpful for various stakeholders involved (governments, private companies, and private and multilateral banks) to become aware of the fundamental concepts of private public partnerships as well as their evolution and current reality in Latin America and Spain.

In 2015, CAF published *Asociación Público Privada en América Latina: Aprendiendo de la experiencia (Public-private partnerships in Latin America: Learning from experience)*, for the purpose of analyzing project structuring and management to draw conclusions and recommendations for Latin America.

Five case studies were identified for this publication: an urban public transport interchange hub, two highway concessions, an airport, a municipal administrative center and a prison program. The selected cases, which are diverse and innovative, have sufficiently attractive stories from which lessons can be derived.

 **MAP 1** Location of case studies

- 1** **TRANSPORTATION INTERCHANGE HUB**
(Spain)
- 2** **SAN JOSÉ -SAN RAMÉN CALDERA HIGHWAY**
(Costa Rica)
- 3** **EL DORADO AIRPORT TERMINAL**
(Colombia)
- 4** **MUNICIPAL ADMINISTRATIVE BUILDING EN TLAJOMULCO DE ZÚÑIGA**
(Mexico)
- 5** **PRISON FACILITIES**
(Chile)



Source: developed by CAF

LATIN AMERICAN EXPERIENCE AND SUCCESS STORIES IN THE REGION

In the past decades, many Latin American countries have implemented various public-private partnership models for the construction, maintenance and operation of public infrastructure facilities. Initially, these models were based on the concession of public works for the construction of highways; however, throughout the years, they have been improved and their use has extended to other infrastructure facilities and public services, such as railways, ports, airports, mass transit systems, hospitals, prisons and public buildings, among others.

The application of these models has not been exempt from successes and failures, leading to continuous legislative reforms and changes in the contracts that have contributed to the improvement of PPP schemes over the years. The fact that nowadays Latin America is one of the regions with growing activity in public-private partnership processes is a clear token of this new reality.

In addition, in recent years, economic growth in the region has allowed for an increase in investment opportunities in the private sector, while legal, regulatory and institutional transformation processes have promoted and facilitated the undertaking of new development projects.

Chile is among one of the best case studies. The country boosted investments in transportation infrastructure combining public capital and national private funds. With this combination, they have managed to create one of the most advanced transportation systems in the region, which has brought benefits to citizens and private investors as well.

We can find another example in Mexico, where, despite the problems of the concessions granted at the beginning of the 1990s within the framework of the National Highway Program, much progress has been achieved in the development of concessions as well as in other PPP models to introduce private initiative in the provision of infrastructure.

In recent years various countries in the region, such as Brazil, Mexico, Colombia, Peru and Chile, have launched ambitious infrastructure development plans. Along these lines, contracts based on PPPs have proved to be effective instruments to obtain the funding and resources necessary to drive PPP development. However, the importance of counting on favorable conditions

that enable application of this model is worth highlighting; PPPs' success should be strongly supported by the development of legal, regulatory and institutional frameworks that add administrative capacity, analysis models, types of contracts, dispute resolution mechanisms , among other resources.



SCHEME 1 Brief summary of the experience in PPP projects in Latin America by category

EXPERIENCE IN LATIN AMERICA

<p>LEGISLATIVE FRAMEWORK</p>	<p>INSTITUTIONAL FRAMEWORK</p>	<p>PRIVATE INITIATIVES</p>
<ul style="list-style-type: none"> • Sustained efforts to promote regulatory change. Adaptation to new demands. 	<ul style="list-style-type: none"> • Increase in special units and agencies. • Major efforts to create capacities. 	<ul style="list-style-type: none"> • Incipient: Chile, Colombia and Peru, with different results.
<p>TENDER PROCESS</p>	<p>RISK SHARING</p>	<p>FINANCING</p>
<ul style="list-style-type: none"> • These are mostly open processes. Incipient use of negotiated proceedings for complex projects. 	<ul style="list-style-type: none"> • Country experiences have led to ongoing readjustment and greater level of detail in its definition. 	<ul style="list-style-type: none"> • The big challenge is to be innovative. • It is necessary to set up new regulatory frameworks.

Source: developed by CAF

SOME LESSONS LEARNED AND FUTURE CHALLENGES

PPPs have helped many countries improve the quality of public infrastructure and the provision of associated services.

Thanks to PPPs, governments can develop infrastructure without being constrained by budgetary problems, at least in the short term, and launch more ambitious projects that public resources cannot fund. However, the difficulty presented by long-term forecasting, the urgent need that many governments have to develop new infrastructure quickly without having the proper frameworks in place, and the complexity of some projects have created challenges that could have had a milder impact if considered in advance.

It has been proven that PPPs are useful instruments for making a radical change in the quantity of available infrastructure and the quality of service that it provides to society, since this model separates the supervisory from the managerial role, which in many projects is provided solely by the public administration. The private manager is monitored by the public manager throughout the life of the contract, which frequently results in better quality operations and services.

The institutional framework and experience are necessary but not enough to guarantee project success. This is because PPP projects, especially those with the largest impact and the most innovative ones, always include unexpected aspects that have to be faced.

It has been observed how well-prepared governments that have the support of competent public authorities are capable of reaching higher objectives than what was initially expected. This has been possible in countries that have a legal tradition or framework upon which projects can be built up.

Another key aspect to be mentioned are project uncertainties posed by business risks. Experience shows that it is very difficult to predict long-term demand despite the greater sophistication of demand calculation models.

This is why it is becoming increasingly frequent to see contracts that separate the collection of revenue, which is handled by the government, and payments made to the concessionaire, which are based on criteria that the concessionaire can control, such as quality or availability indicators. The goal is to avoid the transfer of risks over which concessionaires have little influence.

The problem of cost overruns and renegotiations is another one of the aspects that needs to be minimized in PPP contracts. Cost overruns above the established limits cast doubt on

the efficiency of this model, which is built upon the premise that the private sector can manage the entire project cycle more efficiently (design, construction, maintenance and operation).

Similarly, for the success of PPPs, it is important that society becomes aware of the advantages that these contracts have as opposed to other alternatives. In general, people tend to oppose projects when they consider that their cost is not justifiable or is too high. Social acceptance will be greater if the price users or society have to pay is offset by the benefits that are perceived and valued (increase in accessibility, quality of service, etc.).

Lessons learned reveal some challenges that can be key for the success of PPPs in Latin America:

- Show that PPP projects generate value as compared to other conventional tender proceedings.
- Prevent PPPs from being used to implement projects that are not socially justifiable and that can end up generating large budgetary burdens in the future and distorting the virtues of this financing scheme.
- Ensure that those responsible for PPPs in the public sector are well informed and truly enthusiastic about their development.
- Promote the use of PPPs as a project management method in regional and local settings.
- Obtain greater participation and competition in the bidding process.
- Ensure that risks are transferred as smoothly as possible to the various project participants so as to generate added value. .
- Limit contract changes once the concession has been awarded only to those that are strictly necessary for the public interest.
- Open the financing of PPP projects to all possible sources available in the market.
- Get society to appreciate the projects that are developed through PPPs by good communication strategies.
- Implement mechanisms to settle disputes that are agile and involve technical and independent experts.
- Adjust the concessionaire's revenue models to concepts which are more linked to service provision.
- Improve information transparency.



Asociación Público Privada en América Latina. Aprendiendo de la experiencia (Public Private Partnership in Latin America. Learning from experience) is available at:

scioteca.caf.com.

INTERNAL MANAGEMENT

During 2015, CAF focused on improving administrative efficiency and consolidated the realignment of its business processes in support of sustainable development and Latin American integration. This institutional realignment is a strategy based on management by sector, emphasizing that knowledge is an asset whose value should be added to that of financial assets.

Furthermore, CAF began to implement Lean Management System principles—with advisory services by the McKinsey Consulting Company—to optimize business processes by executing various pilot projects supported by internal agents of change. The results obtained as a result of the implementation of the Lean Management System pilot project in the Southern Region were very successful; consequently, the form of work known as CAFway was implemented in all CAF business processes in the Northern Region, in CAF's main office and in representative offices.

At the same time and with the purpose of strengthening CAF's presence in its shareholder countries, fine-tuning of CAF's organizational structure continued, the offices in Peru and Uruguay were remodeled, minor works at the new offices in Colombia were completed and new facilities were leased for the expansion of offices in Argentina and Panama, where the development of the executive project for the new CAF's Northern Region office was launched. The construction phase of the new CAF's Southern Region office in Montevideo is planned for 2016. The Bolivia office obtained the LEED (Leadership in Energy and Environmental Design) certification, while the CAF-Caracas Marathon and the La Paz 3600 race obtained their green certification.

INSTITUTIONAL REALIGNMENT IS A STRATEGY BASED ON MANAGEMENT BY SECTOR, EMPHASIZING THAT KNOWLEDGE IS AN ASSET WHOSE VALUE SHOULD BE ADDED TO THAT OF FINANCIAL ASSETS.

In 2015, the incorporation of Barbados as a new shareholder country and Trinidad and Tobago's ascension as a full member country strengthened CAF's institutional relations. Similarly, CAF spearheaded several actions to increase its international outreach: consolidating its presence in Beijing, establishing closer international ties with China; creating the CAF European academic network with six prestigious European universities; and sponsoring key meetings of investors in the main global financial centers.

With regard to human capital management and as part of its continuous improvement and competitiveness program, indicators pertaining to the Annual Incentive Program (PIA, for its acronym in Spanish) were disclosed and reviewed. In 2015, the Professional Development Program (PRODES, for its acronym in Spanish) received its eighth cohort, selected among graduates with high academic achievements from prestigious universities around the world. In turn, the number of in-person attendance and online courses was expanded by the Virtual University (UVCAF). More than 200 individuals have graduated to date, receiving diplomas from the Monterrey Institute of Technology in Mexico and the Open University of Cataluña in Spain, among other institutions.

In terms of operations and technology, cutting edge technological capacities were incorporated that enhance internal communication, remote work and mobility thanks to state-of-the-art technology. In addition, the Data and Information Architecture Project will leverage the business intelligence strategy. The Information Security Committee was also established, which will evaluate and escalate corporate level information security risk situations, in addition to safeguarding and supporting the information security awareness plan. In line with this, the offices in Argentina, Mexico, Colombia and Panama were visited.

With respect to control and auditing activities, CAF continued to improve its review, evaluation and control regulations and tasks. Likewise, it strengthened management of the Prevention and Detection of Asset Laundering System and updated the Business Continuity Management System under BSI standard 25999, initiating the transition towards the new ISO 22301 standard.

In addition, CAF deepened its relationship with Ibero-American media and established new contacts with media outside the region under the Journalism and Development program, in alliance with media organizations and communication professionals. Likewise, the promotion of the main CAF international events and conferences was consolidated.





MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

In 2015, CAF reaffirmed its position as one of the most important sources of multilateral financing for its shareholder countries in Latin America and the Caribbean, as shown by levels of approvals (USD 12.2 billion) and disbursements (USD 5.9 billion), mainly directed toward medium and long-term project financing.

During 2015, rating agencies continued to recognize CAF's creditworthiness and role as one of the main multilateral agencies in the region. In this regard, Fitch Ratings, Japan Credit Ratings, Moody's Investors Service and Standard & Poor's reaffirmed CAF's short and long term debt ratings as shown in Table 1.

 **TABLE 1** Credit Ratings

	Long Term	Short term	Outlook
Fitch Ratings	AA-	F1+	Stable
Japan Credit Rating Agency	AA	-	Stable
Moody's Investor Service	Aa3	P-1	Stable
Standard & Poor's	AA-	A-1+	Negative

The credit ratings given by the agencies, positioned the institution among Latin American issuers with the highest credit ratings. This reflects the strength and stability of CAF's financial indicators, the prudent management of its credit and financial policies, the independence with which it undertakes its operations and the continuous support from its shareholder countries.

As further evidence of the support from the shareholder countries, in November 2015 the Board of Directors approved a general paid-in capital increase of USD 4.5 billion. These resources will allow CAF to continue to grow and maintain solid financial indicators. During 2015, shareholder countries continued to make substantial paid-in capital contributions, for a total of USD 684 million.

The 2015 operating income¹ was USD 135 million, similar to 2014. Net interest income increased in 2015 mainly due to an increase in the average LIBOR rate from 0.33% in 2014 to 0.48% in 2015. The main profitability indicator- Return on Equity (ROE)- was 1.5%, in line with the established benchmarks.

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

In 2015, the institution issued 13 bonds for approximately USD 3.0 billion in the international capital markets. In addition, CAF continued diversifying its investor base, issuing in different capital markets in America, Europe and Asia.

Regarding short-term borrowings, time deposits reached a year-end balance of USD 2.7 billion. Commercial papers in the United States and European markets were another important source of funds, with a closing balance of USD 2.6 billion.

FIGURE 1 Balance Sheet

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

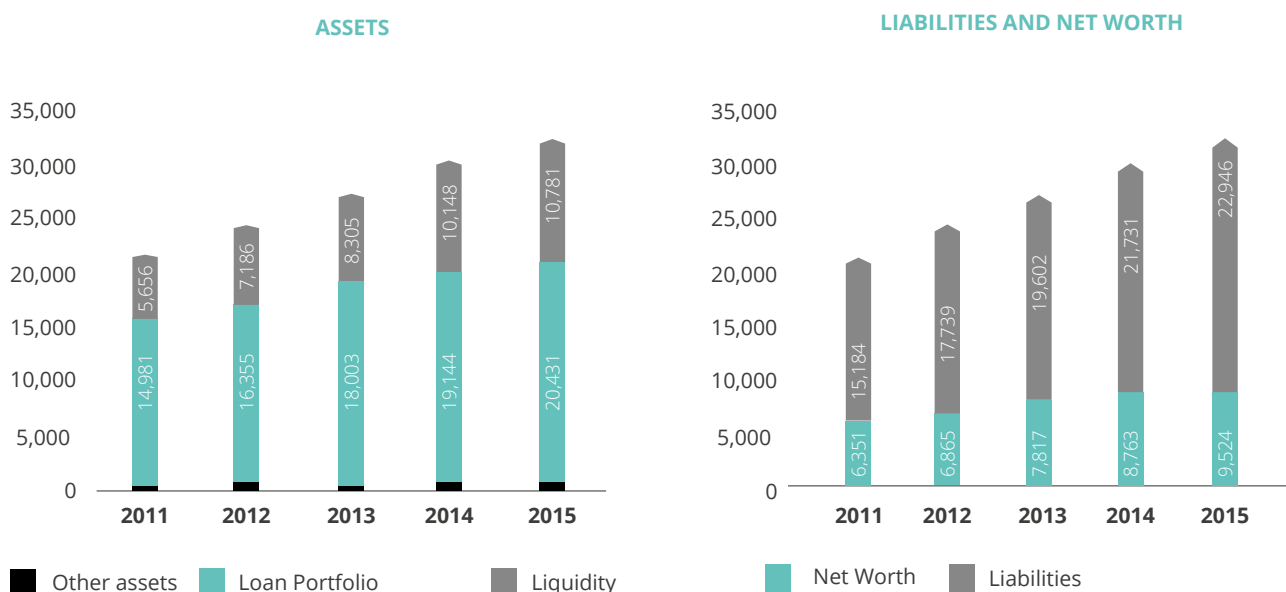
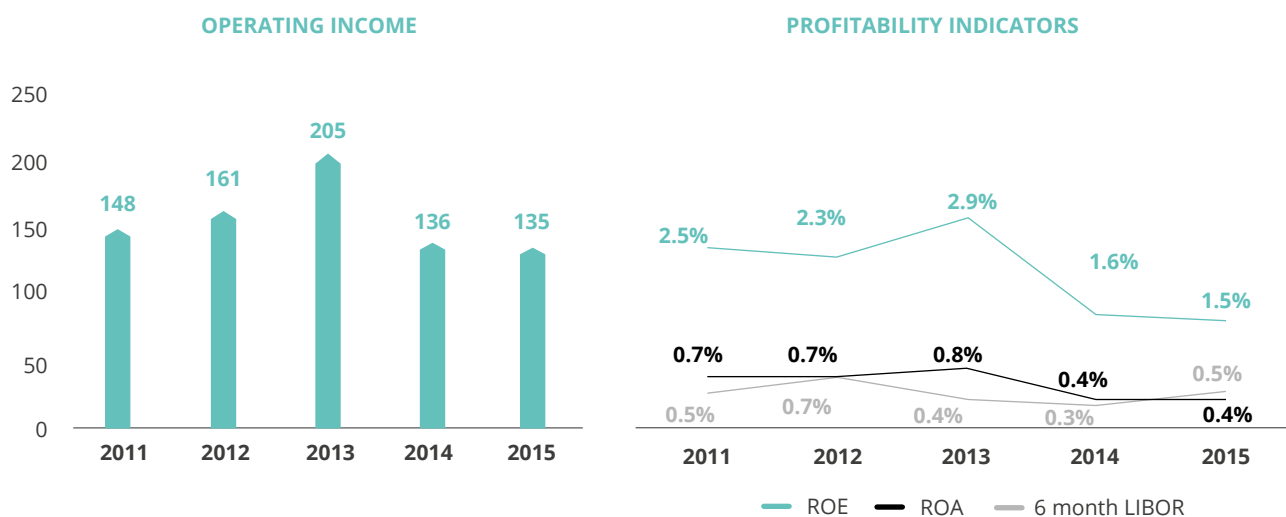


FIGURE 2 Operating income and profitability for the period ending December 31 of each year (in millions of USD)



SUMMARY OF FINANCIAL STATEMENTS

During 2015, CAF's total assets reached USD 32.5 billion, representing an increase of 6.6% with respect to the previous year (Figure 1). This increase is not only due to the growth of the loan portfolio, which closed at USD 20.4 billion 6.7% higher than the previous year, but also to an increase in liquidity which totaled USD 10.8 billion 6.2% higher than the prior year, and equivalent to 33.2% of the total assets and 49.5% of total indebtedness.

At year-end 2015, CAF's total net worth was USD 9.5 billion, with a paid-in capital of USD 4.5 billion, additional paid-in capital of USD 2.4 billion and USD 2.7 billion in the form of reserves and retained earnings. At the end of 2015, net worth represented 29.3% of total assets and 36.6% of the risk-weighted assets according to the methodology established in the Basel Convention.

The net interest income in 2015 registered an increase of 6.3% as a result of a combined increase in the LIBOR rate and the loan portfolio, joined with a reduction in funding costs.

Operating income and ROE showed a slight decrease mainly due to a lower performance of equity investments. However, as in previous years, the results were in line with the established benchmarks. The operating income was USD 135 million in 2015 and the ROE was 1.5%, while the average US treasury 10-year bond was 2.1% and the average 6-month LIBOR rate was 0.48% (Figure 2). The Return on Assets (ROA) for the year was 0.41%.

LOAN PORTFOLIO


At year-end 2015 the loan portfolio reached USD 20.4 billion, which represents an increase of 6.7% compared to the USD 19.1 billion of the previous year.

The loan portfolio distribution continued to be largely concentrated in public sector projects, representing 82.3% of the total portfolio as of December 31, 2015. Regarding distribution of the loan portfolio by countries, Venezuela had the largest exposure with 15.1% of the total loan portfolio, followed by Ecuador with 14.9%, Argentina with 13.6%, Peru with 11.2%, Colombia with 10.2%, Brazil with 10.1%, Bolivia with 9.9%, Panama with 6.3%, Uruguay with 3.2% and Paraguay with 1.4%. The increasing participation of the new full-member shareholders contributes to the diversification of

the loan portfolio. In this respect, the new full-members accounted for 34.6% of the loan portfolio at year-end 2015.

The main activities financed by CAF in 2015 were transportation infrastructure projects which represented 34.7% of the loan portfolio, energy projects with 27.6%, social services and health care services with 9.1% and commercial banks with 7.9%, among others.

The loan portfolio maintained its excellent credit quality (Table 2). At year-end 2015, there were no loans with a non-accrual status and provisions for loan losses reached USD 58.9 million or 0.3% of the loan portfolio. In 2015, one loan was written off for the amount of USD 16.5 million.

 **TABLE 2** Asset quality (in millions of USD)

	2011	2012	2013	2014	2015
Overdue	0.0	0.0	0.0	0.0	0.0
Loans in non-accrual status	8.2	7.9	0.0	16.5	0.0
Allowance for loan losses	130.6	125.8	38.3	55.8	58.9
Overdue as a percentage of the portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Non-accrual loan as a percentage of the loan portfolio	0.05%	0.05%	0.00%	0.09%	0.00%
Allowances as a percentage of the loan portfolio	0.87%	0.77%	0.21%	0.29%	0.29%

LIQUID ASSETS

As of December 31, 2015, liquid assets totaled USD 10.8 billion, equivalent to 33.2% of total assets and 49.5% of the institution's total indebtedness. The investment portfolio was characterized by its short duration, which averaged 0.57 years. As an evidence of its excellent credit rating, 99.96% of this portfolio was rated above A-/A3 with an average rating of AA/Aa2. CAF's policies require that at least 90% of its liquid assets have to be held in instruments with investment grade and credit ratings of at least A-/A3.

FUNDING

At year-end 2015, total financial liabilities were USD 21.8 billion, while total liabilities reached USD 23.0 billion.

2015 was a very active year for CAF in the international bond markets. The institution issued 13 bonds for an approximate amount of USD 3.0 billion. Additionally, CAF continued diversifying its geographic distribution, issuing in six different markets in America, Europe and Asia.

During 2015, CAF issued two benchmark transactions, one for USD 1.0 billion and the other for EUR 750 million. These issuances were very successful in terms of achieving competitive funding costs and diversifying CAF's investor base.

The Institution returned to the Swiss market with three bond issues for a total amount of CHF 550 million, becoming the third supranational issuer in this market in terms of volume. Additionally, after two years of its first kangaroo bond, CAF returned to the Australian market with a bond issue of AUD 325 million. This bond increased its size three times due to the high demand, which was greater than expected. These issuances also registered an increasing share in the participation of official institutions and central banks as investors, in line with CAF's strategy in accessing the capital markets.

Finally, several private placements were made in different currencies such as U.S. Dollar, Norwegian Crown and Japanese Yen, aimed at investors that have major strategic value for CAF.

With respect to short-term borrowings, CAF has maintained its presence in the commercial paper markets in the United States and Europe. Borrowing spreads decreased in 2015, contributing to lower funding costs for the year.

Time deposits represented also an important source of short-term funding, reaching USD 2.7 billion by year-end 2015. Thus, these instruments have maintained their importance as a competitive and stable source of funding.

With respect to medium- and long-term loans from development financial institutions, international agencies and multilateral banks, new credit facilities have been negotiated for USD 120 million with KfW and USD 113 million with the French development agency (AFD) to refinance high impact projects in the areas of water and sanitation, climate change, energy and the CAF program "Cities with Future," among others. The local currency loan program for microfinance institutions continued, specifically in Peru, Mexico, Colombia, Paraguay and Bolivia. Additionally, USD 107 million was obtained through loan portfolio sales.

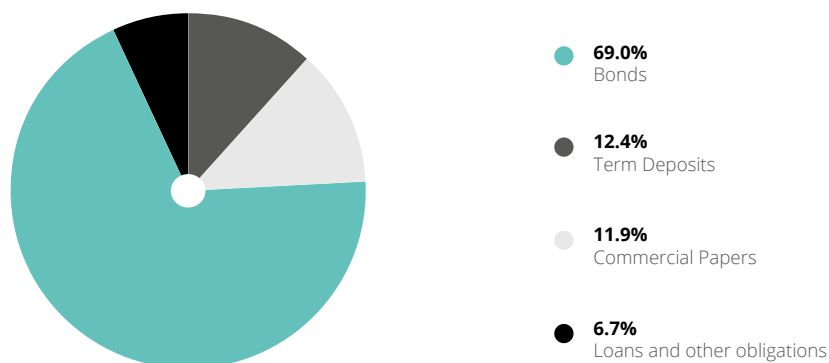
As of December 31 , 2015, 80.9% of CAF's total indebtedness came from international capital markets. The main source of funding was bond issuances, representing 69% of financial liabilities (Figure 3). Additionally, deposits received accounted for 12.4%, followed by commercial papers with 11.9% and other medium- and long- term loans and credit lines with 6.7%.

Details of CAF's 2015 bond issues are shown in Table 3.

 **TABLE 3** 2015 Bond Issues in the International Markets

Date	Market	Amount in original currency (million)	Equivalent in USD million
Bond Issuances			
January	USA	USD 1,000	1,000
February	Switzerland	CHF 200	217
May	Switzerland	CHF 150	154
May	Norway	NOK 1,000	133
June	Australia	AUD 225	173
August	Australia	AUD 50	37
September	Switzerland	CHF 200	203
September	Australia	AUD 50	35
November	Norway	NOK 800	98
November	Europe	EUR 750	821
	Private placements		173
	Total 2015		3,044
Short term issuance program			
	Commercial papers (USA)	USD 2,000	2,000
	Commercial papers (Europe)	USD 3,000	3,000

 **FIGURE 3** Financial Liabilities as of December 31, 2015



CAPITAL

In November 2015, CAF's Board of Directors approved a general paid-in capital increase for up to USD 4.5 billion, of which up to USD 4 billion are available to be subscribed by the Series B shareholders and up to USD 500 million for the Series C shareholders. Capital contributions will begin in 2017, which not only will provide CAF with additional growth capacity to meet the shareholders' needs, but also will strengthen its equity position.

During 2015, CAF received paid-in capital contributions from its shareholder countries for USD 684 million. Most of these contributions correspond to the general capital increases approved in 2009 and 2011, for a total of USD 2.5 billion and USD 2 billion, respectively.

At year-end 2015, net worth reached USD 9.5 billion, 8.7% higher than the amount registered in the previous year, strengthened by capital contributions made by shareholder countries and retained earnings.

Favored by this increase in shareholders' equity, the capitalization ratios remained above the levels established by the institution's internal policies (Table 4).

 **TABLE 4** Capitalization Ratios

	2011	2012	2013	2014	2015
Gearing (times)¹	2.4	2.4	2.4	2.5	2.4
Leverage (times)²	2.3	2.5	2.4	2.4	2.3
Capital/Risk weighted assets (BIS)³	38.7%	40.2%	39.3%	35.8%	36.6%

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

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

3. According to CAF's Board of Directors Policies, the capitalization level calculated in accordance with the Basel methodology, should be greater than or equal to 30%.

ASSET LIABILITY MANAGEMENT

In order to mitigate foreign exchange and interest rates risks, CAF's lending and borrowing activities are primarily conducted in floating rates and U.S. Dollars. As of December 31, 2015, 99.9% of assets and 99.2% of liabilities were denominated in U.S. Dollars after swaps, while 99.5% of the loans and 98.5% of the financial liabilities were based on LIBOR after swaps. Transactions that are not denominated in U.S. Dollars or based on LIBOR are converted through swaps to those terms. The swaps book reached USD 15.7 billion at year-end 2015. CAF's policies establish that swap counterparties must be rated at least A/A2 or have a credit support annex (CSA). Thus, CAF has established CSAs agreements with its derivatives counterparts, reducing the credit risk since valuations are made on a Mark-to-Market basis and the debtor has to post the corresponding collateral within certain predetermined parameters. CAF does not trade derivatives on its own account. Derivative instruments are used only for hedging purposes.

CAF seeks to maintain a conservative relationship between the average term of its assets and liabilities. As of December 31, 2015 the average life of its assets was 3.9 years and that of its liabilities 5.1 years. This last value does not include the shareholders' equity portion, which accounts for a high percentage of the 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, 2015, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework (2013) 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, 2015. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2015.

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, 2015, 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, 2015.

L. Enrique García

Executive President

Hugo Sarmiento K.

Corporate Vice President of Finance

Marcos Subía G.

Director, Accounting and
Budget

January 29, 2016

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

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

We have 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* 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, 2015 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework (2013)* 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, 2015 of CAF and our report dated January 29, 2016 expressed an unmodified opinion on those financial statements.

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January 29, 2016
Caracas - Venezuela

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INDEPENDENT AUDITORS' REPORT

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, 2015 and 2014, 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, 2015 and 2014, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on 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, 2015, based on criteria established in *Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)* and our report dated January 29, 2016 expressed an unmodified opinion on the Management's assertion on effectiveness of internal control over financial reporting.

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

BALANCE SHEETS

December 31, 2015 and 2014

(In thousands of U.S. dollars)

	NOTES	2015	2014
ASSETS			
Cash and due from banks	3	216,078	141,147
Deposits with banks	3	2,590,453	1,279,267
Cash and deposits with banks		2,806,531	1,420,414
Marketable securities:			
Trading	5 and 22	6,787,875	7,130,791
Other investments	4	1,186,286	1,596,608
Loans (US\$ 26,108 and US\$ 21,954 at fair value as of December 31, 2015 and 2014)	6 and 22	20,430,792	19,144,087
Less loan commissions, net of origination costs		94,996	89,411
Less allowance for loan losses	6	58,929	55,763
Loans, net		20,276,867	18,998,913
Accrued interest and commissions receivable		303,935	292,325
Equity investments	7	328,390	292,345
Derivative financial instruments	21 and 22	215,509	383,703
Property and equipment, net	8	72,923	69,003
Other assets	9	491,379	274,069
TOTAL		32,469,695	30,458,171
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES:			
Deposits	10	2,700,248	3,696,510
Commercial paper	11	2,589,875	1,853,282
Borrowings (US\$ 526,807 and US\$ 432,617 at fair value as of December 31, 2015 and 2014)	12 and 22	1,463,850	1,514,646
Less origination costs		934	1,480
Borrowings, net		1,462,916	1,513,166
Bonds (US\$ 14,526,090 and US\$ 13,124,319 at fair value as of December 31, 2015 and 2014)	13 and 22	15,058,361	13,859,940
Less origination costs		29,763	34,990
Bonds, net		15,028,598	13,824,950
Accrued interest payable		249,534	239,547
Derivative financial instruments	21 and 22	808,097	383,086
Accrued expenses and other liabilities	14	106,333	184,393
Total liabilities		22,945,601	21,694,934
STOCKHOLDERS' EQUITY:			
Subscribed and paid-in capital (authorized capital US\$ 15,000 million as of December 31, 2015, and US\$ 10,000 million as of December 31, 2014)		4,491,275	4,250,495
Additional paid-in capital		2,354,537	1,911,487
Reserves		2,601,223	2,463,584
Other comprehensive income		(571)	32
Retained earnings		77,630	137,639
Total stockholders' equity		9,524,094	8,763,237
TOTAL		32,469,695	30,458,171

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF COMPREHENSIVE INCOME

December 31, 2015 and 2014

(In thousands of U.S. dollars)

	NOTES	2015	2014
Interest income:			
Investments and deposits with banks	2 (e), 3 and 4	53,636	44,211
Loans	2 (f)	526,084	481,970
Loan commissions	2 (f)	41,539	43,479
Total interest income		621,259	569,660
Interest expense:			
Deposits		8,716	11,377
Commercial paper		8,900	6,459
Borrowings and other obligations		23,828	22,541
Bonds		293,240	258,166
Commissions		10,707	11,681
Total interest expense		345,391	310,224
Net interest income		275,868	259,436
Provision for loan losses	6	18,703	21,552
Net interest income, after provision for loan losses		257,165	237,884
Non-interest income:			
Other commissions		9,150	9,070
Dividends and equity in earnings of investees	7	3,103	8,893
Other income		4,511	4,998
Total non-interest income		16,764	22,961
Non-interest expenses:			
Administrative expenses	25	125,072	116,678
Impairment charge for equity investments	7	11,046	7,307
Other expenses		3,045	696
Total non-interest expenses		139,163	124,681
Net income before unrealized changes in fair value related to financial instruments and Contributions to Stockholders' Special Funds		134,766	136,164
Unrealized changes in fair value related to financial instruments	23	(3,136)	1,475
Net income before Contributions to Stockholders' Special Funds		131,630	137,639
Contributions to Stockholders' Special Funds	18	54,000	-
Net income		77,630	137,639
Other comprehensive income:			
Unrecognized changes in assets/ liabilities under benefit pension plan	15 and 19	(603)	32
Amortization of defined benefit pension items	15 and 19	-	317
Total comprehensive income		77,027	137,988

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF STOCKHOLDERS' EQUITY

December 31, 2015 and 2014

(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 42 of by-laws	Total reserves			
BALANCES AT DECEMBER 31, 2013		3,941,380	1,342,903	1,895,592	430,235	2,325,827	(317)	206,757	7,816,550
Capital increase	16	309,115	568,584	-	-	-	-	-	877,699
Net income	16	-	-	-	-	-	-	137,639	137,639
Appropriated for general reserve	16	-	-	116,557	-	116,557	-	(116,557)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	21,200	21,200	-	(21,200)	-
Other comprehensive income	19	-	-	-	-	-	349	-	349
Distributions to stockholders' special funds	17	-	-	-	-	-	-	(69,000)	(69,000)
BALANCES AT DECEMBER 31, 2014		4,250,495	1,911,487	2,012,149	451,435	2,463,584	32	137,639	8,763,237
Capital increase	16	240,780	443,050	-	-	-	-	-	683,830
Net income	16	-	-	-	-	-	-	77,630	77,630
Appropriated for general reserve	16	-	-	123,874	-	123,874	-	(123,874)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	16	-	-	-	13,765	13,765	-	(13,765)	-
Other comprehensive income	19	-	-	-	-	-	(603)	-	(603)
BALANCES AT DECEMBER 31, 2015		4,491,275	2,354,537	2,136,023	465,200	2,601,223	(571)	77,630	9,524,094

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF CASH FLOWS

December 31, 2015 and 2014

(In thousands of U.S. dollars)

	NOTES	2015	2014
OPERATING ACTIVITIES:			
Net income		77,630	137,639
Adjustments to reconcile net income to net cash provided by (used in)			
operating activities:			
Contributions to Stockholders' Special Funds	18	16,000	-
Unrealized loss on trading securities	5	9,766	3,038
Amortization of loan commissions, net of origination costs		(14,152)	(12,085)
Provision for loan losses	6	18,703	21,552
Impairment charge for equity investments	7	11,046	7,307
Equity in earnings of investees		(1,060)	127
Amortization of deferred charges		4,206	3,811
Depreciation of property and equipment	8	5,725	5,974
Provision for employees' severance benefits		10,317	9,345
Provision for employees' savings plan		1,340	1,335
Unrealized changes in fair value related to financial instruments		3,267	(1,475)
Net changes in operating assets and liabilities:			
Severance benefits paid or advanced		(7,517)	(6,650)
Employees' savings plan paid or advanced		(449)	(955)
Trading securities, net	5	334,826	(1,307,136)
Interest and commissions receivable		(11,610)	(50,172)
Other assets		(1,577)	1,458
Accrued interest payable		9,987	39,534
Accrued expenses and other liabilities		899	6,007
		389,717	(1,278,985)
		467,347	(1,141,346)
INVESTING ACTIVITIES:			
Purchases of other investments	4	(4,003,321)	(3,773,803)
Maturities of other investments	4	4,413,643	2,958,414
Loan origination and principal collections, net	6	(1,282,438)	(1,128,961)
Equity investments, net	7	(46,032)	(71,394)
Purchases of property and equipment	8	(9,645)	(8,078)
		(927,793)	(2,023,822)
		(460,446)	(3,165,168)
		Carried forward,	

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF) STATEMENTS OF CASH FLOWS

December 31, 2015 and 2014

(In thousands of U.S. dollars)

	NOTES	2015	2014
Brought forward		(460.446)	(3.165.168)
FINANCING ACTIVITIES:			
Net (decrease) increase in deposits		(996.262)	432.836
Net increase (decrease) in commercial paper		736.593	(1.083.213)
Net increase in derivative related collateral		(320.905)	(63.441)
Proceeds from issuance of bonds	13	3.044.137	3.862.490
Repayment of bonds	13	(1.255.123)	(943.085)
Proceeds from borrowings	12	172.965	267.697
Repayment of borrowings	12	(218.672)	(388.660)
Distributions to stockholders' special funds	17	-	(69.000)
Proceeds from issuance of shares	16	683.830	877.699
Net cash provided by financing activities		1.846.563	2.893.323
NET INCREASE (DECREASE) IN CASH AND DEPOSITS WITH BANKS		1.386.117	(271.845)
CASH AND DEPOSITS WITH BANKS AT BEGINNING OF YEAR		1.420.414	1.692.259
CASH AND DEPOSITS WITH BANKS AT END OF YEAR		2.806.531	1.420.414
Supplemental disclosure:			
Interest paid during the year		328.254	238.147
NONCASH FINANCING ACTIVITIES:			
Changes in derivative financial instruments assets		(168.194)	(33.955)
Changes in derivative financial instruments liabilities		425.011	200.262

See accompanying notes to the financial statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

NOTAS A LOS ESTADOS FINANCIEROS

Por los años terminados el 31 de diciembre de 2015 y 2014

(En miles de dólares estadounidenses)

1. ORIGIN

Business description – Corporación Andina de Fomento (CAF) began its operations on June 8, 1970, and was established under public international law which abides by the provisions set forth in its 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: Barbados, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, Spain and Trinidad and Tobago. In addition, there are 13 banks which are Series “B” stockholders. CAF is headquartered in Caracas and has offices in Asuncion, Bogota, Brasilia, Buenos Aires, Mexico City, Panama City, La Paz, Lima, Madrid, Montevideo, Port of Spain and Quito.

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

CAF offers financial and related services to the governments of its stockholder countries, as well as their public and private institutions, corporations and joint ventures. CAF’s principal activity is to provide short, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in stockholder countries. Furthermore, CAF manages and supervises third-party cooperation funds 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.

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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

b. Use of estimates – The 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 to the preparation of CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and estimating the allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

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

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

e. Marketable Securities – CAF classifies its investments, according to management intention, as trading marketable securities, which are recorded on the trade date. Trading marketable securities are mainly bought and held with the purpose of selling them in the short term. Trading marketable securities are recorded at fair value. Gains and losses, from sales of trading marketable securities and changes in the fair value of trading marketable securities are included in interest income of investments and deposits with banks in the statements of comprehensive income.

f. Loans – CAF grants short-, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities, both to public and private entities, for development and integration programs and projects in stockholder countries.

For credit risk purposes, CAF classifies its 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 non-accrual is reversed against interest income. The interest on non-accrual loans is accounted for on a cash-basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Non-accrual loans are considered impaired loans. Factors considered by management in determining impaired loans are payments status and the probability of collecting scheduled principal and interest payments when due.

Loan losses, partial or total, are written off against the allowance for loan losses when management confirms the uncollectibility of a loan balance. Subsequent recoveries on written off loans, if any, will be credited to the allowance for loan losses.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in 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 significantly vulnerable to adverse economic conditions.

Satisfactory adequate – Adequate capacity to meet financial commitments, but more vulnerable to adverse economic conditions.

Watch – Acceptable payment capacity, however some indicators and elements require special attention otherwise they could result in impairment.

Special mention – More vulnerable to adverse economic conditions but currently has the capacity to meet financial commitments.

Sub-standard – Currently vulnerable and dependent on favorable economic conditions to meet financial commitments.

Doubtful – Currently highly vulnerable.

Loss – Payment default on financial commitments.

g. Allowance for Loan Losses – Allowance for loan losses is maintained at a level CAF believes to be adequate to absorb losses inherent in the loan portfolio as of the date of the financial statements.

For purposes of determining the allowance for loan losses, CAF management classifies its portfolio for credit risk purposes into sovereign and non-sovereign. The allowance for loan losses is estimated considering the credit risk exposure, default probability and loss given default, based on external data provided by risk rating agencies, recognizing such effects in profit or loss for the period.

The allowance for loan losses on sovereign loans is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries, which is determined as the average rating of three recognized international risk rating agencies as of the date of each of the balance sheet presented. The long-term foreign currency debt rating considers a default probability. Given CAF's status as a 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 reflecting a lower default probability – usually equivalent to three levels above its risk rating– is used.

For the non-sovereign loans, the allowance for loan losses is calculated by considering CAF's internal rating of each borrower, using the probability of default corresponding to the average of the equivalent categories of the risk rating agencies.

For those cases where the category equivalent to the rating of a given borrower determined in accordance with any of the risk rating agencies is higher than the risk rating in local currency of the country corresponding to such borrower, or if for any reason there is no risk rating, the risk rating in local currency of such country determined by risk rating agencies will be used.

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

h. Equity Investments – CAF invests in equity securities of companies and funds in strategic sectors, with the objective of promoting the development of such companies and funds and their participation in the securities markets and to serve as a catalytic agent in attracting resources to stockholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist when CAF holds an ownership interest in the voting stock of an investee between 20% and 50%, the equity investments are accounted for using the equity method. Under the equity method, the carrying amount of the equity investment is adjusted to reflect CAF's proportionate share of earnings or losses, dividends received and certain transactions of the investee Company.

Investments representing less than 20% of the voting rights of the investee are recorded using the cost method, recognizing any dividends received as income.

A decline in the value of any equity investment accounted at cost or equity method, which is not deemed to be temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated, any impairment is charged to income and a new value for the investment is established.

The equity investments do not have readily determinable fair values.

i. 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
Building improvements	15 years
Leasing building improvements	Term of leasing contract
Furniture and equipment	2 to 10 years
Vehicles	5 years

j. Other Assets – Other assets mainly include collateral, intangible assets and receivable from investment securities sold (Note 2e).

Collateral – CAF requires or posts collateral from or to individual swap counterparties and futures contracts in the form of cash to mitigate its credit exposure to these counterparties. It is the policy of CAF to restrict and invest collateral received from swap and futures counterparties for fulfilling its obligations under the collateral agreement. CAF records 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 and futures contracts, under the collateral agreement, is recorded in other assets.

Intangible assets – Include software investments which are reported at cost less accumulated amortization. The amortization is calculated with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

k. Impairment – A financial asset is considered impaired and an impairment loss is recognized only if there are circumstances that indicate impairment as a result of one or more events (“loss events”) that have occurred after recognition of the financial asset.

l. Deposits and Commercial Paper – Deposits and commercial paper are recorded at amortized cost.

m. Borrowings – The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are recorded at amortized cost, except for some borrowings that are hedged using interest rate swaps as an economic hedge. The up-front costs and fees related to the issuance of borrowings denominated in US\$ are deferred and reported in the balance sheet as a direct deduction from the face amount of borrowings and amortized during the term of the borrowings as interest expense (Note 2v).

n. Bonds – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are recorded as follows:

- Bonds denominated in currencies other than the US\$ are recognized at fair value. Gains or losses resulting from changes in the fair value of these bonds, as well as the related 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 reported in the balance sheet as a direct deduction from the face amount of bonds, and amortized during their life time as interest expense (Note 2v).

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

o. Employees' Severance Benefits – Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the labor law of the member countries, when applicable. The accrual for employee severance benefits is presented as part of “labor benefits” account under “other liabilities” caption.

Under CAF's employee policies, employees earn a severance benefit equal to five days of salary per month, up to a total of 60 days per year of service. From the second year of service, employees earn an additional two-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.

p. 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.

q. Derivative Financial Instruments and Hedging Activities – CAF records all derivative financial instruments on the balance sheet at fair value, regardless of the purpose or intent for holding them. For derivative contracts for which hedge accounting is intended to apply, CAF designates the derivative financial instrument as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (“fair value hedge”) on the date the derivative contract is entered into. CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivative financial instruments that are designated as fair value to specific assets and liabilities on the balance sheet, or to specific firm commitments. CAF's policy is not to enter into derivative financial instruments for speculative purposes. CAF also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used in hedging transactions are highly effective in offsetting changes in fair values.

Changes in the fair value of a highly effective derivative financial instruments 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 the statement of comprehensive income.

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 the statement of comprehensive income.

r. 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.

s. 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.

T. Provision for guarantees losses – Provision for guarantees is maintained at a level CAF believes adequate to absorb probable losses inherent to the guaranteed loans originated by third parties as of the date of the financial statements. Guaranteed exposures are classified as either sovereign or non-sovereign. Provision for guarantees is estimated by CAF considering the credit risk exposure, default probability and loss given default. Provision for sovereign guarantees losses is based on the individual long-term foreign currency debt rating of the guarantor countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. These country risk ratings have associated default probability. Given CAF's status as a 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, the provision is determined by considering the CAF internal rating of each client and the average rating of the aforementioned agencies.

The provision for credit risks on contingent accounts, such as stand-by letters of credit and guarantees, are reported as other liabilities.

u. Recently issued accounting pronouncement pending adoption – ASU 2015-14, Revenue from Contracts with Customers

In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606). The amendments in this ASU defer the effective date of ASU 2014-09 for all entities by one year. Public business entities, certain not-for-profit entities, and certain employee benefit plans should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. All other entities should apply the guidance in ASU 2014-09 to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. This ASU will be effective for CAF in 2018.

V. Recently issued accounting pronouncements and early adoption ASU 2015-03, Interest-Imputation of Interest

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs. This ASU simplify presentation of debt issuance costs, also require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this ASU 2015-03. The amendments require an entity should apply the new guidance on a retrospective basis, These disclosures required the nature of and reason for the change in accounting principle, the transition method, a description of the prior-period information that has been retrospectively adjusted, and the effect of the change on the financial statement line items (that is, debt issuance cost asset and the debt liability). This ASU will be effective for public business entities, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. For all other entities, for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Early adoption of the amendments in this Update is permitted for financial statements that have not been previously issued.

On October 1, 2015, CAF has early adopted ASU 2015-03. In previous years CAF presented the issuance costs as a deferred cost in Other assets in the balance sheet, now with the adoption of this ASU, the amounts are presented as a direct deduction from Bonds and Borrowings.

As of December 31, 2014, CAF reclassified origination costs for US\$ 1,480 from Other assets to Borrowings, and US\$ 34,990 from Other assets to Bonds. There were no significant changes in the way as CAF presented the amortization of origination costs in the line of Interest Expense in the Statements of Comprehensive Income, just minor reclassifications from Commissions to Borrowings and other obligations and Bonds, in the same line of Interest Expense. Also, a minor reclassification from operating activities to financing activities in the Statements of Cash Flows.

3. CASH AND DEPOSITS WITH BANKS

Bank deposits with original maturity of three months or less include the following:

	December 31,	
	2015	2014
Cash and due from banks	216,078	141,147
Deposits with banks:		
U.S. dollars	2,590,453	1,279,267
	<u>2,806,531</u>	<u>1,420,414</u>

4. OTHER INVESTMENTS

Deposits with banks due in 90 days or more (original maturity) as follows:

	December 31,	
	2015	2014
U.S. dollars	1,185,463	1,589,458
Other currencies	823	7,150
	<u>1,186,286</u>	<u>1,596,608</u>

As of December 31, 2015 and 2014, the interest rate of the other investments ranged from 0.22% to 1.12% and from 0.20% to 1.21%, respectively.

5. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	December 31,			
	2015		2014	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	1,895,996	2.03	1,920,441	1.88
Non-U.S. governments and government entities bonds	85,448	0.99	195,373	0.60
Financial institutions and corporate securities:				
Commercial paper	1,711,389	0.17	1,075,478	0.32
Certificates of deposit	1,176,718	0.48	2,264,749	0.46
Bonds	1,405,333	1.37	1,183,477	1.64
Collateralized mortgage obligation	306,152	4.66	292,214	5.55
Liquidity funds	206,839	1.00	199,059	1.00
	<u>4,806,431</u>	0.91	<u>5,014,977</u>	1.02
	<u>6,787,875</u>	1.23	<u>7,130,791</u>	1.24

The certificate of deposit bears a maturity date and specified fixed interest rate. It also is registered with The Depository Trust Company (DTC) and has a CUSIP number, which is a code that identifies a financial security, therefore they can be traded at any moment. The liquidity funds are comprised of short-term (less than one year) securities representing high-quality, liquid debt and monetary instruments.

Trading securities include net unrealized losses and gains of US\$ 9,766 and US\$ 3,038 at December 31, 2015 and 2014, respectively.

Net realized gains and losses from trading securities of US\$ 6,504 and US\$ 2,003 at December 31, 2015 and 2014, 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, 2015 and 2014, CAF does not have any significant concentrations of credit risk. In other currencies, total marketable securities include the equivalent of US\$ 4,158 and US\$ 166,312 at December 31, 2015 and December 31, 2014, respectively.

Maturity of debt securities follows:

	December 31,	
	2015	2014
Remaining maturities:		
Less than one year	3,919,518	4,653,485
Between one and two years	2,083,753	519,111
Between two and three years	451,920	1,633,819
Between three and four years	133,526	101,639
Between four and five years	115,925	110,121
Over five years	83,233	112,616
	<u>6,787,875</u>	<u>7,130,791</u>

6. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loans are to Series "A" and "B" stockholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

	December 31,	
	2015	2014
Stockholder country:		
Argentina		2,718,009
Barbados		-
Bolivia		1,909,509
Brazil		1,932,414
Chile		-
Colombia		1,768,619
Costa Rica		128,627
Dominican Republic		172,458
Ecuador		2,824,501
Jamaica		5,628

	December 31,	
	2015	2014
Mexico		127,526
Panama		1,254,545
Paraguay		249,271
Peru		2,333,123
Portugal		15,000
Spain		191,875
Uruguay		509,247
Venezuela		3,001,625
Loans	20,430,897	19,141,977
Fair value adjustments	(105)	2,110
Carrying value of loans	<u>20,430,792</u>	<u>19,144,087</u>

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, 2015 and 2014, loans denominated in other currencies were granted for an equivalent of US\$ 30,057 and US\$ 41,780, respectively, principally in Bolivian bolivianos, Peruvian nuevos soles, Paraguayan guarani, Mexican pesos and Colombian pesos. At December 31, 2015 and 2014, fixed interest rate loans amounted to US\$ 100,354 and US\$ 73,164, respectively.

Loans classified by public sector and private sector borrowers, are as follows

	December 31,	
	2015	2014
Public sector	16,822,700	15,564,049
Private sector	3,608,197	3,577,928
	<u>20,430,897</u>	<u>19,141,977</u>

The average yield of the loan portfolio is shown below:

	December 31,			
	2015		2014	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	20,430,897	2.85	19,141,977	2.62

Loans by industry segments are as follows:

	December 31,			
	2015	%	2014	%
Agriculture, hunting and forestry	78,094	-	63,389	-
Manufacturing industry	275,341	1	399,627	2
Electricity, gas and water supply	7,060,091	35	6,613,662	35
Transport, warehousing and communications	7,203,320	36	7,091,245	37
Commercial banks	1,646,223	8	1,191,862	6
Development banks	655,205	3	571,100	3
Social and other infrastructure programs	3,313,958	16	3,047,281	16
Others	198,665	1	163,811	1
	<u>20,430,897</u>	<u>100</u>	<u>19,141,977</u>	<u>100</u>

Loans mature as follows:

	December 31,	
	2015	2014
Remaining maturities:		
Less than one year	3,713,933	2,717,459
Between one and two years	2,069,209	2,140,348
Between two and three years	1,935,815	1,919,126
Between three and four years	2,027,559	1,713,659
Between four and five years	1,789,567	1,815,106
Over five years	8,894,814	8,836,279
	<u>20,430,897</u>	<u>19,141,977</u>

The loan portfolio classified based on the type of credit risk is as follows:

	December 31,	
	2015	2014
Sovereign guaranteed	16,482,282	15,318,111
Non-sovereign guaranteed	3,948,615	3,823,866
	<u>20,430,897</u>	<u>19,141,977</u>

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 2g).

The credit quality of the non-sovereign guaranteed loan portfolio as of December 31, 2015 and 2014 is presented by internal credit risk type and classification, as follows:

	December 31,	
	2015	2014
Risk classification		
Satisfactory - very good	2,042,901	1,802,917
Satisfactory - appropriate	892,042	635,186
Watch	832,337	1,275,343
Special mention	57,500	-
Sub-standar	123,835	93,875
Doubtful	-	16,545
	<u>3,948,615</u>	<u>3,823,866</u>

Loan portfolio quality

The loan portfolio quality indicators and the amounts related are presented below:

	December 31,	
	2015	2014
During the year CAF recorded the following transactions:		
Impaired loans	0	0
Loans written-off	16,354	4,125
Purchases of loan portfolio	0	0
Sales of loan portfolio	107,110	118,008
Trouble debt restructured	0	0
CAF presented the following amounts and quality indicators as of the end of the year:		
Non-accrual loans	0	16,545
Overdue loans	0	0
Allowance for loan losses as a percentage of loan portfolio	0.29%	0.29%
Nonaccrual loans as a percentage of loan portfolio	0.00%	0.09%
Overdue loan principal as a percentage of loan portfolio	0.00%	0.00%

A/B Loans

CAF administers loan-participations sold, and only assumes the credit risk for the portion of the loan owned by CAF. At December 31, 2015 and 2014, CAF had loans of this nature amounting to US\$ 1,109,267 and US\$ 1,558,400, respectively; whereas other financial institutions provided funds for US\$ 763,217 and US\$ 1,067,057, respectively.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,					
	2015			2014		
	Sector		Total	Sector		Total
Sovereign	Non-Sovereign	Sovereign		Non-Sovereign		
Balances at beginning of year	20,241	35,522	55,763	10,898	27,438	38,336
Debit to results of operations, net	6,028	12,675	18,703	9,343	12,209	21,552
Loans written-off		(16,354)	(16,354)	-	(4,125)	(4,125)
Recoveries		817	817	-	-	-
Balances at end of year	<u>26,269</u>	<u>32,660</u>	<u>58,929</u>	<u>20,241</u>	<u>35,522</u>	<u>55,763</u>

7. EQUITY INVESTMENTS

Equity investments, which have no readily determinable fair value, are as follows:

	December 31,	
	2015	2014
Direct investments in companies accounted under equity method	9,979	9,169
Investment funds accounted under equity method	33,369	33,534
Direct investments in companies at cost	84,642	77,009
Investment funds at cost	200,400	172,633
	328,390	292,345

Equity investments by country are summarized as follow:

	Equity participation (%)	December 31,	
		2015	2014
Investment Funds:			
Bolivia	20	3,090	2,714
Brazil	Between 1 and 20	31,377	32,762
Colombia	Between 8 and 20	37,687	35,256
Mexico	Between 5 and 22	48,475	31,697
Peru	Between 6 and 16	10,201	12,200
Regional	Between 1 and 33	102,939	91,538
		233,769	206,167
Direct Investments in companies:			
Argentina	17	2,000	2,000
Bolivia	20	9,979	9,169
Brazil	15	7,000	7,000
Colombia	Between 10 and 20	23,970	26,482
Ecuador	Between 5 and 12	5,623	5,490
Peru	Between 1 and 13	8,263	8,263
Regional	Between 1 and 20	37,786	27,774
		94,621	86,178
		328,390	292,345

Details of equity investments under equity method are as follows:

	Equity participation (%)	Latest financial statements	December 31,	
			2015	2014
Companies:				
Banco de Desarrollo de la Producción	20%	30/09/15	9,979	9,169
Funds:				
Darby Latin American Mezzanine Fund II	20%	30/09/15	10,481	9,947
Emerging Energy Latin America Fund	20%	30/09/15	1,576	2,434
Fondo de Fondos México II	20%	30/06/15	8,278	7,759
Microfinance Growth Fund	20%	30/09/15	5,854	6,167
Produbanco Darby-Probanco Fund II	33%	30/09/15	4,090	4,513
Próspero Microfinanzas Fund	20%	30/09/15	3,090	2,714
			<u>33,369</u>	<u>33,534</u>

During 2015 and 2014, CAF recognized income for US\$ 2,043 and US\$ 9,020, respectively, for dividends received from investments under cost method, which are included in the statements of comprehensive income.

At December 31, 2015 and 2014, CAF recognized impairment for US\$ 11,046 and US\$ 7,307 respectively.

8. PROPERTY AND EQUIPMENT, NET

A summary of property and equipment follows:

	December 31,	
	2015	2014
Land	27,029	27,012
Buildings	38,814	26,169
Buildings improvements	19,773	19,786
Leased building improvements	6,392	6,770
Furniture and equipment	24,066	21,583
Vehicles	1,008	989
	<u>117,082</u>	<u>102,309</u>
Less accumulated depreciation	54,589	50,805
Projects in progress	10,430	17,499
	<u>72,923</u>	<u>69,003</u>

The depreciation expenses of US\$ 5,725 and US\$ 5,974 for property and equipment for the years ended December 31, 2015 and 2014, respectively, are included in the statement of comprehensive income.

9. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2015	2014
Intangible assets, net	13,795	10,199
Receivable from investment securities sold	2,876	4,551
Derivative related collateral	455,361	233,746
Other	19,347	25,573
	<u>491,379</u>	<u>274,069</u>

10. DEPOSITS

A summary of deposits follows:

	December 31,	
	2015	2014
Demand deposits	333,969	72,479
Time deposits:		
Less than one year	2,366,279	3,624,031
	<u>2,700,248</u>	<u>3,696,510</u>

At December 31, 2015 and 2014, the interest rates on time deposits ranged from 0.12% to 1.80% and from 0.06% to 1.81%, respectively. Deposits are issued for amounts equal to or more than US\$ 100. Total deposits in other currencies include US\$ 1,058 and US\$ 157,324 at December 31, 2015 and 2014, respectively.

11. COMMERCIAL PAPER

The outstanding amount of commercial paper issued by CAF amounting to US\$ 2,589,875 at December 31, 2015 will mature in 2016 (US\$ 1,853,282 at December 31, 2014 matured in 2015). At December 31, 2015 and 2014, the interest rates on commercial paper ranged from 0.20% to 0.98% and from 0.15% to 0.46% respectively.

12. BORROWINGS

A summary of borrowings follows:

	December 31,	
	2015	2014
U.S. dollars	1,280,884	1,443,140
Euros	112,900	-
Peruvian nuevos soles	21,695	22,044
Venezuelan bolivars	34,127	30,159
Other currencies	5,337	5,853
	<u>1,454,943</u>	<u>1,501,196</u>
Fair value adjustments	8,907	13,450
Less origination costs	(934)	(1,480)
Carrying value of borrowings	<u>1,462,916</u>	<u>1,513,166</u>

At December 31, 2015 and 2014, there are fixed interest-bearing borrowings in the amount of US\$ 549,413 and US\$ 545,171, respectively. At December 31, 2015 and 2014, the weighted average cost after swaps was 1.75% and 1.63%, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2015	2014
Remaining maturities:		
Less than one year	476,242	246,009
Between one and two years	104,872	441,506
Between two and three years	206,041	105,614
Between three and four years	131,757	184,241
Between four and five years	116,757	113,625
Over five years	419,274	410,201
	<u>1,454,943</u>	<u>1,501,196</u>

Some borrowing agreements contain covenants requiring the use of the proceeds for specific purposes or projects.

At December 31, 2015 and 2014 there were unused term credit facilities amounting to US\$ 511,216 and US\$ 569,342, respectively.

13. BONDS

An analysis of outstanding bonds follows:

	December 31,					
	2015			2014		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)
U.S. dollars	6,762,371	6,762,371	2.37	6,109,320	6,109,320	2.03
Euro	4,257,096	3,602,169	1.86	3,571,411	3,230,302	1.62
Swiss francs	2,235,639	2,108,434	1.75	2,054,538	1,950,086	1.71
Australian dollars	772,283	658,078	1.57	525,233	471,269	1.26
Hong Kong dollars	386,060	386,437	1.88	386,060	386,212	1.69
Norwegian kroner	622,501	475,964	1.59	390,828	323,777	1.43
Japanese yen	310,578	244,996	2.77	418,819	294,807	2.45
Chinese renminbi	-	-	-	96,618	96,660	1.37
Colombian pesos	112,565	70,408	2.96	112,565	92,687	2.64
Mexican pesos	98,108	16,462	2.87	98,108	89,545	2.67
Turkish lira	70,105	53,808	0.77	70,089	67,408	0.34
Peruvian nuevos soles	22,397	21,532	0.91	32,331	35,412	0.73
South African rand	22,598	16,247	0.80	22,594	21,848	0.85
	<u>15,672,301</u>	<u>14,416,906</u>		<u>13,888,514</u>	<u>13,169,333</u>	
Fair value adjustments		641,455			690,607	
Less origination costs		(29,763)			(34,990)	
Carrying value of bonds		<u>15,028,598</u>			<u>13,824,950</u>	

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2015	2014
Remaining maturities:		
Less than one year	1,561,251	1,264,543
Between one and two years	2,087,629	1,560,577
Between two and three years	2,225,655	2,086,958
Between three and four years	1,074,313	1,315,182
Between four and five years	1,133,701	937,189
Over five years	7,589,752	6,724,065
	<u>15,672,301</u>	<u>13,888,514</u>

At December 31, 2015 and 2014, fixed interest rate bonds amounted to US\$ 15,201,393 and US\$ 13,059,963, respectively, of which US\$ 8,927,226 and US\$ 7,667,123, respectively, are denominated in Australian Dollars, Chinese renminbi, Colombian pesos, Euro, Hong Kong dollars, Japanese yen, Mexican pesos, Peruvian nuevos soles, Turkish lira, South African rand, Norwegian kroner and Swiss francs.

There were no bonds repurchased during the years ended December 31, 2015 and 2014.

14. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2015	2014
Employees' severance benefits and savings plan	72,995	68,382
Payable for investment securities purchased	5,488	5,683
Derivatives related collateral	-	99,413
Provision contingencies	4,105	2,474
Contributions to Special Funds	16,000	-
Other liabilities	7,745	8,441
	<u>106,333</u>	<u>184,393</u>

15. PENSION PLAN

At December 31, 2015 and 2014, the Plan has 489 and 421 participants and active employees, respectively. The measurement date used to determine pension plan benefit obligation is December 31.

For the years ended December 31, 2015 and 2014, a reconciliation of beginning and ending balances of the benefit obligation are as follows:

	December 31,	
	2015	2014
Change in benefit obligation:		
Benefit obligation at beginning of year	11,294	9,558
Service cost	1,438	1,206
Interest cost	481	406
Plan participants' contributions	1,319	1,170
Actuarial (gain) loss	224	(435)
Benefit paid	(754)	(611)
Benefit obligation at end of year	<u>14,002</u>	<u>11,294</u>

For the years ended December 31, 2015 and 2014, a reconciliation of beginning and ending balances of the fair value of plan assets are as follows:

	December 31,	
	2015	2014
Change in plan assets:		
Fair value of plan assets at beginning of year	11,326	9,098
Actual return on plan assets	221	183
Contributions	2,638	2,656
Benefit paid	(754)	(611)
Fair value of plan assets at year of year	<u>13,431</u>	<u>11,326</u>

As of December 31, 2015 and 2014, the plan assets are as follows:

	December 31,	
	2015	2014
Plan assets:		
Deposits with banks	<u>13,431</u>	<u>11,326</u>

The table below summarizes the component of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2015 and 2014:

	December 31,	
	2015	2014
Service cost	1,438	1,206
Interest cost	481	406
Expected return on plan assets	(170)	(136)
	<u>1,749</u>	<u>1,476</u>

A summary of the net projected cost for the year 2016 follows:

Service cost:	
Contributions to the plan	1,427
Guaranteed benefit	288
	<u>1,715</u>
Interest cost	594
Expected return on plan assets	(201)
	<u>2,108</u>

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2015 and 2014 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	1.5%
Salary increase rate	3%

16. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of CAF at December 31, 2015 and 2014 amounts to US\$ 15,000,000 and US\$ 10,000,000, respectively, distributed among Series "A", "B" and "C" shares.

Additional paid-in capital

The additional paid-in capital of CAF at December 31, 2015 and 2014 amounts to US\$ 2,354,537 and US\$ 1,911,487, respectively. The additional paid-in capital is the amount paid by Series "B" and Series "C" stockholders in excess of the par value.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior resolution of the Board of Directors, in order to meet financial obligations of CAF, when internal resources are inadequate.

Shares

CAF's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series "A" shares grant the right of representation on CAF's Board of Directors to one principal director and one alternate director for each of the above countries. These shares have a par value of US\$ 1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, 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, 2015 and 2014 follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
At December 31, 2013	10	706,436	79,440	12,000	3,532,180	397,200	3,941,380
Issued for cash	-	49,453	12,370	-	247,265	61,850	309,115
At December 31, 2014	10	755,889	91,810	12,000	3,779,445	459,050	4,250,495
Issued for cash	-	46,201	1,955	-	231,005	9,775	240,780
At December 31, 2015	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275

Subscribed and paid-in capital at December 31, 2015 is presented as follows:

	Number of Shares			Nominal Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Stockholder:							
Argentina	1	81,934	-	1,200	409,670	-	410,870
Bolivia	1	46,985	-	1,200	234,925	-	236,125
Brazil	1	69,194	-	1,200	345,970	-	347,170
Colombia	1	159,414	-	1,200	797,070	-	798,270
Ecuador	1	47,306	-	1,200	236,530	-	237,730
Panama	1	21,211	-	1,200	106,055	-	107,255
Paraguay	1	21,192	-	1,200	105,960	-	107,160
Peru	1	167,420	-	1,200	837,100	-	838,300
Uruguay	1	25,060	-	1,200	125,300	-	126,500
Venezuela	1	161,962	-	1,200	809,810	-	811,010
Barbados	-	-	1,761	-	-	8,805	8,805
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,567	-	-	32,835	198,695
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	32,835
Trinidad & Tobago	-	-	23,457	-	-	117,285	117,285
Commercial banks	-	412	-	-	2,060	-	2,060
	10	802,090	93,765	12,000	4,010,450	468,825	4,491,275

At December 31, 2015, the detail of unpaid subscribed capital and of subscribed callable capital is presented below:

	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Nominal amount	Number of shares	Monto nominal	Number of shares	Nominal amount	Number of shares	Nominal amount
Stockholder:								
Argentina	9,305	46,525	-	-	25,200	126,000	-	-
Bolivia	4,428	22,140	-	-	14,400	72,000	-	-
Brazil	18,664	93,320	-	-	25,200	126,000	-	-
Colombia	16,702	83,510	-	-	50,400	252,000	-	-
Ecuador	4,428	22,140	-	-	14,400	72,000	-	-
Panama	5,635	28,175	-	-	7,200	36,000	-	-
Paraguay	5,174	25,870	-	-	7,200	36,000	-	-
Peru	9,130	45,650	-	-	50,400	252,000	-	-
Uruguay	3,019	15,095	-	-	7,200	36,000	-	-
Venezuela	14,587	72,935	-	-	50,400	252,000	-	-
Barbados	-	-	1,761	8,805	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	-	-	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	468	2,340	-	-	40,000	200,000
Commercial banks	4	20	-	-	-	-	-	-
	91,076	455,380	2,229	11,145	252,000	1,260,000	58,732	293,660

Subscribed and paid-in capital at December 31, 2014 is presented as follows:

	Number of Shares			Nominal Amounts			
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	Total
Stockholder:							
Argentina	1	75,445	-	1,200	377,225	-	378,425
Bolivia	1	44,319	-	1,200	221,595	-	222,795
Brazil	1	65,927	-	1,200	329,635	-	330,835
Colombia	1	153,278	-	1,200	766,390	-	767,590
Ecuador	1	44,640	-	1,200	223,200	-	224,400
Panama	1	18,747	-	1,200	93,735	-	94,935
Paraguay	1	18,376	-	1,200	91,880	-	93,080
Peru	1	158,290	-	1,200	791,450	-	792,650
Uruguay	1	22,746	-	1,200	113,730	-	114,930
Venezuela	1	153,712	-	1,200	768,560	-	769,760
Chile	-	-	5,541	-	-	27,705	27,705
Costa Rica	-	-	3,291	-	-	16,455	16,455
Dominican Republic	-	-	6,373	-	-	31,865	31,865
Jamaica	-	-	182	-	-	910	910
Mexico	-	-	11,757	-	-	58,785	58,785
Portugal	-	-	1,470	-	-	7,350	7,350
Spain	-	-	39,739	-	-	198,695	198,695
Trinidad & Tobago	-	-	23,457	-	-	117,285	117,285
Commercial banks	-	409	-	-	2,045	-	2,045
	<u>10</u>	<u>755,889</u>	<u>91,810</u>	<u>12,000</u>	<u>3,779,445</u>	<u>459,050</u>	<u>4,250,495</u>

At December 31, 2014, 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	15,794	78,970	-	-	25,200	126,000	-	-
Bolivia	7,094	35,470	-	-	14,400	72,000	-	-
Brazil	21,931	109,655	-	-	25,200	126,000	-	-
Colombia	22,838	114,190	-	-	50,400	252,000	-	-
Ecuador	7,094	35,470	-	-	14,400	72,000	-	-
Panama	8,099	40,495	-	-	7,200	36,000	-	-
Paraguay	7,990	39,950	-	-	7,200	36,000	-	-
Peru	18,260	91,300	-	-	50,400	252,000	-	-
Uruguay	5,333	26,665	-	-	7,200	36,000	-	-
Venezuela	22,837	114,185	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	662	3,310	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	-	-	-	-	16,332	81,660
Spain	-	-	-	-	-	-	40,000	200,000
Commercial banks	-	-	-	-	-	-	-	-
Bancos comerciales	7	35	-	-	-	-	-	-
	<u>137,277</u>	<u>686,385</u>	<u>662</u>	<u>3,310</u>	<u>252,000</u>	<u>1,260,000</u>	<u>58,732</u>	<u>293,660</u>

General Reserve

CAF maintains a general reserve approved by the stockholders' Assembly, which is considered an equity reserve. Stockholders approved the increase in the reserve by US\$ 123,874 and US\$ 116,557 during the years ended December 31, 2015 and 2014, through appropriations from net income for the years ended December 31, 2014 and 2013, 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 2015 and 2014, it was authorized to increase the reserve by US\$ 13,765 and US\$ 21,200, through an appropriation from net income for the years ended December 31, 2014 and 2013, respectively.

17. DISTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

The stockholders' Assembly distributed a portion of net income to stockholders' special funds. These stockholders' special funds are created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in stockholder countries. CAF has no residual interest in these stockholders' special funds.

In March 2014, the stockholders' Assembly approved the distribution of US\$ 69,000, through an appropriation from net income at December 31, 2013, to the stockholders' special funds (Note 26).

18. CONTRIBUTIONS TO STOCKHOLDERS' SPECIAL FUNDS

In March 2014, the Stockholders' Meeting agreed effective 2015, to approve a maximum amount to be contributed to Stockholders' Special Funds during the fiscal year and to recognize these contributions as expenses. The Executive President by delegation of the Stockholders' Assembly may authorize, up to the maximum approved amount, the amounts that will be contributed during the current period, based on the analysis of the new commitment contracted or the resources required by the Stockholders' Special Funds.

In March 2015, the Stockholders' Assembly approved the contribution of up to a maximum amount of US\$ 72,000 to some Stockholders' Special Funds for 2015. Subsequently, the Executive President directly or by delegation authorized the disbursement of US\$ 32,000, US\$ 20,000 and US\$ 2,000 to Compensatory Financing Fund (FFC), Technical Cooperation Fund (FCT) and Human Development Fund (FONDESHU), respectively. As of December 31, 2015, CAF recognized US\$ 54,000 as an expense and maintains accounts payable for US\$ 16,000, related to the contributions to Stockholders' Special Funds for 2015, which will be paid in 2016.

19. ACCUMULATED OTHER COMPREHENSIVE INCOME

Accumulated other comprehensive income balances as of December 31, 2015 and 2014, and the amounts reclassified out of accumulated other comprehensive income affected net income were as follows:

	December 31,	
	2015	2014
Balances at beginning of the year	32	(317)
Unrecognized changes in assets/ liabilities under benefit pension plan	(603)	32
Amortization of defined benefit pension items (1)	-	317
Balances at end of year	<u>(571)</u>	<u>32</u>

(1) This accumulated other comprehensive income component is included in administrative expenses in the statement of comprehensive income.

20. 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.

21. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

The market risk associated with interest rate and 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. 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 with fixed interest rates or non U.S. currency exposure.

When the fair value of a derivative financial instrument is positive, the counterparty owes CAF, creating credit risk for CAF. When the fair value of a derivative financial instrument is negative, CAF owes the counterparty and, therefore, it does not have credit risk. CAF minimizes the credit risk in derivative financial instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

In order to reduce the credit risk in derivative financial instruments, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap contracts are regularly mark-to-market, and the party being the net obligor is required to post collateral when net mark to-market exposure exceeds certain predetermined thresholds. This collateral is in the form of cash.

CAF does not offset for each counterparty, the fair value amount recognized for derivative financial instruments with the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty. CAF reports separately the cumulative gross amounts for the receivable from and payable to for derivative financial instruments.

CAF also utilizes futures derivatives instruments to reduce exposure to 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 fair value of the future contracts.

At December 31, 2015 and 2014, balance sheet details related to CAF's derivative financial instruments is as follows:

	Derivative assets		Derivative liabilities	
	December 31,		December 31,	
	2015	2014	2015	2014
Interest rate swap	123,618	183,323	13,097	33,752
Cross-currency swap	91,603	199,790	794,589	349,150
Cross-currency Futures	271	-	134	155
Cross-currency Forward contracts	17	590	277	29
	<u>215,509</u>	<u>383,703</u>	<u>808,097</u>	<u>383,086</u>

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2015 and 2014:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2015:				
Loans	-	6,117	3,045	-
Loans	22,143	-	179	27
Borrowings	-	112,900	-	4,138
Borrowings	405,000	-	12,581	132
Bonds	-	8,927,226	88,558	790,451
Bonds	6,212,803	-	110,858	12,938
	<u>6,639,946</u>	<u>9,046,243</u>	<u>215,221</u>	<u>807,686</u>
At December 31, 2014:				
Loans	-	18,351	3,151	187
Loans	6,125	-	-	46
Borrowings	419,167	-	13,766	316
Bonds	5,357,840	-	169,557	33,390
Bonds	-	7,803,396	196,639	348,963
	<u>5,783,132</u>	<u>7,821,747</u>	<u>383,113</u>	<u>382,902</u>

At December 31, 2014, the fair value amount recognized for the collateral received related with interest rate swaps and cross-currency swaps, under the master netting arrangements executed with the same counterparty, was US\$ 99,413. At December 31, 2015 it does not have collateral received. The amount recognized for the obligation to post-collateral, at year-end 2015 and 2014, was US\$ 451,263 and US\$ 132,959, respectively.

The following table presents the notional amount and fair values of cross-currency futures and forwards at December 31, 2015 and 2014:

					Fair value
	Start date	Termination date	Contract Currency	Notional Amount	Derivative assets
At December 31, 2015					
Forward contracts	Various	Until March 2016	Various	21,335	17
Futures	Various	Until March 2016	Various	64,600	271
					Fair value
	Start date	Termination date	Contract Currency	Notional Amount	Derivative assets
At December 31, 2015					
Forward contracts	Various	Until March 2016	Various	21,525	(277)
Futures	Various	Until March 2016	Various	(553,200)	(134)
					Fair value
	Start date	Termination date	Contract Currency	Notional Amount	Derivative assets
At December 31, 2014					
Forward contracts	Various	Until Sep 2015	Various	560	590
					Fair value
	Start date	Termination date	Contract Currency	Notional Amount	Derivative assets
At December 31, 2014					
Forward contracts	Various	Until Sep 2015	Various	(560)	(29)
Futures	Nov/Dec 2014	March 2015	Various	49,900	(81)
Futures	Nov/Dec 2014	March 2015	Various	4,900	(74)
				54,800	(155)

At December, 31, 2015 and 2014, CAF did not recognize any right to receive any collateral. The amount recognized for the collateral posted related with futures at December 31, 2015 and 2014, was US\$ 4,099 and US\$ 1,374, respectively.

For the years ended December 31, 2015 and 2014, 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.

CAF enters into International Swaps and Derivatives Association, Inc. (ISDA) master netting arrangements with substantially all of its derivative counterparties. These legally enforceable master netting arrangements give CAF the right to take cash or liquidate securities held as collateral and to offset receivables and payables with the same counterparty, in the event of default by the counterparty. The following tables present information about the effect of offsetting of derivative financial instruments, although CAF has elected not to offset any derivative financial instruments by counterparty in the balance sheet:

At December 31, 2015*Derivative assets*

Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	215,221	(213,364)	-	1,857

Derivative liabilities

Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral pledged	
Swaps	(807,686)	213,364	451,263	(143,059)

At December 31, 2014*Derivative assets*

Description	Gross amounts of recognized assets	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral received	
Swaps	383,113	(201,474)	(99,413)	82,226

Pasivos derivados

Description	Gross amounts of recognized liabilities	Gross amounts not offset in the balance sheet		Net amount
		Financial instruments	Cash and securities collateral pledged	
Swaps	(382,902)	201,474	132,959	(48,469)

22. FAIR VALUE MEASUREMENTS

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each financial instrument is classified. Where appropriate, the description includes details of the valuation techniques models and the key inputs to those models.

When available, CAF generally uses quoted market prices to determine fair value, and classifies such financial instruments in Level 1. If in some cases where a quoted market price is not available, CAF makes use appropriate valuation methodologies that require considerable judgment in developing and interpreting the estimates of fair value, in which case the financial instruments 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. Financial instruments valued using such internally developed valuation techniques are classified according to the lowest level input or value driver that is significant to the fair value measurement. Thus, a financial instrument 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 financial instrument being valued. The frequency and size of trading activity and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed quoted prices from those markets. If relevant and observable quoted prices for recent trading activity are available, those fair value measurement would be classified as Level 2. If quoted prices for recent trading activity are not available, other valuation techniques would be used and the financial instrument would be classified as Level 3.

The following valuation methodologies 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, 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 provided by the counterparties. Derivative assets and liabilities are classified in Level 2 of the fair value hierarchy.
- *Bonds and borrowings:* For CAF's bonds issued and medium and long term borrowings, fair value is determined using an internally developed valuation technique, taking into consideration benchmark interest yield curves at the end of the reporting period to discount the expected cash flows for the applicable maturity, thus reflecting market fluctuation of key variables such as interest and exchange rates. These yield curves are adjusted to incorporate CAF credit risk spread. Bonds and borrowings are generally classified in Level 2 of the fair value hierarchy based on the observability of significant inputs to the valuation technique.

During 2015 and 2014, 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, 2015 and 2014:

	Level 1	Level 2	Level 3	Level 4
At December 31, 2015:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,895,996	-	-	1,895,996
Bonds of non-U.S. governments and government entities	85,448	-	-	85,448
Financial institutions and corporate securities				
Commercial paper	1,711,389	-	-	1,711,389
Certificate of deposits	1,176,718	-	-	1,176,718
Bonds	1,405,333	-	-	1,405,333
Collateralized mortgage obligation	306,152	-	-	306,152
Liquidity funds	206,839	-	-	206,839
	4,806,431	-	-	4,806,431
	6,787,875	-	-	6,787,875
Loans	-	26,108	-	26,108
Derivative instruments:				
Interest rate swap	-	123,618	-	123,618
Cross-currency swap	-	91,603	-	91,603
Cross-currency Futures	-	271	-	271
Cross-currency Forward contracts	-	17	-	17
	-	215,509	-	215,509
	6,787,875	241,617	-	7,029,492
Liabilities:				
Borrowings	-	526,807	-	526,807
Bonds	-	14,526,090	-	14,526,090
Derivative instruments:				
Cross-currency swap	-	794,589	-	794,589
Interest rate swap	-	13,097	-	13,097
Cross-currency Forward contracts	-	277	-	277
Cross-currency Futures	-	134	-	134
	-	808,097	-	808,097
	-	15,860,994	-	15,860,994

	Level 1	Level 2	Level 3	Level 4
At December 31, 2014:				
Assets:				
Marketable Securities:				
U.S. Treasury Notes	1,920,441	-	-	1,920,441
Bonds of non-U.S. governments and government entities	195,373	-	-	195,373
Financial institutions and corporate securities:				
Commercial paper	1,075,478	-	-	1,075,478
Certificate of deposits	2,264,749	-	-	2,264,749
Bonds	1,183,477	-	-	1,183,477
Collateralized mortgage obligation	292,214	-	-	292,214
Liquidity funds	199,059	-	-	199,059
	<u>5,014,977</u>	<u>-</u>	<u>-</u>	<u>5,014,977</u>
	7,130,791	-	-	7,130,791
Loans	-	21,954	-	21,954
Derivative instruments:				
Interest rate swap	-	183,323	-	183,323
Cross-currency swap	-	199,790	-	199,790
Cross-currency Forward contracts	-	590	-	590
	<u>-</u>	<u>383,703</u>	<u>-</u>	<u>383,703</u>
	<u>7,130,791</u>	<u>405,657</u>	<u>-</u>	<u>7,536,448</u>
Liabilities:				
Borrowings	-	432,617	-	432,617
Bonds	-	13,124,319	-	13,124,319
Derivative instruments:				
Cross-currency swap	-	349,150	-	349,150
Interest rate swap	-	33,752	-	33,752
Cross-currency Forward contracts	-	29	-	29
Cross-currency Futures	-	155	-	155
	<u>-</u>	<u>383,086</u>	<u>-</u>	<u>383,086</u>
	<u>-</u>	<u>13,940,022</u>	<u>-</u>	<u>13,940,022</u>

Items that are not measured at fair value

The carrying amount and estimated fair values of CAF's financial instruments that are not recognized in the balance sheets at fair value are as follows:

	Hierarchy Levels	December 31,			
		2015		2014	
		Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets:					
Cash and due from banks	1	216,078	216,078	141,147	141,147
Deposits with banks	1	2,590,453	2,590,453	1,279,267	1,279,267
Other investments	1	1,186,286	1,186,286	1,596,608	1,596,608
Loans, net	2	20,250,759	20,253,744	18,976,959	18,981,432
Equity investments (cost method)	3	285,042	285,042	249,642	249,642
Accrued interest and commissions receivable	2	303,935	303,935	292,325	292,325
Financial liabilities:					
Deposits	2	2,700,248	2,700,248	3,696,510	3,696,510
Commercial paper	2	2,589,875	2,589,875	1,853,282	1,853,282
Borrowings	2	936,108	936,770	1,082,029	1,083,696
Bonds	2	502,509	503,773	735,830	737,349
Accrued interest payable	2	249,534	249,534	239,547	239,547

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 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 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 that are other than temporary, are recognized 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 internally developed 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 based on the observability of significant inputs to the valuation technique.

During 2015 and 2014, there were no transfers between levels 1, 2 and 3.

23. 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, 2015 and 2014 for instruments for which the fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2015	2014
Bond related swaps	(2,451)	2,165
Loan related swaps	347	(690)
Borrowings related swaps	(596)	-
Futures and forwards	(436)	-
	(3,136)	1,475

24. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2015	2014
Loan commitments subscribed - eligibles	5,387,461	5,281,911
Loan commitments subscribed - non eligibles	2,333,937	2,836,455
Lines of credit	3,951,669	4,718,975
Letters of credit	4,849	16,776
Equity investments agreements subscribed	268,478	286,149
Guarantees	261,650	311,819

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 loans; such loan commitments are reported in the above table upon signing the corresponding loan agreement and are reported as loans in the financial statements when disbursements are made. Loan commitments that have fulfilled the necessary requirements for disbursement are classified as eligible.

The commitments to extend loans have fixed expiration dates and in some cases expire without a loan being disbursed. Also, based on experience, portions of the loan commitments are disbursed two years after the signing of the loan agreement. Therefore, the amounts of total commitment to extend loans do not necessarily represent future cash requirements.

Guarantees mature as follows:

	December 31,	
	2015	2014
Less than one year	20,734	45,621
Between one and two years	59,408	12,000
Between three and five years	1,400	40,254
Over five years	180,108	213,944
	261,650	311,819

To the best knowledge of CAF's management, CAF is not involved in any litigation that is material to CAF's business or that is likely to have any impact on its business, financial condition or results of operations.

25. ADMINISTRATIVE EXPENSES

For the years ended December 31, 2015 and 2014, CAF recorded administrative expenses as follows:

	December 31,	
	2015	2014
Salaries and employee benefits	80,085	74,111
Professional fees, seminars and other expenses	18,499	16,486
Logistics and infrastructure	14,740	15,038
Telecommunications and technology	11,748	11,043
	125,072	116,678

26. SPECIAL FUNDS AND OTHER FUNDS UNDER MANAGEMENT

CAF, as a multilateral financial institution, acts as administrator of several funds owned by third-parties and CAF's stockholders' special funds.

The stockholders' special funds contribute to regional integration and sustainable development through capacity building, increased domestic and international exchanges, generation and use of knowledge, as well as training human resources and fortifying institutions. The stockholders' special funds are governed by the provisions of the Constitutive Agreement and any other provisions that may be established by the Board of Directors. The resources of the stockholders' special funds, that come from a contribution by CAF (note 18), are completely independent from the resources of CAF and are thus so maintained, accounted for, presented, utilized, invested, committed and otherwise disposed of. With regard to the use of the stockholders' special funds, the financial responsibility of CAF, as administrator, is limited to the net assets and reserves of each of the constituted stockholders' special funds. CAF has no residual interest in the net assets of the stockholders' special funds.

As of December 31, 2015 and 2014, managed funds net assets are US\$ 455,209 and US\$ 508,638, respectively. The balances of main managed funds are as follows:

	December 31,	
	2015	2014
Compensatory Financing Fund (FFC) (1)	294,590	330,736
Fund for the Development of Small and Medium Enterprises (FIDE)	52,957	54,810
Technical Cooperation Fund (FCT)	50,162	55,936
Human Development Fund (FONDESHU)	13,430	15,604
Latin American Carbon, Clean Alternative Energies Program (PLAC)	6,448	7,228
Others non related with stockholders' special funds	37,622	44,324
	455,209	508,638

(1) FFC was created by CAF's stockholders for the purpose of compensating a portion of the interest costs of certain loans granted by CAF to finance economic and social infrastructure projects. For the years ended December 31, 2015 and 2014, FFC compensated interest amounting to US\$ 70,307 and US\$ 61,261, respectively.

27. SEGMENT REPORTING

Management has determined that CAF has only one operating and reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing services among individual countries.

For the years ended December 31, 2015 and 2014, loans made to or guaranteed by seven countries individually generated an excess, before swaps, of 10% of loan income, as follows:

	December 31,	
	2015	2014
Argentina	82,950	71,292
Bolivia	53,067	46,488
Brazil	57,115	44,972
Colombia	41,867	42,757
Ecuador	75,382	62,249
Peru	64,450	64,459
Venezuela	75,429	71,846
	<u>450,260</u>	<u>404,063</u>

28. SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 29, 2016, the date of issue of these financial statements. As a result of this evaluation, Management has determined that there are no subsequent events that require a disclosure in CAF's financial statements at the year ended December 31, 2015, except for:

- On January 22, 2016, CAF issue bonds for ZAR 590 million, 9.00% due 2020, under Medium Term Notes Programme in the Uridashi market.
- On January 22, 2016, CAF issue bonds for TRY 192 million, 10.73% due 2020, under Medium Term Notes Programme in the Uridashi market.

GOVERNING BODIES CORPORACIÓN ANDINA DE FOMENTO

Shareholders' Meeting¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

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

Executive Committee

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

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of the Chairman of the Board, Directors elected by the Board for a two-year period, and CAF's President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly; the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report on its implementation.

President

The President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The President is appointed for a five year period, and may be re-elected.

¹ The XLVI Ordinary Shareholders' meeting and the XVII Extraordinary Shareholders' meeting were held on March 10, 2015.

² During 2015, three Board of Directors meetings were held on March 10 (CLIII Board of Directors Meeting), July 14 (CLIV Board of Directors Meeting) and November 27 (CLV Board of Directors Meeting).

³ The XXV and the XXVI Audit Committees were held on March 9 and November 26, 2015, respectively.

BOARD OF DIRECTORS 2014 - 2017

SERIE "A" SHAREHOLDERS 2014 - 2017

ARGENTINA

Principal: Alfonso de Prat Gay
Minister of Economy and Public Finances

Alternate: Félix Martín Soto
Under Secretary for International Financial Relations Ministry of Economy and Public Finance

COLOMBIA

Principal: Mauricio Cárdenas
Minister of Finance and Public Credit

Alternate: Cecilia Alvarez Correa
Minister of Commerce, Industry and Tourism

PARAGUAY

Principal: Santiago Peña Palacios
Minister of Finance

Alternate: Daniel Correa
Vice Minister of Finance

BOLIVIA

Principal: René Gonzalo Orellana Halkyer
Minister of Planning of Development

Alternate: Harley Rodríguez Tellez
Vice Minister of Public Investment and External Financing

ECUADOR

Principal: María Soledad Barrera
President of the Board Directors of Corporación Financiera Nacional

Alternate: Roberto Murillo General Manager Corporación Financiera Nacional

PERU

Principal: Alonso Segura Vasi
Minister of Economy and Finance

Alternate: Rossana Carla Polastri Clark
Vice Minister of Finance

BRAZIL

Principal: Valdir Moysés Simão
Minister of Planning, Budget and Management

Alternate: Rodrigo Estrela de Carvalho
Secretary of International Affairs of the Ministry of Planning, Budget and Management

PANAMÁ

Principal: Dulcidio de La Guardia
Minister of Economy and Finance

Alternate: Iván Zarak
Vice Minister of Economy

URUGUAY

Principal: Danilo Astori
Minister of Economy and Finance

Alternate: Mario Bergara
President of the Central Bank of Uruguay

VENEZUELA

Principal: Rodolfo Marco Torres
Minister of Economy and Finance.

Alternate: Simón Alejandro Zepa
Vice Minister of Investment for Development and President of Banco de Desarrollo Económico y Social de Venezuela - BANDES

SERIES "B" SHAREHOLDERS 2014 - 2017

BOLIVIA

Principal: Luis Alberto Arce
Minister of Economy and Public Finance

Alternate: Sergio Cusicanqui
Vice Minister of Treasury and Public Credit

PERU

Principal: Jorge Luis Ramos
General Manager Corporación Financiera de Desarrollo (COFIDE)

Alternate: Enzo F. Defilippi
Vice Minister of Economy

COLOMBIA

Principal: José Darío Uribe
General Manager of Banco de la República

Alternate: Simón Gaviria
General Director of National Planning Department

VENEZUELA

Principal: Simón Alejandro Zepa
Vice Minister of Investment for Development and President of Banco de Desarrollo Económico y Social de Venezuela - BANDES

Alternate: Vanessa Avendaño
Executive Vicepresident Banco de Desarrollo Económico y Social de Venezuela - BANDES

ECUADOR

Principal: Fausto Herrera
Minister of Finance

Alternate: Diego Martínez
General Manager of Central Bank of Ecuador

PRIVATE BANKS

Principal: Francisco Ortega
President of the Board of Directors of Banco del Pacífico S.A. of Ecuador

Alternate: Carlos González-Taboada
Vicepresident of the Board of Directors and General Manager Scotiabank Perú

SERIES "C" SHAREHOLDERS 2015 - 2018

SPAIN

Principal: Luis de Guindos Jurado
Minister of Economy and Competitiveness

DOMINICAN REPUBLIC

Alternate: Simón Lizardo Mezquita
Minister of Finance

MEXICO

Principal: Luis Videgaray
Secretary of Finance and Public Credit

CHILE

Alternate: Eduardo Bitran Colodro
Executive Vicepresident of CORFO

EXECUTIVE MANAGEMENT

(As of December 31, 2015)

President and Chief Executive Officer L. Enrique García
Executive Vicepresident Luis Enrique Berrizbeitia
General Advisor Luis Sánchez Masi

Chief Legal Counsel Ricardo Sigwald
Associate Legal Counsel Fred Aarons

Corporate Secretary, Secretariat and External Relations Andrés Rugeles

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

Corporate Director, Human Capital José Bellido
Director, Human Capital Planning Leopoldo Gómez

Corporate Director, Risk & Credit Carlos Sanz
Director, Risk Control Martha Diez
Director, Private Risk Elizabeth Martínez

Corporate Director, Strategic Communication Mara Rubiños

Corporate Director, Technology and Operations Germán Alzate
Director, Operations Control Renato Castellanos
Director, Information Technology Diego Grillo

Corporate Director, European Office Guillermo Fernández de Soto
Corporate Director, Strategic Affairs, Office of the President Germán Ríos

Senior Director, Physical Infrastructure, Logistic and Administration Elvira Lupo
Director, Logistic and Administrative Services
Director, Development and Physical Infrastructure Maintenance

Director, Environment and Climate Change Ligia Castro
Director, Public Policy and Competitiveness
Director, Institutional Development Christian Asinelli

Special Advisor, Office of the President. Social Innovation Ana Mercedes Botero
Special Advisor, Office of the President. Regional Integration Juan Pablo Rodríguez
Special Advisor, Office of the President Víctor Traverso

Corporate Vicepresident, Country Programs Liliana Canale
Corporate Director, Country Programs Alexis Gómez
Corporate Director, Private Sector Programming Hermann Krützfeldt
Director, Operational Programming Miguel Ángel Ostos
Director, Development Cooperation Trust Funds Corina Arroyo
Director, Argentina Rubén Ramírez
Director, Bolivia Emilio Uquillas
Director, Brazil Víctor Rico
Director, Colombia Carolina España
Director, Ecuador Bernardo Requena
Director, Mexico Moira Paz Estenssoro
Director, Panama Susana Pinilla
Director, Paraguay 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 Funding Félix Bergel
Director, Treasury José Luis Villanueva
Director, Accounting and Budget Marcos Subía
Director, Market Risks Aureliano Fernández

Corporate Vicepresident, Infrastructure Antonio Juan Sosa
Director, Sectorial Analysis and Programming Sandra Conde
Director, Northern Region Projects Lucía Meza
Director, Southern Region Projects Julián Suárez

Corporate Vicepresident, Productive and Financial Sectors Gustavo Ardila
Corporate Director, Productive and Financial Sectors Manuel Malaret
Director, Productive and Financial Sectors Northern Region Mauricio Salazar
Director, Productive and Financial Sector Southern Region Alejandro Gumucio

Corporate Director, Specialized Financial Services Carmen Elena Carbonell
Director, Structured Financing Ignacio Andino
Director, Financial Advisory Services Ignacio Fombona
Director, Equity Investments Carlos Suñer

Corporate Vicepresident, Social Development José Carrera
Director, Social Development Projects Northern Region Daniel Rivera
Director, Social Development Projects Southern Region Jaime Holguín
Director, Social Sustainability Silvia Oteyza

Corporate Vicepresident, Energy Hamilton Moss
Director, Energy Projects Renny López
Director, Energy Analysis and Strategies Mauricio Garrón

Corporate Director, Economic Analysis and Knowledge for Development Pablo Sanguinetti
Director, Research
Director, Macroeconomic Studies Adriana Arreaza
Director, Impact Evaluation and Policy Learning Daniel Ortega

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.

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.

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.

Guarantees

Guarantees are used by the Institution to back up credit operations approved by other sources for governments, businesses and financial institutions.

Partial Credit Guarantees

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed to a third party. Through this mechanism, CAF attracts fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

Financial advice

The Institution provides financial advice to public and private sector clients. Among other services, CAF offers advice in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors offers to participate in public bid processes; iv) mergers and acquisitions; and v) valuations.

Public-Private Participations

CAF actively participates in the structuring of financing operations with the private sector, in order to overcome the shortage of funds available to finance infrastructural projects. Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets.

Treasury services

Treasury services include deposits via the money desk, from overnight to 12 months, offered by CAF to its shareholder countries.

Equity investments

Equity investments are capital investments utilized by CAF to support business development in shareholder countries and their access to capital, as well as to attract resources to the region.

Cooperation funds

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or of conditional recovery, depending on the nature and purpose of the operation.

Cooperation funds are primarily intended to support reforms related to state modernization processes, such as privatization, administrative decentralization and institutional strengthening.

They also contribute to export and investment plans, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and the promotion of cultural values.

CAF also administrates and supervises funds, mostly non-reimbursable, from other countries and bodies, which are devoted to financing programs agreed with donor organizations and according to the policies and strategies of the Institution.

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Annual report 2015

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ISSN 1315-9394

Publisher CAF

This report is supervised by CAF's Strategic Communication Department

Graphic Design: Gatos Gemelos Comunicación

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Translation into English: Isolda Rodríguez Villegas and Tara Sullivan.

Printed by: Panamericana Formas e Impresos, S.A.

Bogota, Colombia

July 2015

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ANNUAL
REPORT
2015