



SUSTAINABILITY REPORT CAF 2015-2016

CAF DEVELOPMENT BANK
OF LATIN AMERICA



SUSTAINABILITY REPORT CAF 2015-2016

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MESSAGE TO OUR INTEREST GROUPS

THE COMMITMENT OF CAF, DEVELOPMENT BANK OF LATIN AMERICA, WITH SUSTAINABILITY, ORIGINATES IN A COMPREHENSIVE VISION OF DEVELOPMENT THROUGH WHICH WE AIM OUR CONTRIBUTIONS TOWARD OVERCOMING THE STRUCTURAL BARRIERS THAT SLOW DOWN PROGRESS IN THE REGION, THROUGH STRATEGIES THAT CONTRIBUTE TO IMPROVE PRODUCTIVITY AND STRENGTHEN INSTITUTIONAL FRAMEWORKS IN THE REGION, WHILE AT THE SAME TIME PROMOTING SOCIAL INCLUSION AND ENVIRONMENTAL STABILITY.

With this objective, we develop an agenda for comprehensive development focused on the implementation of strategic projects for the region related to infrastructure, energy, social development, environmental sustainability, climate change, productive transformation, socioeconomic research, and institutional development. In addition, we have adopted the challenges addressed by the United Nations' Sustainable Development Objectives as our own, with the conviction that Latin American countries can make a qualitative leap toward the construction of more inclusive, resilient societies that take care of their environment.

CAF's 2015-2016 Sustainability Report is a result of this conviction, and a management instrument that allows us to understand the way in which we will meet the new global and regional challenges related to the promotion of economic, social, and environmental sustainability. It is important to highlight CAF's support during this period to improve access to essential services for vulnerable populations such as water, basic sanitation, and education, as well as the strategies defined

to ensure the inclusion of these populations within the social and productive dynamics of the region.

Recognizing the importance of preserving our natural capital, we improved our adaptation and climate change mitigation strategies, in line with the national commitments acquired by member countries in the framework of the Paris Agreement, and we implement programs aimed at the preservation of our forests and biodiverse ecosystems, with the purpose of generating productive initiatives that take care of our natural resources, and that encourage the consolidation of this differentiating element in the region as a competitive advantage of our territories.

With this report we invite you to learn in detail about the management carried out during the past two years to promote the region's sustainable development and integration, and to become an active part of the construction of the Latin America that we all dream about.



LUIS CARRANZA UGARTE
EXECUTIVE PRESIDENT



METHODOLOGICAL NOTE

— **PERIOD SUBJECT OF THE REPORT**
(GRI 102-50)

This report presents the results of CAF's management and its contribution to the sustainable development of Latin America during the 2015 - 2016 period.

— **DATE OF LAST REPORT**
(GRI 102-51)

The first Sustainability Report developed by CAF covered the Institution's management during the 2012-2014 period.

— **REPORT PREPARATION CYCLE**
(GRI 102-52)

CAF has decided to prepare its Sustainability Reports on a biannual basis.

— **PUNTO DE CONTACTO
PARA PREGUNTAS SOBRE
EL INFORME** (GRI 102-53)

Any concern or request for additional information must be communicated to Nina Bastos, Principal Executive at the Corporate Direction of Environment and Climate Change, to the e-mail nbastos@caf.com

— **CONTACT FOR QUESTIONS
REGARDING THE REPORT**
(GRI 102-54)

This report has been developed in agreement with GRI Standards: Essential Option.



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WHO ARE WE?

GRI 102-1, 102-6, 102-16

Committed to the improvement of quality of life in Latin America, CAF is constituted as the Development Bank of Latin America and the Caribbean, offering advisory services, financial support, and multiple services to a wide portfolio of clients made up by States and private, public, and mixed organizations from its member countries, while at the same time mobilizing resources from international markets to promote investments and business opportunities that promote sustainability in the region.

CAF, DEVELOPMENT BANK OF LATIN AMERICA, IS A MULTILATERAL FINANCIAL INSTITUTION WHOSE OBJECTIVE IS TO PROMOTE THE SUSTAINABLE DEVELOPMENT AND REGIONAL INTEGRATION OF LATIN AMERICA.

— MISION

We promote **sustainable development** and **regional integration**, through the **efficient mobilization of resources** for the provision of timely and multiple financial services with high value added, to clients from the **public and private sectors** in shareholder countries.

We are a competitive financial institution, aimed at clients, **sensitive to social needs**, and supported by a highly specialized staff.

— VISION OF SUSTAINABLE DEVELOPMENT

CAF's **comprehensive vision** on **sustainable development** is a result of an important **research and dissemination of knowledge** program addressing development and public policy issues.

CAF's comprehensive Agenda for **sustainable development** constitutes a reference framework for the Institution's actions, and aims to achieve **high, sustained, sustainable, and quality growth** in Latin America.

OUR COMMITMENT TO LATIN AMERICAN INTEGRATION

In line with this strategic framework that guides the Company's actions, CAF assumes the duty of supporting the integration of Latin American countries, and promoting their insertion in global markets in order to facilitate the right conditions for development from different action fronts:

PHYSICAL INTEGRATION

Financial, technical, and knowledge support for the development of road, railroad, aerial, port, energy, logistic, technological, and telecommunications infrastructure, both national and for integration.

ECONOMIC INTEGRATION

Support for regional productive chains, innovation, and entrepreneurship, standardization of banking and capital market regulations, integration of financial markets, and for the integrationist institutional framework of the region.

ENVIRONMENTAL COOPERATION

Support for environmental cooperation and the coordination of regional positions in international fora.

INTEGRATION OF KNOWLEDGE

Establishment and coordination of regional discussion spaces related to development.

WHAT DO WE DO?

GRI 102-2

CAF has a portfolio of financial and non-financial products and services designed to support sustainable development and regional integration¹:



LOANS

STRUCTURED FINANCING

FINANCIAL CONSULTANCY

¹ For more information regarding CAF products and services, visit: <http://www.caf.com/es/sobre-caf/que-hacemos/productos-y-servicios/>



GUARANTEES AND ENDORSEMENTS

PARTIAL GUARANTEES

- TECHNICAL COOPERATION

- LINES OF CREDIT

- CO-FINANCING

Motivated by a comprehensive vision of development, CAF offers financing and knowledge through the following lines of action:

- Support for the **diversification of the productive matrix** of countries, to ease their competitive insertion in international markets.
- Promote the **increase of productivity** and **reduction of dependency** on the export of primary products, contributing value to the comparative advantages of the regional economies.
- Promote the **increase of savings levels** by means of strengthening and deepening financial markets.
- Encourage **investments in all types of capital**: human, social, institutional, natural, financial, physical, and productive, with intermediation and catalyzing of financial resources.
- **Strengthen national productive sectors** by promoting and accompanying regional integration pragmatic processes.
- Promote **universal access to quality education**, health, and water and sanitation services that contribute to achieve effective inclusion and help to reduce the structural conditions of inequity.
- Promote the **development of the least favored** classes through the generation of formal and quality employment.
- Support the **development of the institutional framework** and strengthening of executing agencies of operations in member countries.



STOCK OPTIONS

TREASURY SERVICES

WHERE ARE WE LOCATED?

- Argentina
- Barbados
- Bolivia
- Brazil
- Chile
- Colombia
- Costa Rica
- Dominican Republic
- Ecuador
- Jamaica
- Mexico
- Panama
- Paraguay
- Peru
- Portugal
- Spain
- Trinidad & Tobago
- Uruguay
- Venezuela



CAF
IS A DEVELOPMENT BANK
ESTABLISHED IN 1970,
CONSISTING OF 19 COUNTRIES AND
14 PRIVATE BANKS OF THE REGION

GRI 102-3, 102-4

Constituted as a development bank in 1970, CAF currently includes 19 countries and 14 private banks from the region. Its main headquarters are located in Caracas (Venezuela), and it has 12 representation offices in different cities of Latin America and Europe² from where the operations carried out in the region are channeled.

²Caracas (República Bolivariana de Venezuela), Buenos Aires (Argentina), La Paz (Estado Plurinacional de Bolivia), Brasilia (Brasil), Bogotá (Colombia), Quito (Ecuador), Madrid (España), Ciudad de México (México), Ciudad de Panamá (Panamá), Asunción (Paraguay), Lima (Perú), Puerto España (Trinidad y Tobago), Montevideo (Uruguay).

HOW DO WE OBTAIN FINANCING?

GRI 102-5

CAF is a legal entity of international public law, governed by the dispositions established in the Establishment Agreement of the Corporación Andina de Fomento, subscribed in the city of Bogota D.C. (Colombia) on February 7th, 1968.

One of its main sources of financing is represented by the capital contributed by its shareholders, 19 countries and 14 private banks of Latin America, through ordinary capital shares and guarantee capital shares.

According to Article 5 of the Establishment Agreement, CAF has:

I. ORDINARY CAPITAL SHARES:

for a total of USD 15 billion, distributed between "A", "B" and "C" Series, as follows:

a. "A" Series: includes fifteen (15) nominal shares with a value of USD 1,200,000 each, for a total amount of USD 18,000,000, whose subscription corresponds to the government of each member country or to public, semi-public, or private institutions with a social or public purpose, designated by it.

b. "B" Series: made up by one million six hundred thousand (1.600.000) nominal shares valued at USD 5,000 each, for a total amount of USD 8 billion, whose subscription corresponds to the governments or public, semi-public, or private entities of the member countries.

c. "C" Series: made up by three hundred and ninety six thousand four hundred (396.400) nominal shares valued at USD 5,000 each, for a total amount of USD 1.982 billion, whose subscription corresponds to legal or natural entities from outside the member countries.

II. GUARANTEE CAPITAL SHARES:

for a total of USD 5 billion, distributed in "B" and "C" Series, as follows:

a. "B" Series: made up by seven hundred thousand (700.000) nominal shares with a value of USD 5,000 each, for a total of USD 3.5 billion, whose subscription corresponds to governments or public, semi-public, or private entities of member countries.

b. "C" Series: made up by three hundred thousand (300,000) nominal shares with a value of USD 5,000 each, for a total amount of USD 1.5 billion, whose subscription corresponds to natural or legal entities from outside the member countries.

At the close of 2016, CAF's authorized capital reached USD 15 billion, distributed as follows:⁴

	SERIES	AMOUNT (USD BILLION)	NUMBER OF SHARES	SHAREHOLDERS
Ordinary capital	A	10.000	15	10 countries
	B		1.600.000	10 countries and 14 banks
	C		396.400	8 countries
Guarantee capital	B	5.000	700.000	10 countries and 14 banks
	C		300.000	8 countries

To consult about Shareholders in CAF's A, B, and C Series, visit:

<https://www.caf.com/media/2591743/accionistas-caf-banco-de-desarrollo-de-america-latina.pdf>

CHANGES IN AUTHORIZED CAPITAL

GRI 102-10

In March 2015, the XVII Extraordinary Assembly approved an increase of CAF's authorized capital to fifteen billion Dollars from the United States of America (USD 15 billion), distributed in ordinary and guarantee capital shares, representing an increase of five billion US Dollars (USD 5 billion) with respect to the previous authorized capital.

As a result, in November 2015 CAF's Board unanimously agreed to increase the paid capital by USD 4.5 billion. This decision ratified the trust of shareholder countries and allowed the institution to strengthen the development of strategies and policies that promote economic growth, productive transformation, social inclusion, environmental sustainability, and promotion of regional integration, through approvals for an amount exceeding USD 100 billion in coming years. In addition, the capital increase strengthened CAF's financial soundness and its role as one of the most important multilateral financing sources for Latin America.

³ Caracas (Bolivarian Republic of Venezuela), Buenos Aires (Argentina), La Paz, (Plurinational State of Bolivia), Brasilia (Brazil), Bogota (Colombia), Quito (Ecuador), Madrid (Spain) Mexico City (Mexico), Panama City (Panama), Asuncion (Paraguay), Lima (Peru), Port of Spain (Trinidad & Tobago), Montevideo (Uruguay).

⁴For more information, consult the Establishment Agreement of the Corporación Andina de Fomento at <https://www.caf.com/media/125601/caf-convenio-constitutivo-10032015.pdf>



In addition to the capital contribution made by its shareholders, and the accumulation of retained earnings in its equity, CAF finances its activities through other sources in order to ensure the necessary resources for the development of its projects and achievement of its catalytic role in the region:

BONDS

Bond issues in international markets such as the United States, Europe, Asia, and Oceania, as well as in regional and local markets in Colombia, Mexico, Panama, Peru, Uruguay, and Venezuela.

In 2016, **21 bond** issues were made in international markets, totaling **USD 3.964 billion.**

DEPOSITS

Resources from private companies, financial institutions, and official agencies (central banks).

At the close of 2016, term deposits reached a balance of **USD 3.098 billion**

COMMERCIAL PAPERS (CP)

Short-term periodic debt issues (of up to one year), through commercial paper programs in the United States and Europe, for USD 2 billion and USD 3 billion, respectively.

Commercial papers in the United States and European markets with a balance at the close of 2016 of approximately **USD 2.113 billion**

MEDIUM AND LONG TERM-LOANS

Medium and long-term credit lines from multilateral and bilateral financial institutions, as well as from the international banking system.

- New financing agreements with JBIC (Japan) for **USD 100 million**
- New credit facilities for **USD 155 million** with KfW and **USD 300 million** with ICO (Spain)
- Loan for **USD 100 million** with Banco Pichincha of Ecuador
- Resources totaling **USD 52 million** from portfolio sales
- Co-financing opportunities:
 - GCF (Chilean energy) for **USD 69 million**
 - KfW (Colombia multi-sectoral) for **USD 70 million**
 - OFID (Paraguayan energy) for **USD 32 million**
 - BEI (Bolivian infrastructure) for **USD 80 million**
 - FONPLATA (Paraguayan infrastructure) for **USD 43 million**

OUR DIMENSIONS

GRI 102-7

2015

2016

IN 2016

USD 4.670

MILLION

in approvals aligned with
Productive Transformation

USD 3.104

MILLION

in approvals classified as
Green Financing

OPERATIONS

152

156

APPROVALS

USD 11.537

MILLION

USD 12.412

MILLION

MOBILIZATION OF THIRD PARTY RESOURCES

USD 718

MILLION

USD 654

MILLION

CATALYTIC APPROVALS

USD 712

MILLION

USD 772

MILLION

APPROVALS WITH PRODUCTIVE TRANSFORMATION COMPONENTS

35%

38%

APPROVALS WITH INSTITUTIONAL DEVELOPMENT COMPONENTS

6,6%

5,9%

APPROVALS WITH GREEN FINANCING COMPONENTS

24%

26%

DISBURSEMENTS

USD 5.945

MILLION

USD 8.426

MILLION

DIRECT PORTFOLIO

USD 20.760

MILLION

USD 22.362

MILLION

OPERATIONAL PROFITS

USD 135

MILLION

USD 204

MILLION

DIRECT WORKERS

668

739



**OUR COMPREHENSIVE
AGENDA FOR
SUSTAINABLE
DEVELOPMENT IN
LATIN AMERICA**

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To achieve its mission's objectives and guide its actions toward sustainable development and regional integration, CAF has adopted a Comprehensive Agenda for Sustainable Development, which is periodically updated according to global and regional dynamics that have an impact on the economic, social, and environmental development of the region.

THE COMPREHENSIVE AGENDA FOR SUSTAINABLE DEVELOPMENT IS AIMED AT ACHIEVING HIGH, SUSTAINED, EFFICIENT, SUSTAINABLE, AND QUALITY GROWTH IN LATIN AMERICA.

This Agenda is established as a reference framework used by CAF to support member countries in their development processes and to guide its multiple activities to confront the structural challenges faced by Latin America. It is also the starting point for the technical and financial structuring of its projects, as well as to develop its loan operations and activities related to knowledge.

COMPREHENSIVE VISION OF DEVELOPMENT

HIGH GROWTH

To **reduce the development gap** with respect to high income countries

SUSTAINED GROWTH

To avoid volatility and **guarantee the continuity** of economic progress and social wellbeing

EFFICIENT GROWTH

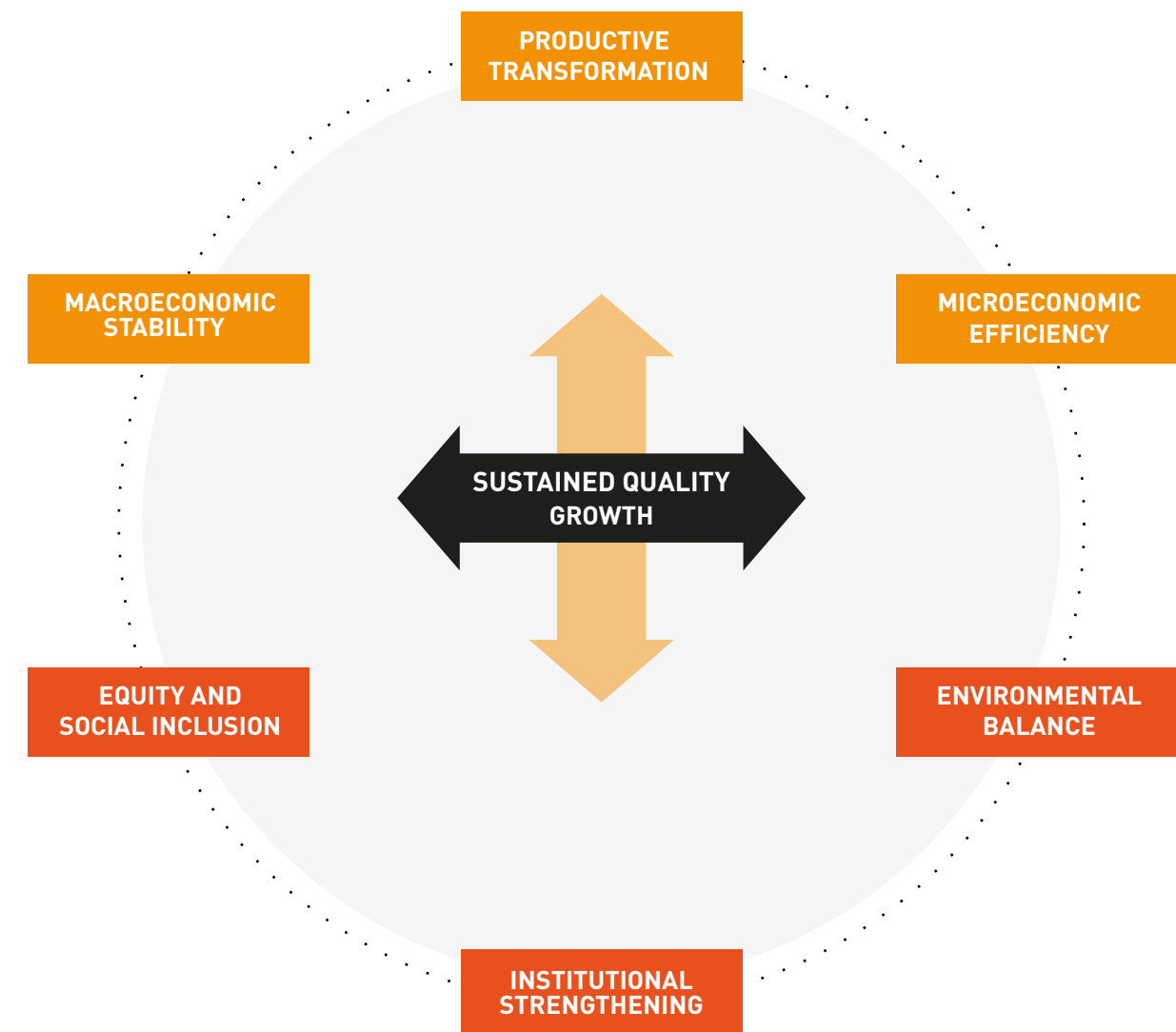
To enable **productive transformation** and a competitive **international insertion**

SUSTAINABLE GROWTH

To ensure the **inter-generational feasibility** of natural capital, **respect cultural diversity**, and support **democratic governance** in the region

QUALITY GROWTH

Inclusive growth, which benefits the largest possible share of the population, in order to **reduce inequality and poverty** in the region



The Comprehensive Agenda promoted during 2015 and 2016 is focused on consolidating sustained quality growth in the region, including the following components:

- Preservation and consolidation of **macroeconomic stability** in Latin America through a combination of monetary and fiscal policies that facilitate a stable growth of the economy. For this, CAF's support has focused on anti-cyclical financing which has been significant for the countries of the region which are going through crisis situations and difficulties in accessing capital markets.
- Improvements in **microeconomic efficiency** and **productive transformation** with the purpose of promoting greater productivity and creation of formal employment as an engine of growth and consolidation of the new middle classes of the region. In this respect, CAF's contribution is aimed toward the development and improvement of transportation, logistic, and communications infrastructure, the promotion of an energy agenda that promotes production and efficient use of energy as a critical element of productive transformation, and support for the productive and financial sectors of Latin American countries as a tool to improve productivity and increase the participation of companies of the region in global value chains.
- These contributions are complemented by financing for projects and programs, technical assistance, and generation of knowledge addressing **equity and social inclusion**, seeking to promote a reduction of poverty and boost inclusion and access to quality public goods and services to create opportunities in pursuit of equity. In this framework, CAF's contribution is structured by the Social Development Agenda, focused on support for initiatives that promote an integrated management of water, quality education, comprehensive urban development, social sustainability, and gender equity, and through the promotion of its Social Innovation initiative to identify dynamics and models that provide alternative, useful, and sustainable solutions to the social challenges of the region.
- These growth and development dynamics go hand in hand with initiatives aimed at the achievement of an **environmental balance**, in which CAF seeks to support its member countries for the consolidation of a sustainable transition toward green economies, promoting the execution of an agenda focused, among other aspects, on the conservation of the natural capital, efficiency in the use of natural resources, and mitigation and adaptation of the effects of climate change in the region.
- Finally, all these contributions are facilitated by **institutional strengthening** strategies that enable the improvement of public management and quality of government institutions of Latin American countries, as a strategy to generate a regional ecosystem that is open to the dynamics of sustainable development promoted by CAF.

CONTRIBUTION TO DEVELOPMENT

In September 2015, in the framework of the United Nations, world leaders adopted a new global agenda for sustainable development which includes 17 objectives and 169 goals.

These objectives, known as Sustainable Development Objectives (SDO), represent the global action framework in favor of development in all its dimensions, guiding its actions toward dignity and equality of all people, protection of the planet, economic, social, and technological progress, peace, and solidarity.

Facing this new global scenario, it is necessary to mobilize the efforts of all local, international, public, and private actors, in order to achieve a World Alliance for Development that leverages compliance with the objectives and promotes their dissemination, knowledge, and worldwide application.

Thus, the dynamics of international cooperation have adjusted to the challenges of the SDO Agenda, an exercise in which CAF has positioned itself before the United Nations through the Infrastructure Development Finance Company (IDFC), as a spokesperson of the needs of Latin American countries, and as an agent that promotes initiatives that contribute to an effective compliance of the SDO's in the region, addressing their specific needs and contexts.

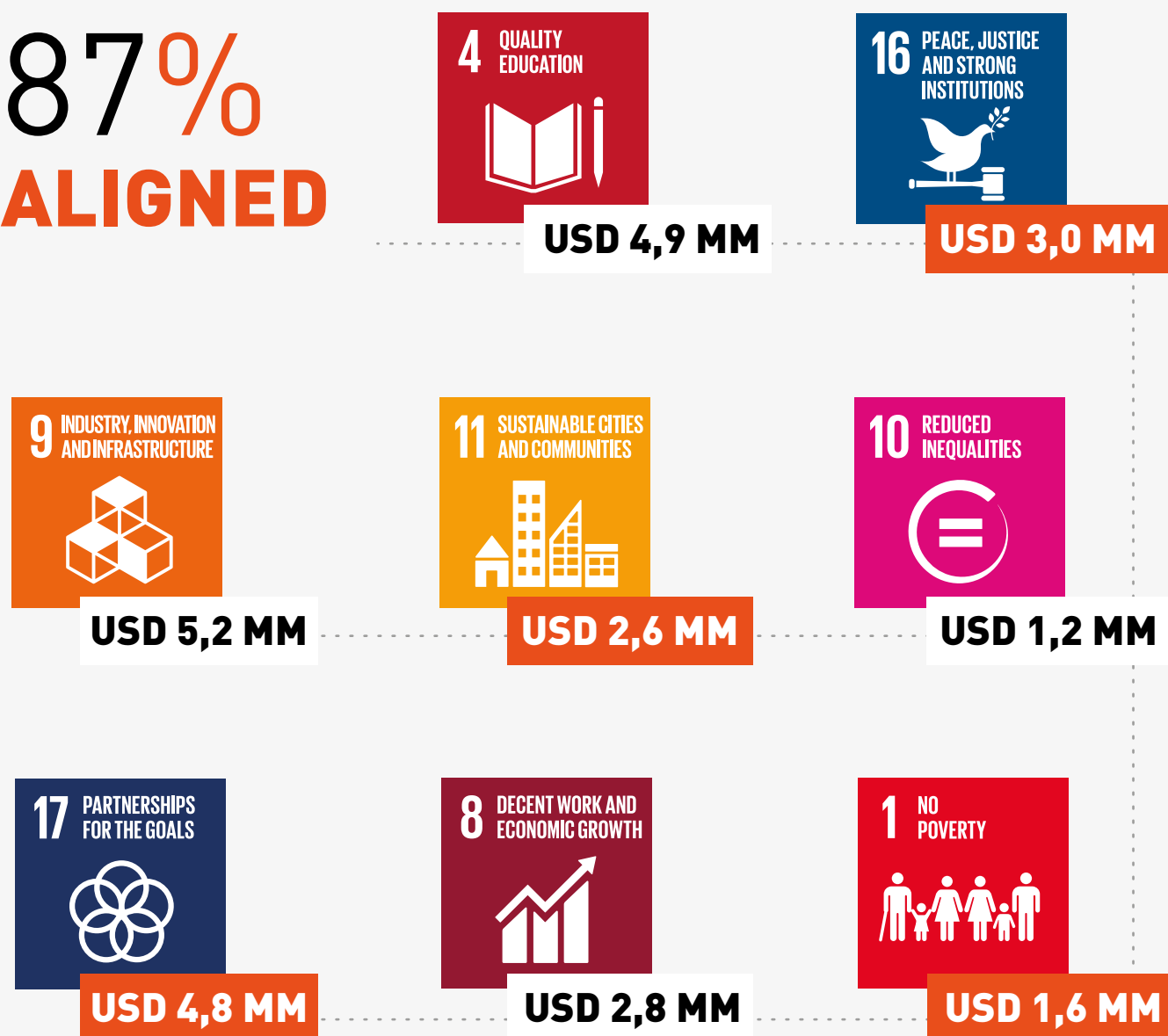
THE SUSTAINABLE
DEVELOPMENT
OBJECTIVES ARE A
UNIVERSAL CALL TO
ADOPT MEASURES TO
END POVERTY, PROTECT
THE PLANET, AND
GUARANTEE THAT ALL
PEOPLE CAN ENJOY
PEACE AND PROSPERITY.

With this purpose, CAF has been carrying out an exercise to systematize its cooperation actions for development in order to identify with greater precision its level of alignment and contribution to the SDO's according to the institutional development objectives, expressed in its strategic action lines such as infrastructure and social development, the cross-cutting dimensions in which the bank works: environment, climate change, gender, innovation, etc., and its different action fields: productive transformation, regional integration, etc.

As a result of these efforts, in 2016, 87 percent of the technical cooperations carried out were aligned with different SDO goals, with resources of approximately USD 26 million that promoted compliance with this global development Agenda in Latin American countries.

TECHNICAL COOPERATION - ALIGNMENT WITH SUSTAINABLE DEVELOPMENT OBJECTIVES (USD)

**87%
ALIGNED**



STRATEGIC ALLIANCES FOR SUSTAINABLE DEVELOPMENT

GRI 102-12, 102-13

CAF promotes an agenda of external relations aimed at strengthening regional integration and the international projection of Latin America and the Caribbean. Regional organizations with which CAF shares different work programs include:

- Organization of American States (OAS)
- Andean Community of Nations (CAN, for its acronym in Spanish)
- Southern Common Market (MERCOSUR, for its acronym in Spanish)
- Association of Caribbean States
- Economic Commission for Latin America and the Caribbean (ECLAC)
- The Latin American Integration Association (ALADI, for its acronym in Spanish)
- Latin American Energy Association (OLADE, for its acronym in Spanish)
- Ibero-American General Secretariat (SEGIB, for its acronym in Spanish)
- Organization of Ibero-American States (OEI, for its acronym in Spanish)
- Latin American Faculty of Social Sciences (FLACSO, for its acronym in Spanish)
- Ibero-American Youth Organization (OIJ, for its acronym in Spanish)
- Mesoamerica Project
- Pacific Alliance



- IN ADDITION, CAF IS AFFILIATED TO THE FOLLOWING ASSOCIATIONS, ORGANIZATIONS, AND INSTITUTIONS:

INSTITUTION	PURPOSE OF THE AFFILIATION
THE INSTITUTE OF INTERNATIONAL FINANCE (IIF)	Provide information regarding the world economic sphere to the areas at CAF that work on these issues, through analysis and research on the global financial environment. In addition, provide spaces so that the Institution may participate in sectoral meetings and activities that enable its international projection as a development bank of Latin America.
THE HISPANIC & LUSO BRAZILIAN COUNCIL (CANNING HOUSE)	Provide spaces for discussion of the most relevant issues of the Latin American agenda, as well as opportunities to build relations between CAF and the region with the United Kingdom. In addition, provide analysis and research regarding the Latin American scenario.
EUROAMERICA FOUNDATION	Strengthen relations between Latin America and Europe, as well as position CAF within the cooperation framework between both regions.
CAROLINA FOUNDATION	Join efforts to develop cooperation projects addressing the socio-educational area between Spain and Latin America.
IBERO-AMERICAN FOUNDATION	Deepen entrepreneurial relations between Ibero-American countries through meetings that promote investments and trade in the companies of the region.

INSTITUTION	PURPOSE OF THE AFFILIATION
CASA DE AMÉRICA	Join efforts for the development and dissemination of activities that contribute to a better understanding between Ibero-American countries.
IE BUSINESS SCHOOL	Contribute to the development of the IE Business Leadership Forum that constitutes a high level space for reflection regarding the main political, economic, and business issues of the international agenda.
ELCANO ROYAL INSTITUTE (RIE, FOR ITS ACRONYM IN SPANISH)	Carry out the RIE's activities and actions that promote discussion and analysis of the main issues of the international agenda, emphasizing European and Latin American relations.
THE GROUP OF FIFTY (G-50)	Join efforts to promote dialogue between Latin American entrepreneurial leaders in discussion and analysis spaces organized by the Institution, that entail a positive social change for the region.
GROUP OF THIRTY (G-30)	Join efforts to carry out high level meetings that contribute to the understanding of the most relevant issues of the international agenda.
LATIN AMERICAN FEDERATION OF BANKS (FELABAN, FOR ITS ACRONYM IN SPANISH)	Promote dialogue and direct relations between the financial entities of Latin America.
LATIN AMERICAN ASSOCIATION OF FINANCIAL INSTITUTIONS FOR DEVELOPMENT (ALIDE, FOR ITS ACRONYM IN SPANISH)	Join efforts to carry out specialized fora, training, and technical assistance on financial issues that promote growth and socio-economic development in the region.



INSTITUCIÓN	PURPOSE OF THE AFFILIATION
THE ASPEN INSTITUTE	Contribute to carry out initiatives and actions of the Aspen Institute, which promote discussion and analysis of the main issues of the international agenda.
INTER-AMERICAN DIALOGUE	Join efforts to carry out meetings of the Energy Group and the Latin America - China Group, building spaces for reflection and debate at the highest level, regarding these two very significant issues in the international agenda.
CENTER FOR LATIN AMERICAN MONETARY STUDIES (CEMLA, FOR ITS ACRONYM IN SPANISH)	Contribute to the initiatives and actions that promote direct relations between the monetary and financial entities of Latin America.
EMERGING MARKET PRIVATE EQUITY ASSOCIATION (EMPEA)	Contribute to the initiatives and actions to promote higher investment yields and sustainable development of the emerging markets of the region.
THE GLOBAL NETWORK OF EXPORT-IMPORT BANKS AND DEVELOPMENT FINANCE INSTITUTIONS (G-NEXID)	Contribute to the initiatives and actions that promote transactional relationships corresponding to credit lines, creation of technical capacity, exchange of information, and networking between its members and affiliates.

INSTITUTION	PURPOSE OF THE AFFILIATION
VENEZUELAN- COLOMBIAN CHAMBER (CAVECOL, FOR ITS ACRONYM IN SPANISH)	Contribute to strengthen relations between Colombia and Venezuela (CAF shareholder countries), as well as position the Institution as an organization that promotes integration and regional cooperation.
VENEZUELAN-SPANISH CHAMBER OF INDUSTRY AND COMMERCE (CAVESPA, FOR ITS ACRONYM IN SPANISH)	Contribute to strengthen relations between Spain and Venezuela (CAF shareholder countries), as well as position the Institution as an organization that promotes integration and regional cooperation.
VENEZUELA-BRAZILIAN CHAMBER OF COMMERCE AND INDUSTRY (CAVENBRA)	Contribute to strengthen relations between Brazil and Venezuela (CAF shareholder countries) with respect to commercial issues, as well as position the Institution as an organization that promotes integration and regional cooperation.
ASSOCIATION OF CERTIFIED ANTI MONEY LAUNDERING SPECIALISTS (ACAMS)	Have exclusive access to all information related to the fight against money laundering and against financing of terrorism, as well as high level training for the prevention of financial crimes, calamities to which CAF is exposed due to the nature of the Institution.
DEVELOPMENT BANKS CLUB (IDFC)	Incorporate the pillars of Sustainable Development, help reduce the critical project financing gaps in favor of the environment, create technical competencies, and catalyze investments in new economic, social, and environmental sectors.

PARTICIPATION OF INTEREST GROUPS

GRI 102-40, 102-42, 102-43, 102-44

Interest groups have been identified and selected according to their influence, dependence, responsibility, and closeness to CAF. The Institution maintains a formal and systematic relationship with them through different channels or spaces, and their interests or expectations are considered for strategic planning and decision making.

Interest groups identified and prioritized by CAF are:

SHAREHOLDERS

How are they defined by CAF?	Holders of CAF shares
Who are they?	19 member countries (A, B, C) and 14 private banks
What channels or spaces to relate to each other do they have?	<ul style="list-style-type: none"> - Assembly of Shareholders (once per year) - Board meetings (three times per year) - Audit Committee (twice per year)
What are their interests, expectations, and/or demands?	<ul style="list-style-type: none"> - Safeguard a transparent and effective management of the Institution so that it fulfills its objectives through a timely provision of financing and technical assistance for development - Safeguard a transparent and effective management of the Institution so it achieves its objectives

STAFF

How are they defined by CAF?	Individuals appointed by the Board or the Executive President to provide their services at CAF
Who are they?	managerial, professional and administrative personnel
What channels or spaces to relate to each other do they have?	<ul style="list-style-type: none"> - Talent Management Committee - Committee of the Direction of Human Capital (DCH, for its acronym in Spanish) - DCH Newsletter - Electronic mail - Tudei (intranet) - Internal communication strategies by project <p><i>The frequency of these channels is permanent and/or when required</i></p>
What are their interests, expectations, and/or demands?	<ul style="list-style-type: none"> - Evaluate organizational development issues, career planning, and talent management at CAF - Review DCH issues to socialize with the Executive President - Provide DCH information to the staff, and keep a channel of communications between the parties regarding subjects of interest such as: <p>training, human capital development, benefits, wages, personal services and CAF Contigo</p>

- SUPPLIERS

How are they defined by CAF?

Natural or legal persons or entities that supplies goods, services, or works

Who are they?

- Consultants
- Suppliers of specialized services
- Suppliers of general services

What channels or spaces to relate to each other do they have?

- Supply requests
- Information requests (SDI), Private Tenders (SDP)
- Public tenders, use of mails, specialized pages, and search engines for the execution of selection processes

The frequency of these channels depends on the requirements of the requesting units, availability, and budgetary execution

What are their interests, expectations, and/or demands?

- Locate potential suppliers in the market
- Guarantee the transparency of procurement and contract processes at CAF
- Meet project schedules
- Guarantee a timely supply of goods and services
- Develop long-term commercial relations and strategic alliances that are of interest to both parties

- CLIENTS

How are they defined by CAF?

Public or private natural or legal persons or entities with whom CAF establishes relations through credit facilities, investments, technical cooperations, or other programs

Who are they?

- Regional governments of member countries
- Financial intermediaries
- Private, public, or mixed companies

What channels or spaces to relate to each other do they have?

- CAF's web page
- Other digital means (social networks)
- Communications media
- Electronic mail
- Fora
- Congresses

The frequency of these channels is permanent and/or when required

What are their interests, expectations, and/or demands?

- Disseminate information regarding financing possibilities and explore potential businesses and/or projects

- STRATEGIC ALLIES

How are they defined by CAF?

Institutions that contribute financial, human, or technical resources, to create synergies that enhance the possibilities of achieving CAF's objectives

Who are they?

- Multilateral banks
- Commercial and development banks
- Member countries
- Academia
- NGO's

What channels or spaces to relate to each other do they have?

With multilateral banks

- CAF is invited as an observer to the annual meetings of the World Bank, IMF, IDB, Asian Development Bank, and Caribbean Development Bank - Relacionamiento en el marco del Club de Bancos (IDFC)
- Relations in the framework of the Infrastructure Development Financial Company (IDFC)
- Bilateral meetings resulting from the initiative of any of the parties

With development banks

- Infrastructure Development Financial Company (IFDC)
- Latin American Association of Financial Institutions for Development (ALIDE, for its acronym in Spanish)
- Other coordination fora

With commercial banks

- Latin American Federation of Banks (FELABAN, for its acronym in Spanish)
- Co-sponsor events

With the Academia

- CAF has developed its own academic networks in the regional (Latin American and European) and global spheres
- CAF also has working programs to carry out events and studies with its main academic allies

With NGO's

- CAF maintains cooperation relations with foundations, think-tanks, and other non-profit associations, through framework cooperation agreements, public debate fora, and joint work programs

The frequency of these channels for each of the sub-groups is at least once per year and when the situation calls for it

What are their interests, expectations, and/or demands?

- Exchange of knowledge and experiences, coordination of strategies, and cofinancing with multilateral and development banks
- Exchange of information regarding the regional and global economic scenario
- Financing for projects and generation and dissemination of knowledge regarding public policies for development.



- SOCIETY

How are they defined by CAF?

Public or private natural or legal persons or entities that directly or indirectly interact with CAF

Who are they?

- Governments
- Private sector
- Citizenship
- Project beneficiaries

What channels and/or spaces to relate to each other do they have?

- CAF's web page and other digital media (social networks).
 - Electronic newsletters aimed at segmented data bases
 - Information published in communications media
- The frequency of these channels is permanent and as required*

What are their interests, expectations, and/or demands?

- Dissemination of information regarding the Institution and its policies, guidelines, programs, generated knowledge, and project results

MATERIALITY

GRI 102-45, 102-46, 102-47

CAF developed its first Sustainability Report to account for the management and results obtained during the 2012-2014 period, following the guidelines and policies of the guide for the development of sustainability reports of the Global Reporting Initiative, GRI G4.

That first materiality exercise developed for the 2012-2014 CAF Sustainability Report constitutes the background and starting point for this report.

The objective of carrying out a new materiality exercise is, on the one hand, to update the matrix of relevant subjects considering the new sustainability dynamics and contexts in which CAF's activities take place, and on the other hand, adjust the identified contents in line with the guidelines and policies established in the GRI Standards.

IDENTIFICATION OF RELEVANT SUBJECTS

To identify the subjects to be included in the materiality process, the following documents were analyzed. They provide a vision of the main issues that are a part of CAF's strategy, its sustainability context, and the expectations of the different interest groups:

- a) Materiality exercise carried out for the **2012-2014 Sustainability Report**
- b) Strategic subjects and actions included in the **Activities and Budget Programs (PAP, for its acronym in Spanish)** for 2015 and 2016
- c) Analysis of **CAF's strategic framework** (mission, vision, strategic objectives, comprehensive development agenda) and the subjects included in its main publications
- d) Relationship between CAF's actions and the global sustainability agenda of the **Sustainable Development Objectives**
- e) Relationship between CAF's actions and the essential subjects and practices proposed in the **ISO 26000 Social Responsibility Guide**
- f) **Key subjects of the financial sector and the multilateral banking system** identified by the Global Reporting Initiative in the GRI Standards and in Sustainability Topics (Material topics by sector)
- g) Material issues included by **organizations of the multilateral banking system and of the financial sector** (sectoral benchmark)

As a result of this exercise, 17 relevant subjects were identified with their respective descriptors, which were grouped within the economic, social, and environmental categories.

PRIORITIZATION OF SUBJECTS

To carry out this process, a prioritization instrument was developed and shared to CAF's directions and vice-presidencies, so that they could evaluate each subject according to the established criteria. The form was completed by the following areas:

- Comptroller and Audit
- Corporate Direction of Environment and Climate Change
- Corporate Direction of Human Capital
- Corporate Direction of Credit and Risks
- Corporate Direction of Operations and Technology
- Direction of Social Innovation
- Regional Integration
- Secretariat and External Relations
- Corporate Vice-Presidency of Social Development
- Corporate Vice-Presidency of Energy
- Corporate Vice-Presidency of Finances
- Corporate Vice-Presidency of Infrastructure
- Corporate Vice-Presidency of Country Programs
- Corporate Vice-Presidency of the Productive and Financial Sectors

This exercise to prioritize material issues evaluated the level of importance that each identified subject has within the Organization's strategy and for its interest groups. For this, participants were asked to take into consideration the following criteria, defined by the guidelines established in the Materiality Principle of the GRI 101 Standard:

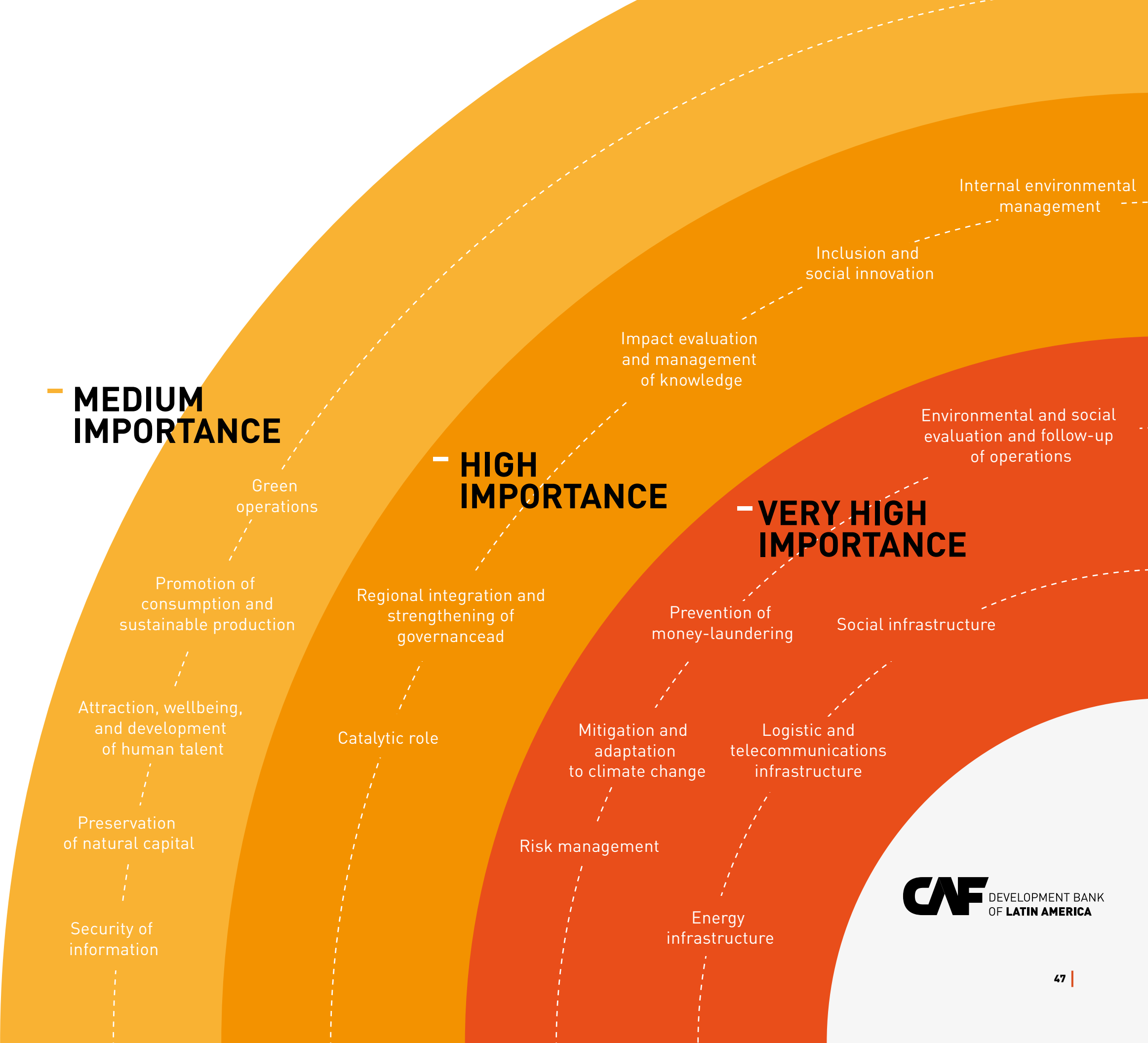
- The impacts that have been identified as resulting from CAF's activities and operations for each evaluated subject
- Inclusion of the subjects within CAF's strategic objectives
- Valuation of the risks associated to each subject
- The interests and expectations of the groups regarding each subject
- Inclusion of the subjects in regulations and norms in the countries where CAF works
- The importance of each subject for the financial sector and the multilateral banking system
- The contribution that may result toward compliance of the SDO's and the Paris Agreement (Intended Nationally Determined Contributions).

— VALIDATION OF MATERIAL ISSUES

Finally, CAF’s Executive Vice-Presidency carried out a validation exercise of the materiality, starting from the evaluation of the importance of each subject identified by CAF’s Executive Vice-Presidency. In this respect, this government body was asked to complete the materiality exercise, taking into consideration its experience, strategic vision, and general knowledge of the Organization’s activities.

To obtain CAF’s definitive materiality, the results obtained in the management prioritization exercise were cross-referenced with those of the Executive Vice-Presidency, and they were placed within the levels of importance defined in the exercise, taking into account the differences between both ratings, and that the vision of the Vice-Presidency can boost the importance of these subjects in response to the experience, knowledge, and strategic vision of this governing body.

The final result was the materiality matrix, where each identified subject is located within its corresponding level of importance, as shown below:



CORPORATE GOVERNMENT

- CORPORATE GOVERNMENT STRUCTURE | 50
- ORGANIZATIONAL STRUCTURE | 54

THE GOVERNMENT OF AN ORGANIZATION IS DETERMINED BY A SERIES OF FORMAL AND INFORMAL PRACTICES THAT GUIDE RELATIONS BETWEEN THOSE WHO MANAGE IT AND THOSE THAT INVEST RESOURCES IN IT, WITH THE MAIN OBJECTIVE OF GUARANTEEING AN ADEQUATE USE OF THE RESOURCES, AND FACILITATING ACCESS TO AND TRANSPARENCY OF THE INFORMATION.

In line with the ISO 26000, for CAF governance is constituted as the system through which decisions are made and implemented incorporating ethical and socially responsible principles in all its processes, in order to advance in complying with its objectives: sustainable development and the integration of Latin America.



CORPORATE GOVERNMENT STRUCTURE

GRI 102-18, 102-22

CAF's corporate government is made up by a series of internal collegiate bodies in charge of safeguarding the generation of economic, social, and environmental value for the shareholder countries and the region⁵:



⁵ Detailed information regarding the composition and functions of each government body at CAF may be found in the Articles of Agreement: <https://www.caf.com/media/125601/caf-convenio-constitutivo-10032015.pdf>

- ASSEMBLY OF SHAREHOLDERS

- This is CAF's supreme body, consisting of the shareholders of series A, B, and C, and in charge mainly of approving the Board's annual report and the audited financial statements, as well as determining the destination of the profits perceived by the Organization.
- It is responsible for choosing the members of the Board according to the Articles of Agreement, and for appointing the external
- The Assembly meets in an ordinary session once per year, within ninety days following the end of the annual exercise, or in extraordinary sessions depending on the subject submitted to its consideration

- BOARD

- Includes the representatives of shareholders of the A, B, and C series, and is in charge of establishing CAF's policies and appointing the Executive President.
- Approves credit operations, the annual budget of expenditures, the granting of guarantees or investments, and any other operation that falls within CAF's objectives.

- EXECUTIVE PRESIDENT

- The Executive President is CAF's legal representative, in charge of the Institution's general management and administration, in addition to all affairs that are not specifically entrusted to another body.
- The Executive President approves the strategic plans for countries and sectors, the structures, and institutional processes that correspond to this level of authority, and the financial operations that CAF carries out for amounts that are within the limits that the Board has authorized.
- The Executive President has a Consulting Council which includes experts from the economic, financial, and business community of the region. The main function of this Council is to provide support in the analysis of CAF's strategic objectives.



- EXECUTIVE COMMITTEE

- Includes the directors appointed by the shareholders of the A, B, and C series, and it is presided by the Executive President.
- This Committee handles the approval of financial operations that do not exceed the limits established by the Board.

- AUDIT COMMITTEE

- Includes the Board's President, who presides it, directors elected by the Board for a period of two years, and CAF's Executive President.
- Recommends the selection and hiring of external auditors; knows its annual work plan; reviews the Institution's financial statements with the corresponding opinion of the external auditors, and the Annual Budget for Administrative Expenditures and Investments before they are presented to the Board and the Assembly of Shareholders.
- Knows the reports presented by the Internal Audit regarding the main issues related to the validity of the structure of the internal control system, the annual program for the management and control of portfolio and investment risk, as well as the annual report of the execution of said program.

The make-up of CAF's Board for the 2017-2020 period may be consulted at: <https://www.caf.com/media/116755/org-composicion-directorio-2017-2020-caf-es.pdf>

ORGANIZATIONAL STRUCTURE

GRI 102-18

To comply with its mission's objectives, CAF defined an organizational structure which includes two executive bodies in charge of supervising, coordinating, and executing activities in all the areas of the Institution (operational, financial, advisory, and administrative); six corporate vice-presidencies, nine corporate directions, and six advisory directions.

- EXECUTIVE

- Executive Presidency
- Executive Vice-Presidency

- CORPORATE VICE-PRESIDENCIES

- Social Development Vice-Presidency
- Energy Vice-Presidency
- Infrastructure Vice-Presidency
- Vice-Presidency for Country Programs
- Finance Vice-Presidency
- Vice-Presidency for the Productive and Financial Sectors

- CORPORATE DIRECTIONS

- Environment and Climate Change
- Strategic communications
- Human capital
- Credit and Risks
- Operations and Technology
- Physical infrastructure, Logistics, and Management
- Economic analysis and knowledge for development
- Specialized financial services
- Institutional development

- ADVISORY DIRECTIONS

- Secretariat and External Relations
- Comptroller and Audit
- Legal consultancy
- Special assets
- Regional Integration
- Social Innovation



OUR ACTIONS ARE ETHICAL AND TRANSPARENT

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STRENGTHENING OF ETHICAL CONDUCT

CAF is aware of the important role it plays in Latin America as an organization that leverages sustainable development with a comprehensive vision in which, in addition to promoting significant advances in infrastructure, social services, environment, productivity, etc., it also seeks to disseminate and strengthen an ethical and transparent conduct in line with the dynamics of this development.

For this reason, and to comply with its commitments and mission objectives, CAF has defined mechanisms to ensure the ethics, transparency, integrity, efficiency, and autonomy of its actions while at the same time strengthening its governance and decision making processes, and generating trust from its different interest groups.

— ETHICAL CONDUCT GUIDELINES

CAF's ethical scheme was created in 2007, when the Ethical Conduct Guidelines were approved and published. These guidelines are based on ethical principles of general acceptance that guide and direct the behavior of the staff, employees, and service providers of the Corporation in the execution of its daily activities.

In this respect, CAF has accepted the responsibility of acting adequately to the highest international ethical standards, with the commitment of framing its activities, processes, and operations under the following Corporate Values:

TRANSPARENCY

Act and communicate clearly, without doubts or ambiguity, and without hiding anything that should be known.

LOYALTY

Means to have a behavior that is coherent with the Corporation's ethical principles, which puts corporate interests before any other.

HONESTY

Decency, integrity, and justice of the people and their actions.

EQUALITY

Means to coherently and homogeneously apply the norms and policies established in the Corporation, with the purpose of providing equitable treatment, free of arbitrary decisions, and without discriminations based on race, nationality, gender, religion, social class, age, or cultural background.

INTEGRITY

Is the willingness to act morally, honestly, and sincerely, free of influences, and in agreement with the current legal norms.



DISCRETION

Good judgment and tact to speak and act, with reserve, prudence, and circumspection.

CAF has defined a comprehensive system of ethics that currently includes a completely functional and operational Ethics Committee, a Transparency Committee, and a strong regulation, public contact mechanisms, and dissemination figures.

These structures have been used to efficiently deal with cases that have been submitted to its consideration, providing transparent mechanisms to interested parties for the treatment of their concerns.

— ETHICS COMMITTEE

The Ethics Committee is a collegiate body that supervises compliance with CAF's Guidelines for Ethical Conduct, with the purpose of establishing and disseminating the ethical standards that must prevail in the Institution, as well as promoting responsible, transparent, and honest behavior in all the activities that are carried out.

Compliance with the Guidelines for Ethical Conduct is a responsibility of all staff, employees, and service providers of the organization, including consultants, interns, and any exchange personnel.

The Committee is in charge of receiving and transmitting complaints related to situations that could potentially breach CAF's Ethical conduct. It ensures confidentiality in treating the information it receives and processes.

— COMITÉ DE TRANSPARENCIA

CAF'S COMMITMENT IS AIMED AT SEEKING TRANSPARENCY AND INDEPENDENCE IN ALL THE OPERATIONS THAT PROVIDE FINANCING, AS WELL AS IN ALL THE ACTIVITIES THAT IT PARTICIPATES.

To ensure compliance, any person, entity, or company that considers that a procedure associated with CAF has not followed a transparent and uniform process, diverting from the procedures formally established, may inform of this situation to the Transparency Committee. This Committee was created in 2016 as a mechanism to address the need to have a specialized structure to deal with fraudulent or corrupt situations. It has its own regulation and public contact mechanisms that enable interested parties to express their concerns or complaints.

The objective of the Transparency Committee is to detect, prevent, investigate, and combat fraud, corruption, collusion, coercion, and obstruction connected to the financing of activities in which CAF participates or to its financial operations, as well as the possible participation of the Institution's personnel and service providers in those operations. To this effect, CAF designed the Transparency Manual, which contains the general principles and procedures to carry out investigations as well as sanctions to be imposed on individuals, entities, or companies that engage in fraudulent or corrupt behaviors.

With respect to complaints presented to this Committee, CAF ensures the confidentiality of the complainant to prevent reprisals.

— ADVISING MECHANISMS

CAF's web page, www.caf.com contains sub-sites of the Ethics Committee and the Transparency Committee that can be accessed by the public, and provide valuable information for those interested in questions regarding ethics, integrity, corruption, or fraud.

These sub-sites include an electronic mail address and a telephone number that interested parties can use to obtain advice on related topics.

Employees have an additional access to the ethics page from the corporate intranet, and participate in on-site dissemination activities or through mechanisms such as bulletins.



UPON ENTERING CAF, COLLABORATORS

SUBSCRIBE A DECLARATION OF ADHESION TO THE ETHICAL CONDUCT GUIDELINES.

THROUGH THE REGISTRATION

PROCESS FOR THE INSTITUTION'S SERVICE PROVIDERS, THEY SUBSCRIBE A DECLARATION OF ACCEPTANCE, KNOWLEDGE, AND SUBJECT TO CAF'S ETHICAL PRINCIPLES.

ADHESION TO THESE

PRINCIPLES IS ALSO PART OF THE CONTRACTS SUBSCRIBED WITH DIFFERENT INTEREST GROUPS.

RISK MANAGEMENT

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3, 102-29, 102-30

An adequate management of risks is necessary to reasonably guarantee the achievement of the institutional strategic objectives, the preservation of assets, and the trust of interest groups.

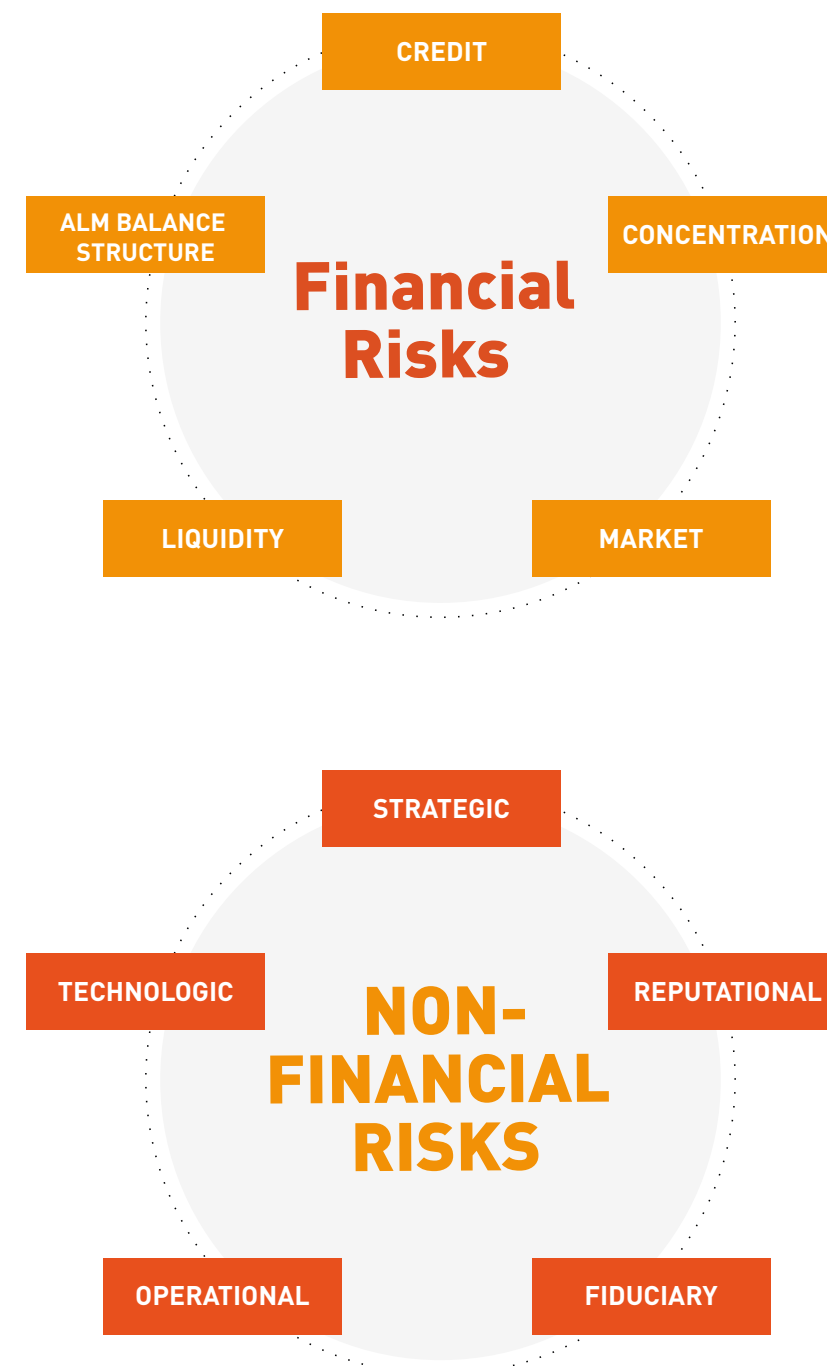
In the current globalization context, the financial and non-financial risks of entities are increasingly interrelated, a factor that has promoted a substantial evolution of their measurement, control, and comprehensive management in the banking sector, as well as the development and application of models for their global administration by national and supranational organizations in charge of regulation and supervision.

In response to this context, CAF's management is aimed at maintaining a controlled profile of consolidated risk, which is focused on the identification, evaluation, mitigation, and monitoring of probabilities, without specific limitations that are external to the Bank.

— COMPREHENSIVE RISK CONTROL AND MANAGEMENT MODEL

The implementation of the "Comprehensive Risk Control Project" started in 2014, and it laid out the foundations for the formalization of a structure aimed at risk control and management at CAF. With the purpose of avoiding the occurrence of impacts associated to the materialization of risks, a comprehensive control scheme was designed, which included evaluation parameters, the desired levels of tolerance, and mechanisms to report and consolidate the information on key risks which were identified through the analysis of the critical processes executed at the Bank.

The risk management structure classifies risks in two large groups:



I. Financial Risks are in the first group which, in a broader sense, includes credit risks (solvency), risk of concentration of assets and liabilities and in the bank's comprehensive management, risks resulting from the fluctuation of the variables of financial markets (types of interest, exchange rate, prices, and volatility), liquidity risk, as well as risk of the balance structure associated to maturity mismatches (and the respective margin sensitivity) between assets and liabilities.

CREDIT RISK

Possibility of experiencing losses due to non-compliance of a debtor or counterpart over contractual obligations. The credit risk is present in the operations on and off balance, in the settlement risk, that is, when a financial transaction cannot be completed or settled as agreed, as well as in the pre-settlement risk, in the period between the time when the operation is agreed upon, and the date in which it must be closed.

CONCENTRATION RISK

Exposures or groups of exposures with similar characteristics (same debtor, counterpart or guarantor, geographic area, economic sector, coverage of operations with the same type of asset under guarantee, etc.) with the possibility of generating losses that are sufficiently significant so as to affect CAF's solidity, its capacity to maintain the main operations, or resulting in a significant change to CAF's risk profile.

MARKET RISK

Possibility of suffering losses due to the adverse fluctuations of the prices of market variables. Includes price risk, volatility risk, correlation risk, and market liquidity risk, rate, exchange rate, and maturity, among others.

LIQUIDITY RISK

Liquidity risk is defined as the one where CAF cannot efficiently comply with the flow of expected and unexpected funds, current and future, and with the guarantees, without affecting its daily operations or its financial condition.

ALM BALANCE STRUCTURE RISK

Risk resulting from the mismatch between the maturity date and the new price of assets and liabilities, differences between the active interest rates and passive interest rates (fixed/variable, benchmarks, etc.), and weighting of assets by risk, among others.



II. The second group includes **Non-Financial Risks**, which are economic risks not included in the above mentioned definition, such as strategic risk, reputational risk, fiduciary risk, operational risk, and technologic risk.

STRATEGIC RISK

Resulting from an inadequate business strategy or an adverse change of estimates, parameters, objectives, and other functions that support said strategy.

REPUTATIONAL RISK

It is associated to a negative perception of the financial entity by the clients, counterparts, shareholders, investors, debt holders, market analysts, and other relevant market participants, which adversely affects CAF'S capacity to maintain the existing commercial relations or establish new ones, and continue accessing funding sources.

FIDUCIARY RISK

Deficiencies in the management (and/or custody) of securities or assets (financial) in the name of third parties, which lead to their loss or which undermine the exercise of the rights that are inherent to them, which could generate a reputational, legal, and/or capital impact.

OPERATIONAL RISK

Risk of losses resulting from the lack of adequacy or failures in internal processes, actions of the staff or the systems, or those resulting from external events.

Includes the legal risk which involves, among other aspects, exposure to sanctions, penalties, or other consequences which may be economic or of another type, due to non-compliance of norms or contractual obligations.

TECHNOLOGICAL RISK

Possibilities of undesirable or inconvenient consequences from an event related to the design, availability, access, or use of technology. This risk may be cause or consequence of other types of risk, as an infrastructure failure may imply risks in other areas, such as financial losses, fines, legal actions, impacts on the Bank's image, may cause operational problems, or affect the Organization's strategies.

For each of these categories CAF has Risk Management Systems designed and implemented according to the current regulatory parameters in member countries and international standards, in order to carry out an adequate management of them and exercise a strict control over the contingencies associated to their occurrence.

Thus, CAF's risk management is based on the Australian Risk Management Standard (AS/NZS 4360:1999), which is accepted as one of the best practices in the world regarding this matter, as well as on the agreements of the Basel Committee for Banking Supervision, and on the following basic principles that are in line with CAF's strategy and business model:

RISK CULTURE INTEGRATED THROUGHOUT THE ORGANIZATION

- Includes the values, guidelines, and authorizations to face risks that are inherent to all business and cross-cutting processes.
- Requires the involvement of high management and decision makers regarding risks, as well as evaluation schemes in line with the risk appetite (risk level that CAF is willing to accept), training at all the levels of the organization, strong control mechanisms, and a complete and detailed regulatory framework regarding policies and processes to manage and control risks.

INDEPENDENCE OF THE RISK FUNCTION

- Essential in all types of risks, as it provides the necessary segregation between business units (risk generators) and those responsible for their control.
- Has sufficient authority and direct access to the applicable levels that have the supervisory responsibility of the strategy and decisions.

COMPREHENSIVE VISION OF ALL RISKS

- Must be an objective for their adequate management and control, including risks originated directly or indirectly.
- Must understand the inter-relations between risks and facilitate a joint valuation, developing and implementing processes, reports, and tools, according to each type of risk.

ORGANIZATIONAL AND GOVERNMENTAL MODEL

- Assigns the risks to the business and support units, as responsible parties for their management and control.
- Preserves the principle of independence.
- Favors monitoring and reporting mechanisms.

FACULTIES AND ATTRIBUTIONS OF EACH RISK MANAGEMENT UNIT

- In the credit portfolio, mainly through collegiate bodies
- In the treasury and investment portfolios, the process to recommend decisions includes only the Vice-Presidency of Finances

— OPERATIONAL STRUCTURE AND COMMITMENTS

RISK MANAGEMENT IS THE RESPONSIBILITY OF EACH AND EVERY PERSON WHO WORKS IN THE BANK, MAINLY THOSE RESPONSIBLE FOR THE PROCESSES, AND IT HAS BEEN INCLUDED AS ONE OF THE RELEVANT OBJECTIVES IN THE PERFORMANCE EVALUATION OF SOME DIRECTIONS. WITH RESPECT TO RISK, ALL OF CAF'S PROCESSES AND AREAS ARE METHODOLOGICALLY SUPPORTED BY THE DIRECTION OF RISK CONTROL (DCR, FOR ITS ACRONYM IN SPANISH).

The Direction of Risk Control (DCR), assigned to the Corporate Direction of Credit and Risks (DCCR, for its acronym in Spanish), includes a team coordinated by the Director in charge, and four executives specialized in the different risk categories managed at the Bank, working also to strengthen an infrastructure aimed at the comprehensive management of risks, with the purpose of consolidating the risk control model as a key factor to achieve the Institution's strategic objectives.

In addition, within its functions the DCR incorporates the analysis of scenarios, with a forward looking approach of the risks in management processes, using market models and metrics, and establishing a control, reporting, and scaling framework to identify and manage these probabilities from different perspectives.

There are also periodical risk identification and evaluation processes that complete the essential management mechanisms which, together with the other criteria and principles aforementioned, shape the components of CAF's comprehensive risk control and management model.

The Board is responsible for CAF's approval of policies and general strategies and, in particular, for the general policy on risks. The Executive President has a structure of Advisory Committees that provide support for decision making and, in the framework of an adequate risk management, must interact jointly with the Risk Committee.

Although this structure of committees addresses diverse subjects and interacts not only with risks but also with management and strategy aspects, the action framework of the Risk Committee must ensure that risks are addressed according to their type and origin, to facilitate an adequate scaling process in decision making, as well as a continuous follow-up of the entity's risk profile.

— SPECIFIC ACTIONS

In the process implemented by CAF to support risk management during 2015 and 2016, the following activities stand out:

ORGANIZATIONAL AND GOVERNMENT MODEL	<ul style="list-style-type: none"> - Continue the implementation of responsibilities for management by type of risk - Inclusion of subjects related to comprehensive risk management in some of the Advisory Committees of the Executive Presidency - Definition of certain independent review mechanisms for some processes, methodologies, models, and management tools for the identified risks
REGULATION	<ul style="list-style-type: none"> - Comprehensive update and review of credit regulations - Update of procedures for the identification, quantification, information, and comprehensive reporting of credit risks (at the level of portfolios), concentration, balance structure, strategic, reputation, and fiduciary
METHODOLOGIES AND MODELS	<p>2015</p> <ul style="list-style-type: none"> - Implementation of indicators to monitor the management of exposure to different identified risks - Strengthening of models to evaluate exposure to credit, market, and liquidity risks - Incorporation of quantification methodologies for credit risks, as well as for the adjustment of portfolio provisions, concentration risks, and balance structure, establishing measurements for the follow-up of fiduciary, operational, and technological risks.

<p>METHODOLOGIES AND MODELS</p>	<p>2016</p> <ul style="list-style-type: none"> - Formal definition of predictive analysis procedures of the models, to verify their strength, as well as specific procedures for the maintenance and follow-up of said models - Proposal to the Executive Presidency for the update and formal definition of levels of risk appetite and tolerance for its comprehensive management
<p>STRUCTURE OF REPORTS</p>	<ul style="list-style-type: none"> - The guidelines that regulate reporting processes regarding comprehensive risk management were formalized during 2015 - In 2016, all the information on risks available at the Bank was
<p>MANAGEMENT TOOLS</p>	<ul style="list-style-type: none"> - The process to implement tools and strong information systems started in 2015, for the management of risks at a comprehensive level (credit, market, liquidity, operational, and fiduciary) - During 2016, tools and models defined to strengthen the comprehensive management of risks were incorporated to the strategic decision making processes



— RISK MANAGEMENT EVALUATION

The risk management results and advances are communicated through the Annual Report of the DCR, published and disseminated throughout the Bank, including a summary of the model, the foundations of risk management at CAF, risk profiles, and risk evolution in past years, from the start of the implementation during 2014.

In addition, there is a graphic representation of the results of monitoring the main risk indicators, with respect to the respective thresholds established as reference values with the user areas, which in any case, do not refer to non-compliance of limits.

PREVENTION OF ASSET LAUNDERING

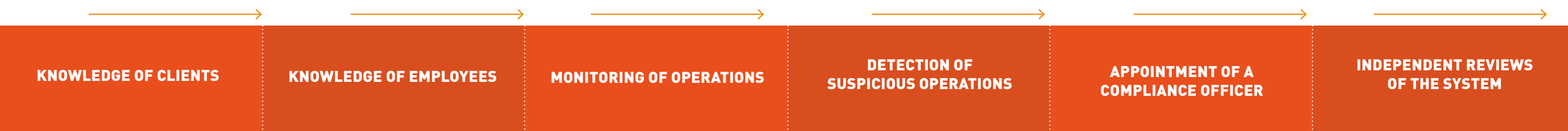
MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

THE PREVENTION AND DETECTION OF ASSET LAUNDERING IS AN INCREASINGLY IMPORTANT SUBJECT IN INTERNATIONAL MARKETS AND, SPECIFICALLY, IN MULTILATERAL FINANCIAL ORGANIZATIONS, DUE TO THE RISKS ASSOCIATED TO THE ACTIVITIES OF CRIMINAL ORGANIZATIONS THAT TRY TO PLACE THEIR FUNDS IN DIFFERENT MARKETS AND ECONOMIC SECTORS, IMPACTING THE ECONOMIES OF THE COUNTRIES, AND GENERATING ECONOMIC AND REPUTATION DAMAGES IN FINANCIAL ENTITIES THAT MAY BE LINKED OR USED FOR THESE TYPES OF ILLEGAL ACTIVITIES

Aware of the growth of these crimes and of the exposure to asset laundering risks and financing of terrorism, CAF has developed a System for the Prevention and Detection of Asset Laundering (SPDLA, for its acronym in Spanish), certified by Bureau Veritas under ISO 9001:2015 standard, which seeks to reaffirm the ethical commitment of the Bank's human team, and minimize the probabilities that the organization may be used for operations related to asset laundering and financing of terrorism, or that it may be linked to people associated to these activities.

— SYSTEM FOR THE PREVENTION AND DETECTION OF ASSET LAUNDERING

CAF's System for the Prevention and Detection of Asset Laundering (SPDLA) is based on the Recommendations of the Financial Action Task Force (FATF), the UN Conventions, the Principles of the Wolfsberg Group, and the Basel Committee. Based on these, the system seeks to define formal controls that are applied in the different processes executed by the areas of the Bank, whose risk mitigation is focused on the following elements:



Thus, the SPDLA defines the internal procedures that must be applied and observed in all active and passive operations, and in the contracting or purchase of goods and services where the Bank interacts or is a counterpart to another natural or legal person or entity, as well as to all the people who maintain a working relationship with the Institution through working contracts for a determined or unspecified work or period of time, and to those who have been appointed as Staff by the Board or the Executive President.

To comply with the aforementioned, and taking into consideration that as a multilateral organization CAF is not supervised by any regulatory entity, the Board has defined a Policy for the Prevention and Detection of Asset Laundering, establishing the internal obligation to comply with these procedures, aimed at achieving the following objectives:



Compliance with the regulation related to the system is compulsory for all CAF personnel, without differences due to the hierarchical level according to the specific responsibilities established in the SPDLA Manual.

The System is managed by the Compliance Officer, who is in charge of a Principal Executive and officials of the PDLA assigned to each Business Vice-Presidency and Corporate Directions, who in turn are responsible for validating compliance of the due diligence processes addressed. In addition, there are monitoring and review systems, and computer training.

Through its periodic monitoring activities, the Compliance area is in charge of validating compliance with the established requirements, while the Internal Audit area annually reviews that all the areas at CAF, including the Direction of Compliance and Portfolio Rating (DCCC, for its acronym in Spanish) respect the regulatory framework.

The system involves annual planning, which includes all the activities and reports issued by the area, as well as the indicators of the current Quality Management System.

One of the SPDLA indicators requires that 100% of the staff of the Corporation receive training with respect to the policies that guide the Institution, so that they acquire knowledge and have access to the necessary tools to carry out their functions effectively and efficiently. In addition, there are indicators related to the review of compliance of the required information for contracting all types of counterparts (staff, clients, suppliers, contractors).

— PERMANENT ACTIVITIES OF THE SYSTEM

To comply with the elements defined within the system, the following activities are carried out periodically:

- Half-yearly monitoring to verify compliance of the different controls that are part of the System.
- Twice a year review of clients from the private sector.
- Once a year review of the operations of the public sector.
- Once a year review of the application of the DDC-KYC controls (Due Diligence of the Client – Know Your Customer) on a sample of counterparts with which the Vice Presidency of Finances operates.
- Twice a year review of the DDC-KYC controls on a sample of Technical Cooperation operations .
- Half-yearly verification of contracted staff and personnel files.
- Quarterly reviews of the names of contracted staff and personnel through the SafeWatch system.
- Automatic weekly review of supplier databases through the SafeWatch system.
- Twice a year review of the registry of contractors and their legal representatives through the SafeWatch system.
- Annual training for all CAF personnel regarding Prevention and Detection of Asset Laundering.

— COMMUNICATION CHANNELS ASSOCIATED TO THE SPDLA

With the purpose of facilitating complaints made by interested parties regarding the subjects of prevention and detection of asset laundering, as well as to promote the exchange of opinions and information regarding the System, the following channels of communication have been put in place:

- Electronic mail to the Direction of Compliance and Portfolio Rating, with Internal and External access: spdla@caf.com
- Links for internal and external access:
 - **Ethics Committee:** <https://www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/comite-de-etica/>
 - **Transparency Committee:** <https://www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/comite-de-transparencia/>

In general terms, the issues reported are received by mail, staff of the DCCC analyze their content, they gather the required information, and make the corresponding analysis to elaborate a response to said complaint. According to the regulatory framework, there is a procedure that defines the internal escalation methodology of the required subjects. If necessary, support is requested to the Legal Advisory area and the Executive Presidency to make a decision and provide a response to the issuer.

All CAF counterparts are informed at the beginning of the relationship about the existence of channels to make the corresponding complaints.

BUSINESS CONTINUITY MANAGEMENT SYSTEM

CAF has a Business Continuity Management System (SGCN for its acronym in Spanish), based on the ISO 22301:2012 international standard, seeking to minimize the risks of interrupting critical processes of the business that are susceptible to possible adverse events and force majeure situations.

The implementation of this system provides CAF greater resiliency in its critical activities and strengthens its response capacity in the face of incidents that affect the continuity of its operations, safeguarding the health and well-being of people, as well as avoiding potential losses and reputational damages.

Thus, the SGCN includes the different CAF areas associated with the activities and processes that have been identified as critical due to their relationship with the delivery of the Bank 's key products and services. Following are the critical activities:



- Response to emergencies and industrial safety
- Physical safety
- Medical emergencies
- Management of investments in the monetary market
- Cash flow
- Fundraising
- Financial assets
- Management of the System for the Prevention and Detection of Asset Laundering
- Risk Management
- Maintenance of Physical Infrastructure
- Communication with Collegiate Bodies
- Business Continuity Management
- Management of Internal Communication of Human Capital
- Management of External Information
- Digital Management
- Debt Service
- Fundraising



- IT Continuity Management
- Management of IT incidents
- Management and Control of the Access to Applications and International Banking Services
- Management of IT Operations
- Management of IT Availability
- Management of IT Changes
- Development of a Daily Balance
- Portfolio Management
- Disbursements
- Recoveries
- Reconciliation
- Payments and Cash
- Management of Official Trips
- Purchase of Goods and Service Contracts
- Legal Counseling
- Administration of OPE Correspondence
- Payroll

In this regard, through the execution of all the activities and procedures required for the establishment, implementation, operation, monitoring, review, maintenance, and continuous improvement of the SGCN, CAF identifies potential threats and impacts to the operations that those threats could cause, with the purpose of establishing the necessary measures to prevent their occurrence.

— RESPONSIBILITIES

The Direction of Compliance and Portfolio Rating (DCCC) is the leading and advisory area for the implementation of CAF's Business Continuity Management System, which is responsible for the follow-up and validation of the compliance of all the procedures and activities required for its implementation and operation. In addition, the other vice-presidencies and corporate directions are in charge of managing the critical processes identified, as well as the implementation and operation of the SGCN at CAF:

ROLES	RESPONSIBILITIES
<p>ADMINISTRATORS OF THE BUSINESS CONTINUITY MANAGEMENT IN CRITICAL AREAS</p>	<ul style="list-style-type: none"> - Comply with the requirements established in the SGCN and their regulation. - Execute and report to the DCCC in a timely manner, the information and activities required to update the analysis of impact on business, risk valuation, selection of treatment options, continuity strategies, test program, audit program, training program, as well as any information considered relevant for the planning, execution, validation, monitoring, and continuous improvement of the SGCN. - Plan, implement, operate, review, and improve the specific procedures relative to the "Business Continuity Plan" and the "Incident Management Plan."
<p>PRINCIPAL EXECUTIVE A THE SGCN-DIRECTION OF COMPLIANCE AND PORTFOLIO RATING</p>	<ul style="list-style-type: none"> - Implement and execute the business continuity policy through planning, implementation, operation, monitoring, review, maintenance, and continuous improvement of a SGCN. - Manage the required training to ensure the competency of the key personnel assigned to the GCN. - Maintain the SGCN regulations updated. - Implement, operate, review, monitor, and follow up: <ul style="list-style-type: none"> - Training program. - Audit program. - Exercise and tests program. - Monitor and follow up on the implementation of the corrective actions of the SGCN.

ROLES	RESPONSABILIDADES
<p>RESPONSIBLE FOR THE SGCN - DIRECTOR OF COMPLIANCE AND PORTFOLIO RATING</p>	<ul style="list-style-type: none"> - Supervise the implementation of the business continuity policy. - Inform CAF's Executive President about the performance of the SGCN in complying with its objectives as well as the need for changes . - Supervise the operation of the "Business Continuity Plan" and the "Incident Management Plan", as well as the different components that make up these plans. - Manage the resources assigned for the implementation, operation, review, and continuous improvement of the SGCN.
<p>VICE PRESIDENTS, CORPORATE DIRECTORS AND DIRECTORS OF CRITICAL AREAS</p>	<ul style="list-style-type: none"> - Promote and ensure compliance with the requirements and objectives of the SGCN.
<p>CAF'S BUSINESS CONTINUITY MANAGEMENT COMMITTEE</p>	<ul style="list-style-type: none"> - Establish the objectives of the Business Continuity Management System (SGCN). - Determine and assign sufficient resources for the implementation of the System. - Establish the corporate guidelines for Business Continuity at CAF.

- DESIGN OF CONTINUITY AND INCIDENT MANAGEMENT PLANS

- ACTIVITIES

To comply with the strategic objectives defined in CAF's SGCN, periodic activities are carried out to enable a continuous improvement of the system and guarantee the continuity of the critical operations carried out by the Bank:



- ANNUAL PLANNING

- RISK VALUATION

- ANALYSIS OF THE IMPACT ON BUSINESS

- CONTINUITY STRATEGIES FOR CAF

- TEST PLANS



- CONTROL OF CORRECTIVES ACTIONS OF THE SGCN

- MANAGEMENT INDICATORS

- AUDIT OF THE SGCN PROCESSES

- REVIEW OF THE COMMITTEE



These activities make up a continuous cycle with annual frequency, whose most relevant results for the 2015-2016 period are mentioned below :

- 4 audits carried out, without non-conformity reports: ISO 9001 Internal Audit, ISO 9001 Recertification Audit, ISO 22301 Internal Audit, ISO 22301 Certification Audit.
- The ISO 22301 International Certification of CAF's Business Continuity Management System was achieved in 2016, granted by the British Standards Institution of the United Kingdom.
- 34 activities for which the analysis of impact on business has been developed and updated annually.
- 34 critical activities have defined and updated their Target Recovery Time (expected recovery time of each critical process after an interruption).
- 34 critical activities for which a risk analysis based on the ISO 31000 standard has been developed..
- 43 risks managed in 2015 and 30 in 2016.
- 34 documented, reviewed, and updated continuity plans.
- Zero interruption incidents materialized.
- 2 tests executed on the continuity plans of the prioritized critical processes, one individual test, and one comprehensive live test for the 34 critical processes.
- 369 staff trained on the SGCN with basic training level, 217 during 2015, and 152 during 2016.
- 120 new staff trained on the SGCN with a basic training level, 71 in 2015 and 49 in 2016.
- 203 staff from the SGCN trained at an intermediate and advanced level, 64 in 2015 and 139 in 2016
- 3 direction reviews, focused on evaluating and approving all the elements and products generated during the annual implementation and operation of the SGCN.

— CHALLENGES

■ Achieve the automation of all the phases that make up the Business Continuity Management System, with its Plan, Do, Check, Act scheme, focused primarily on the automation of the Analysis of the Impact on Business, Valuation of Risks, and Continuity Strategies. Obtener la recertificación

de todos los procesos críticos del SGCN, con la Norma Internacional ISO 22301.

■ Obtain the recertification of all the critical processes of the SGCN, with the ISO 22301 International Norm.

INTERNAL AUDIT

Internal Audit processes protect CAF's assets and interests through the verification of the existence, dissemination, and compliance of applicable norms in addition to evaluating the effectiveness, efficiency and economy of the processes and generating recommendations aimed at their continuous improvement. The scope of the audit activities is defined through risk evaluations, the verification of the Bank's Internal Controls, and the verification of compliance of CAF's internal and external regulations, without limits to its actions due to the independent nature of the Direction of Internal Audit. The Internal Audit process is certified under ISO 9001/2015, which facilitates a systematic process with processes and indicators.

With the purpose of promoting a culture of internal control that contributes to identify and mitigate CAF's risks, Internal Audit processes seek to:

Reasonably

cover key risks of CAF's business, and support critical processes during the exercise

Evaluate

the processes and areas, providing recommendations to strengthen risk management and comply with the objectives

Timely and

oportuna y efectivamente la implantación de los planes de acción correctiva definidos por las áreas auditadas

— OPERATIONAL STRUCTURE AND RESPONSIBILITIES

ROLES	FUNCTIONS
EXECUTIVE PRESIDENT AND AUDIT COMMITTEE	- Safeguard the independence of the Internal Audit functions
CORPORATE COMPTROLLER	- Supervise the Internal Audit function and present the Audit Annual Plan and its compliance to the Audit Committee
AUDIT DIRECTOR	- Develop the Annual Audit Plan and submit it to review and approval of the authorities - Execute the Annual Audit Plan incorporating the required adjustments - Supervise audit works - Inform the Corporate comptroller and the Executive President about the results of each audit - Present periodic reports regarding follow-up activities and implementation of recommendations by each area
INTERNAL AUDITORS	- Responsible for planning and executing the reviews of the audits, and preparing final reports according to the dispositions established in this Manual, as well as carrying out follow-up activities resulting from the recommendations.
VICE PRESIDENTS, CORPORATE DIRECTORS, DIRECTORS AND, IN GENERAL, ALL CAF MEMBERS BELONGING TO AUDITED AREAS	- Responsible for responding in a timely manner to the requirements of internal auditors, and provide the necessary assistance for the performance of their functions; in addition, they are responsible for the implementation of the recommendations of Internal Audits, for which they must develop and send a timeline of the implementation of the corresponding action plans to the Internal Audit Direction.

Communications received through electronic mail are treated according to the Procedure for the Control of Non-Conforming Outflows, included in the Manual for the Management System of the Quality of the Comptroller and Auditing Process. During the period covered by this report, there were no complaints through this channel.

— PROCESS EVALUATION

At the end of each audit process, a detailed report is issued distributing recommendations to those responsible for each activity, in order to improve the control and risk environment, thus ensuring a good corporate management. In addition, a continuous monitoring takes place regarding the recommendations originated in the audits, and a quarterly follow-up exercise is carried out. All these actions are based on the guidelines of the Internal Audit Manual, and in areas of improvement that are implemented within the quality framework. As a result the following have been implemented:

- Improvements to the Audit Reports
- Improvements in Risk Evaluations
- Update of fields in TeamMate, an automatic tool that enables the control and integration of all audit processes
- Guidelines and tips for the use of TeamMate.

INFORMATION SAFETY

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

THE PROTECTION OF CLIENT PRIVACY IS AN OBJECTIVE THAT IS RECOGNIZED IN NATIONAL REGULATIONS AND CAF'S INTERNAL POLICIES, IN LINE WITH THE GUIDELINES FOR MULTINATIONAL COMPANIES OF THE ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT (OECD), WHICH ESTABLISH THE COMMITMENT OF ORGANIZATIONS TO RESPECT CONSUMER PRIVACY AND IMPLEMENT REASONABLE MEASURES TO GUARANTEE THE SAFETY OF THE DATA THEY GATHER, STORE, PROCESS, OR DISSEMINATE.

Given this commitment, CAF has defined processes associated to the safety of its clients' information, aimed at designing, managing, and safeguarding the establishment and compliance of the protective measures applicable to CAF's information assets included in any printed, audiovisual, or electronic media; also associated to activities that are executed according to the levels of confidentiality, integrity, and availability, derived from the classification of information assets, which is established according to its strategic value and the loss represented by its misappropriation, destruction, manipulation, and/or unauthorized dissemination.

— POLICY AND MANAGEMENT TOOLS

CAF has a Comprehensive Corporate Safety Policy which establishes that the information of an important asset must be protected, based on different reference standards, such as the ISO 27000 for the management of information safety, and ISO 31000 for the management of risks. The implementation is carried out through procedures and processes based on different enabling technologies.

For its execution, the Information Safety Unit establishes different processes and projects in line with the established goals and objec-

tives, through the definition of a portfolio of projects and annual initiatives organized with three year plans designed to provide compliance to medium-term goals.

Thus, information safety is a cross-cutting subject for CAF activities, with responsibilities that start at the highest level of management and involve all staff:

ROLES	FUNCTIONS
DIRECTION OF OPERATIONS AND TECHNOLOGY (DOT)	- Guarantee strategic alignment, generation of value, and resource management.
DIRECTION OF INFORMATION TECHNOLOGY (DTI, FOR ITS ACRONYM IN SPANISH)	- Guarantee the implementation of the Information Technology mechanisms in CAF's Information Technology Platform, according to the guidelines and priorities defined with the Corporate Director of Operations and Technology, jointly with the advice of the Information Safety Unit (USI, for its acronym in Spanish).
INFORMATION SAFETY UNIT (USI, OF ITS ACRONYM IN SPANISH)	- Establish and safeguard compliance and dissemination of subjects corresponding to the information safety stipulated in the regulatory documents, according to the guidelines and priorities defined with the Corporate Director of Operations and Technology, as well as manage the risk associated to Information Safety. - Identify if there are breaches and deviations with respect to the dispositions established in the information safety manual by either Staff, Third Parties, Service Suppliers, or CAF Business Units. - Design and manage CAF's security systems, enabling the mitigation or management of risks associated to CAF's information.
STAFF, THIRD PARTIES, SERVICE PROVIDERS	- Comply and enforce compliance of all norms established in the regulatory documents related to information safety.

In line with the above, CAF's actions related to information safety have focused on compliance with the following objectives:

- 1 Effectively promote education, training, and knowledge about Information Safety throughout CAF

- 2 Design the Information Safety Architecture and safeguard its application in the Corporate Technological Platform

- 3 Approve mechanisms, methodologies, tools, and processes to manage CAF's Information Safety and Computer Safety

- 4 Design and evaluate the suitability, and coordinate the implementation of the safety controls of information on the Corporate Technological Platform

- 5 Ensure Compliance of Standards and validate that information safety activities are executed in compliance with established regulatory documents

- 6 Manage and operate the Information Safety systems, guaranteeing an adequate level of internal control

- 7 Manage access to information systems and technological platform

- 8 Establish and execute the principles of Information Classification regarding Confidentiality, Integrity, and Availability of Information

- 9 Identify significant changes in the threats and processing methods of the information and its exposure level

— ADDRESSING AND MANAGING INCIDENTS

CAF has established different mechanisms of corporate use to report attacks and safety incidents, through which it develops permanent statistics of the incidents and defines measures to protect and continuously improve the processes, with the purpose of providing better safety services in the development of its activities.

In the management and channeling of safety incidents reported by means of these mechanisms, the user issues a complaint or suggestion that is registered and catalogued in a database, where a priority is generated to handle it according to how critical it is, and assigned to a troubleshooter group in charge of finding a solution and notifying its response to the user.

Thus, during 2015 and 2016, more than 150 safety events were received and addressed, which were identified by the monitoring systems or reported by CAF's staff. Only one event materialized in 2016, regarding ransomware in a corporate hardware. The corporate information was not affected as it had safety copies to address the subject in a comprehensive manner.

During this same period there were no complaints for violations to client privacy, nor claims from regulatory bodies associated to information safety.



— EVALUATION AND FOLLOW-UP ACTIONS

Internal audits and independent pen testing verify the level of vulnerability and risks of the corporate technological platform, and the results are used to:

- 1 Report the level of risk of the technological platform and establish mitigation plans to reduce the risk to levels acceptable for CAF.
- 2 High risk events are taken to the organizations' internal risk committee, where actions and follow-ups are carried out.
- 3 Keep control of the closure of security breaches that are closed or mitigated.

The challenges of Information Safety for coming years consist of four key initiatives:

- 1 Support the digitalization process regarding Information Technology, guaranteeing that new technologies have strong and effective security measures.
- 2 Provide CAF with a delegate mechanism for the classification of non-structured information in charge of the staff, currently being implemented.
- 3 Strengthen monitoring mechanisms for safety events, in the framework of the Cybersecurity Management.
- 4 Increase the level of automation in the internal management systems to provide CAF with friendlier self-management and authentication systems



**WE WORK WITH
THE BEST HUMAN
TALENT**

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ATTRACTION, RETENTION, AND WELL-BEING OF HUMAN TALENT

GRI 103-1, 103-2, 103-3

To respond adequately to the challenges represented by sustainable development and regional integration, CAF has put together a human team which, in addition to having the highest qualifications in terms of training and experience, it is identified with the Bank's organizational project and contributes decisively to the fulfillment of its institutional objectives.

Through attraction, retention, and wellbeing programs, CAF seeks to offer personal and professional development opportunities for its collaborators, who constantly update their knowledge, and who are provided tools to adequately perform their functions, improve corporate results, and innovate processes.

The Internal Application Program favors the promotion of collaborators and contributes to their continuity in the Organization, in addition to recognizing their personal effort, which is also accompanied by performance evaluations; extraordinary achievements are noted and highlighted by economic benefits that, in a framework of equity, are part of a cost-effective salary scheme, both for the Bank and for its collaborators.

In order to follow-up the management of human talent, CAF applies some tools and methodologies whose results are communicated to the different organizational segments, at a level of detail recommended by consulting firms, and which have helped to make adjustments in the strategy and programs of the management of performance, training, professional development, leadership, and benefits, among others, led by the Corporate Direction of Human Capital, and which have shown improvements in subsequent engagement indexes. Following are some of the measurement tools used:

ENGAGEMENT SURVEY

- An electronic survey is used every two years. It is voluntary but it covers all personnel, and it gathers opinions related to subjects such as: collaborative work, communications, supervisor feedback, definition of goals and objectives, styles of supervision and leadership, training, and career development
- **Last application 2015:** 79% in the scale of 100%. Applied by AON Hewitt.

ORGANIZATIONAL HEALTH SURVEY

- This tool mainly inquires about the perception of collaborators regarding elements of leadership, personnel management, organizational communication, and general aspects of organizational management.
- **Last application 2016:** 70%, positioned in the second top quartile. Applied by McKinsey.

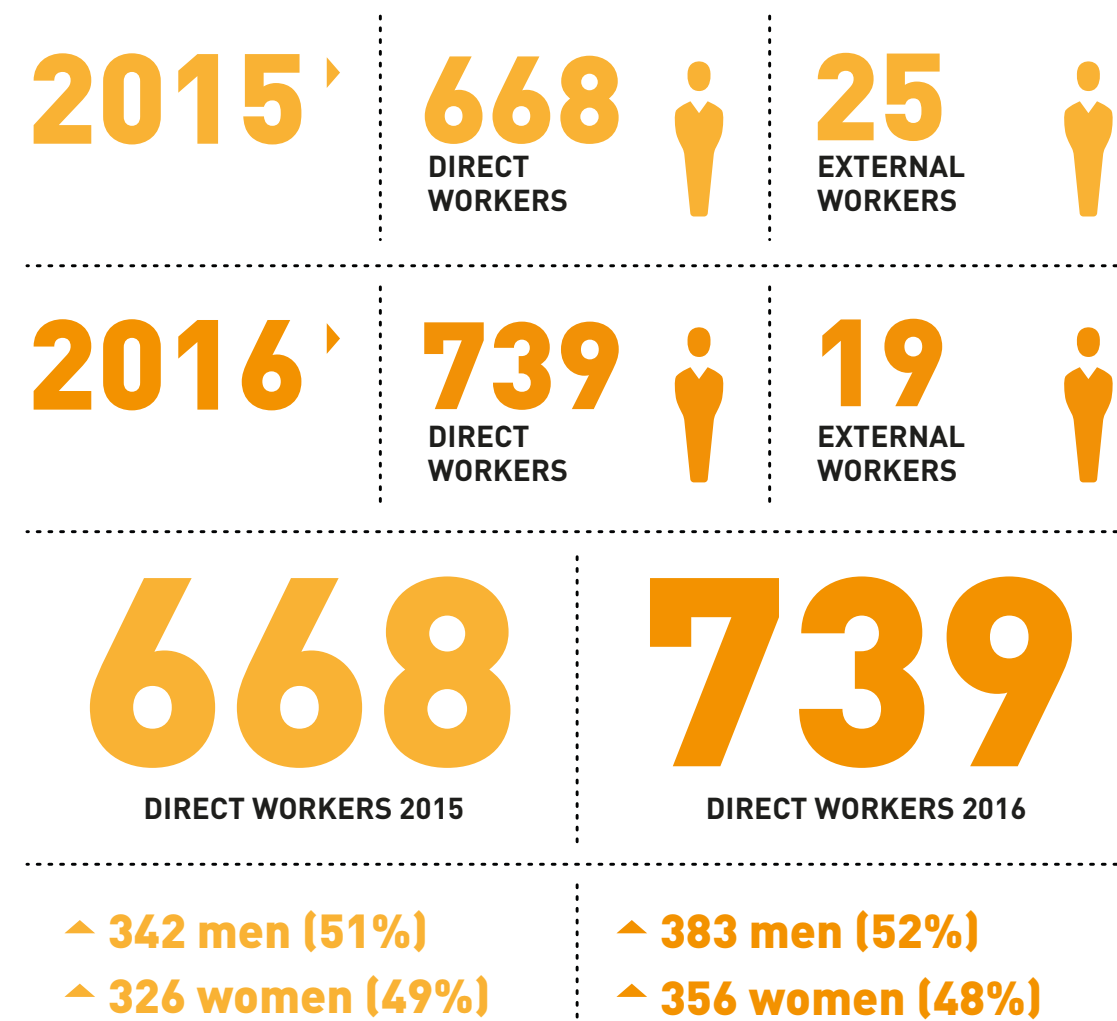
ORGANIZATIONAL DIAGNOSTIC INTERVENTIONS

- Directed by the area of talent management, with the possible intervention of external consultants to determine root causes and opportunities for improvement in management. These interventions are developed through the application of a focus group, individual interviews, and pulse surveys.

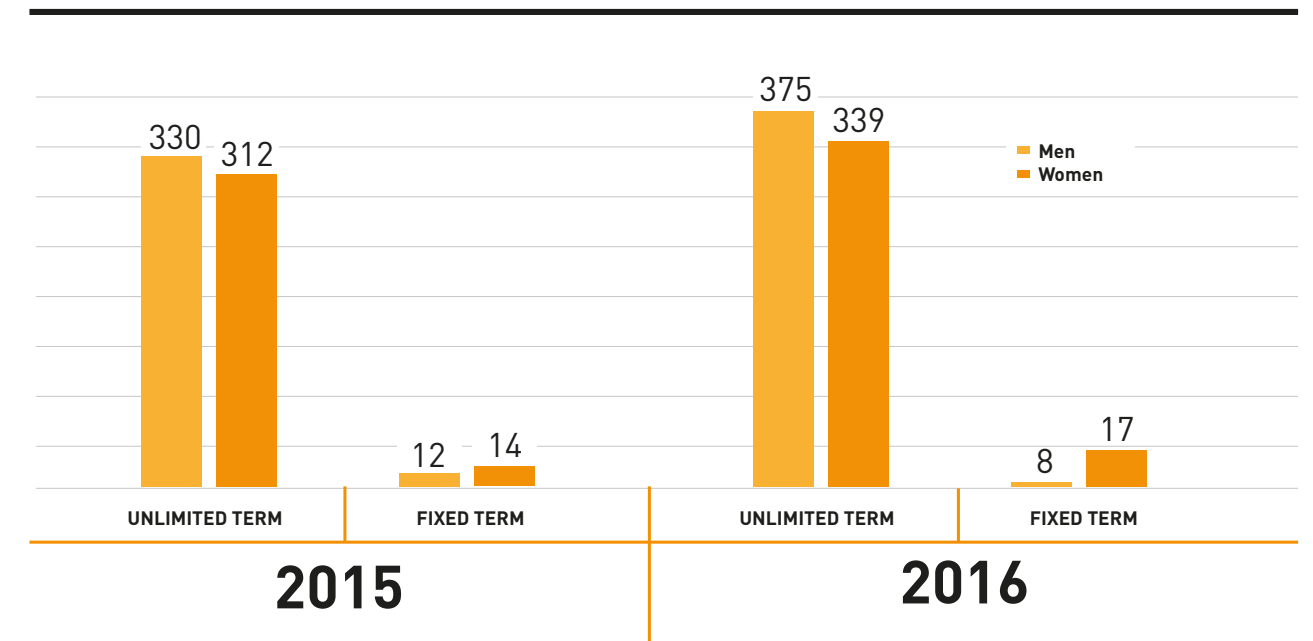
CHARACTERISTICS OF THE HUMAN TEAM

GRI 102-8

Given CAF's multilateral character, its human team is made up by professionals from diverse countries and disciplines, without significant differences in the number of men and women and, in most cases, with a direct working relationship, full time, and for an unlimited term at the Bank.



DIRECT WORKERS BY TYPE OF CONTRACT AND GENDER



Due to CAF's legal nature, the existence of collective agreements is not frequent. Working relations are regulated primarily by the Regulation and Personnel Manual.



WORKERS BY COUNTRY AND TYPE OF CONTRACT

↻	642	714
⚡	26	25
	2015	2016

↻ Workers with unlimited term contracts
⚡ Workers with fixed term contracts



Fifty percent of CAF's collaborators work at the Bank's main headquarters in Caracas, followed by Peru, with 8.3 percent; Colombia with 8 percent; and Panama, with 7.4 percent, respectively. The 19 individuals working as external workers have administrative type jobs.

ROTATION AND HIRING RATES 2015 - 2016

GRI 401-1

Rotation rates were stable during the reported years, reaching 7 percent, while new hires were reduced by 3 percentage points, reaching 18 percent in 2016 and 15 percent in 2015. The country with the highest number of departures and contracts during the past two years was Venezuela, as this country concentrates the highest number of CAF collaborators.

NEW CONTRACTS		DEPARTURES	
2015	2016	2015	2016
107	101	43	44

TOTAL NUMBER OF NEW CONTRACTS BY COUNTRY, GENDER, AND AGE RANGE					
COUNTRIES	GENDER	AGE RANGE	NUMBER OF PEOPLE		COUNTRY TOTAL
			2015	2016	
ARGENTINA	Males	18 - 30 years	0	2	6
		31 - 50 years	1	3	
	Females	18 - 30 years	2	1	4
	31 - 50 years	0	1		
BOLIVIA	Males	31 - 50 years	1	0	1
	Females	18 - 30 years	0	1	3
	31 - 50 years	0	2		
BRAZIL	Males	31 - 50 years	3	3	6
	Females	31 - 50 years	0	1	1
COLOMBIA	Males	18 - 30 years	1	3	15
		31 - 50 years	6	5	
	Females	18 - 30 years	1	2	6
		31 - 50 years	1	1	
		Older than 51 years	1	0	



TOTAL NUMBER OF NEW CONTRACTS BY COUNTRY, GENDER, AND AGE RANGE					
COUNTRIES	GENDER	AGE RANGE	NUMBER OF PEOPLE		COUNTRY TOTAL
			2015	2016	
ECUADOR	Males	31 - 50 years	0	2	2
	Females	18 - 30 years	1	0	2
SPAIN	Females	31 - 50 years	0	1	2
		18 - 30 years	1	0	
PANAMA	Males	31 - 50 years	2	4	14
	Females	Older than 51 years	0	1	
PERU	Males	31 - 50 years	4	3	7
	Females	31 - 50 years	3	0	3
TRINIDAD & TOBAGO	Males	Older than 51 years	0	1	1
URUGUAY	Males	18 - 30 years	1	0	7
		31 - 50 years	3	3	
	Females	18 - 30 years	0	2	5
VENEZUELA	Males	31 - 50 years	3	0	70
		18 - 30 years	13	10	
		Older than 51 years	25	17	
	Females	18 - 30 years	3	2	53
		31 - 50 years	11	14	
		Older than 51 years	14	12	
			2	0	

TOTAL NUMBER OF DEPARTURES BY COUNTRY, GENDER, AND AGE RANGE					
REGIONS	GENDER	AGE RANGE	NUMBER OF INDIVIDUALS		COUNTRY TOTAL
			2015	2016	
ARGENTINA	Males	18 - 30 years	0	1	2
		31 - 50 years	0	1	
	Females	18 - 30 years	0	0	2
		31 - 50 years	1	1	
BOLIVIA	Females	18 - 30 years	0	1	3
		31 - 50 years	0	1	
		Older than 51 years	1	0	
BRAZIL	Males	31 - 50 years	1	0	1
COLOMBIA	Females	18 - 30 years	0	1	3
		31 - 50 years	1	0	
		Older than 51 years	1	0	
ECUADOR	Males	18 - 30 years	0	1	2
SPAIN	Females	Older than 51 years	1	0	1
MEXICO	Males	31 - 50 years	0	1	2
		Older than 51 years	1	0	
PANAMA	Females	31 - 50 years	0	1	2
		Older than 51 years	1	0	
PARAGUAY	Males	Older than 51 years	1	0	1
PERU	Males	31 - 50 years	1	2	4
		Older than 51 years	0	1	
	Females	31 - 50 years	1	0	2
		Older than 51 years	1	0	
TRINIDAD & TOBAGO	Males	Older than 51 years	0	1	1
URUGUAY	Males	Older than 51 years	1	0	1
	Females	31 - 50 years	1	0	1
VENEZUELA	Males	18 - 30 years	2	4	29
		31 - 50 years	7	7	
		Older than 51 years	4	5	
	Females	18 - 30 years	3	5	30
		31 - 50 years	9	5	
		Older than 51 years	4	4	

2015 – 2016 BENEFITS

GRI 401-2

Social benefits are granted to all collaborators without differences related to hierarchical level, geographic location, or working hours.

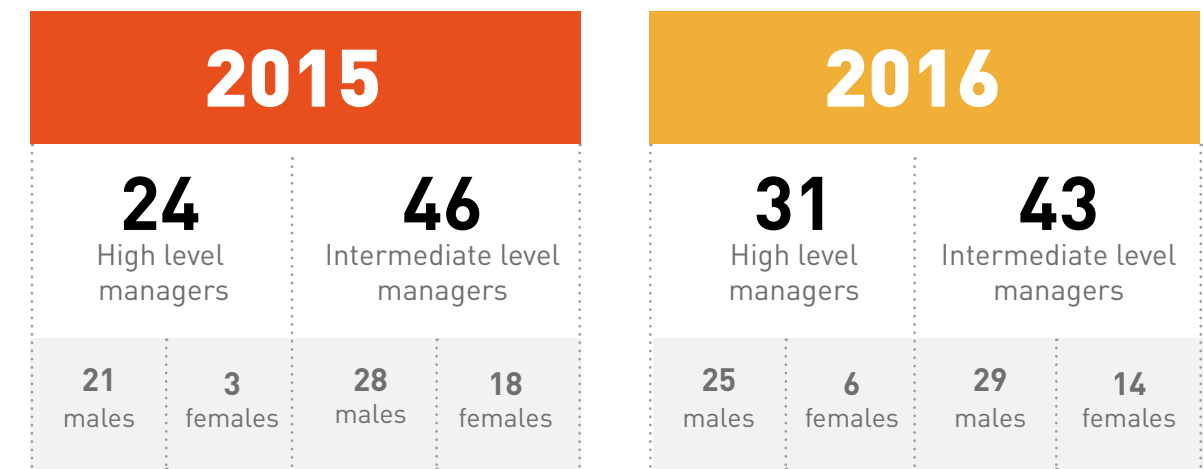
SOCIAL BENEFITS		BENEFICIARIES	
PROGRAM	DESCRIPTION	2015	2016
LIFE INSURANCE	All direct collaborators are included in the policy starting on their entry date to CAF. The cost of the premium is completely assumed by the Institution. The insurance has a coverage of 48 basic salaries with a maximum of USD 800,000	668	739
MEDICAL INSURANCE	Health insurance plans include the necessary expenses for the prevention and/or reestablishment of the physical health of the insured party. There are several alternative combinations for insurance. These premiums and the eligible medical expenses are paid by the collaborator at 1/3 of the value. This benefit is for all direct collaborators.	668	739
DISABILITY AND/OR INVALIDITY INSURANCE	All direct collaborators are included in the policy starting on their date of entry to CAF. The cost of the premium is completely paid by CAF. The insurance has a coverage of 48 basic salaries with a maximum of USD 800,000	668	739
MATERNITY AND PATERNITY LEAVE	Time granted to the mother or father to take leave in order to take care of the child, be it during pregnancy or after birth	668	739
PENSION FUND	The purpose is to grant the benefit of a pension to CAF staff members at the time of retirement or in cases of invalidity or permanent disability. It consists of two contributions; one made by the collaborator, which amounts to 7% of his monthly basic salary and the other made by CAF. This benefit is granted to the workers that have an unlimited term contract.	642	714

BENEFICIOS SOCIALES		BENEFICIARIOS	
PROGRAMA	DESCRIPCIÓN	2015	2016
VACATION BONUS	CAF will give the collaborator a bonus equivalent to fifteen (15) days of salary the first year of service at the start of their annual vacation, in addition to one (1) day for each year of service starting in the second year.	668	739
FAMILY ALLOWANCE	Collaborators will be given an annual allowance for each dependent recognized by CAF as such. This benefit is granted to workers with an unlimited term contract.	642	714
EDUCATIONAL SUBSIDY FOR DEPENDENTS	Collaborators will have the right to an educational subsidy that contributes to pay the expenses for the education of their dependent children. This benefit is granted to workers with an unlimited term contract.	642	714
SENIORITY BENEFITS	The collaborator will have the right to a seniority benefit equivalent to five (5) days of salary for each month of work. After the first year of service or fraction exceeding six months, CAF will additionally pay the employee two days of salary for each year accumulated, up to 30 days of salary.	668	739
GAINS	For each annual economic exercise, collaborators will have the right to receive a bonus derived from their participation in CAF's liquid earnings. Each collaborator cannot receive less than the equivalent to one month of basic salary, and cannot exceed 4 basic salaries.	668	739

DIVERSITY AND EQUAL OPPORTUNITIES AT WORK

GRI 405-1

CAF's directive bodies are made up of High and Intermediate level managers. In 2016, the group of high level managers was made up by 31 individuals, with a female representation of 19.3%. At the same time, the group of intermediate level managers was made up by 43 individuals, of which 32.5% were women. With respect to age, 94% of high level managers and 67% of intermediate level managers are older than 50 years. Of the 31 positions in high management in 2016, 29% are locals, that is, they exercise their functions in the same country where they come from.



With the purpose of maintaining the institutional dynamism and strengthen the development of careers at the Bank, new young talents are sought through the Professionals in Development Program (PRODES, for its acronym in Spanish), which in 2016, incorporated the tenth generation of new young talents selected among graduates of the highest academic level from prestigious universities of the world, who will provide support to the strategic business areas of the Institution.



SALARIES AND REMUNERATIONS

GRI 405-2, 202-01

CAF does not establish different salaries or remunerations between males and females and, as can be observed in the values shown in the following table, between 2015 and 2016 it worked to reduce the existing gaps regarding this matter between males and females in most professional categories where both genders are represented.

EMPLOYEE CATEGORIES	RELATIONSHIP OF BASE SALARY BETWEEN FEMALES AND MALES ⁶		RELATIONSHIP OF TOTAL REMUNERATIONS BETWEEN FEMALES AND MALES ⁷	
	2015	2016	2015	2016
E2	--	-7%	--	--7%
E3	--	--	--	--
E4	--	-6%	--	-6%
E5	--	-5%	--	-5%
NC	-5%	--	-5%	--
G	-4%	3%	-4%	3%
H	-1%	5%	-1%	5%
I	0%	1%	0%	1%
J	0%	1%	0%	1%
L	5%	3%	5%	3%
M	-4%	-3%	-4%	-3%
N	3%	1%	3%	1%
O	5%	13%	5%	13%
1	33%	8%	33%	8%
2	73%	--	73%	--
3	--	--	--	--
4	-6%	-6%	-6%	-6%
5	--	--	--	--

In this regard, the salary policy of the Bank determines that the positioning of the salary scales will be at 50% of the market, guaranteeing that the salaries offered by the Institution are adequately positioned and exceed the minimum salary of each country.

⁶ Percentage difference between the base salary of females compared with the base salary of males by category of employee.

⁷ Percentage difference between the total remuneration of females compared with the total remuneration of males by category of employees.

ACTIONS AGAINST DISCRIMINATION

GRI 406-1

In 2015 there was a complaint of labor mistreatment by a supervisor, a situation that was managed according to the Institutional disciplinary protocols, and generated, under the leadership of the Corporate Direction of Human Capital, a specific program to address the situation, promoting equality and fair treatment between collaborators. In 2016 there were no complaints or situations associated to this subject.

DEVELOPMENT OF HUMAN TALENT

GRI 404-1

With the objective of contributing to the continuous improvement of the professional performance of collaborators, CAF develops training spaces through which it provides tools and knowledge that strengthens the capacities of members of different working categories. On average, collaborators received 35.3 hours of training in 2015, and 63.45 hours in 2016.

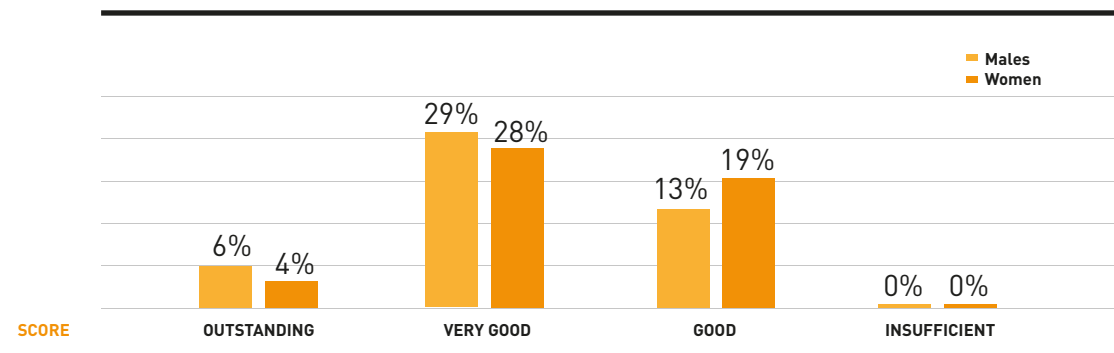
WORKING CATEGORY	TOTAL TRAINED EMPLOYEES				TOTAL HOURS OF TRAINING				AVERAGE HOURS OF TRAINING			
	MALES		FEMALES		MALES		FEMALES		MALES		FEMALES	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
- Director	43	18	21	5	615,5	983,5	149	141	14,31	54,64	7,10	28,20
- Professional	259	156	240	152	10.389,50	9.588,00	9.079	10.703	40,11	61,46	37,83	70,41
- Administrative	33	7	74	26	390	41	3.046	1639	11,82	5,86	41,16	63,04

In 2015, CAF worked to expand the offer of classroom and online training by the Virtual University (UVCAF, for its acronym in Spanish), which has graduated more than 308 staff members since it was created, with diplomas from the Tecnológico de Monterrey in Mexico, and the Universidad Abierta de Cataluña, in Spain, among other institutions.

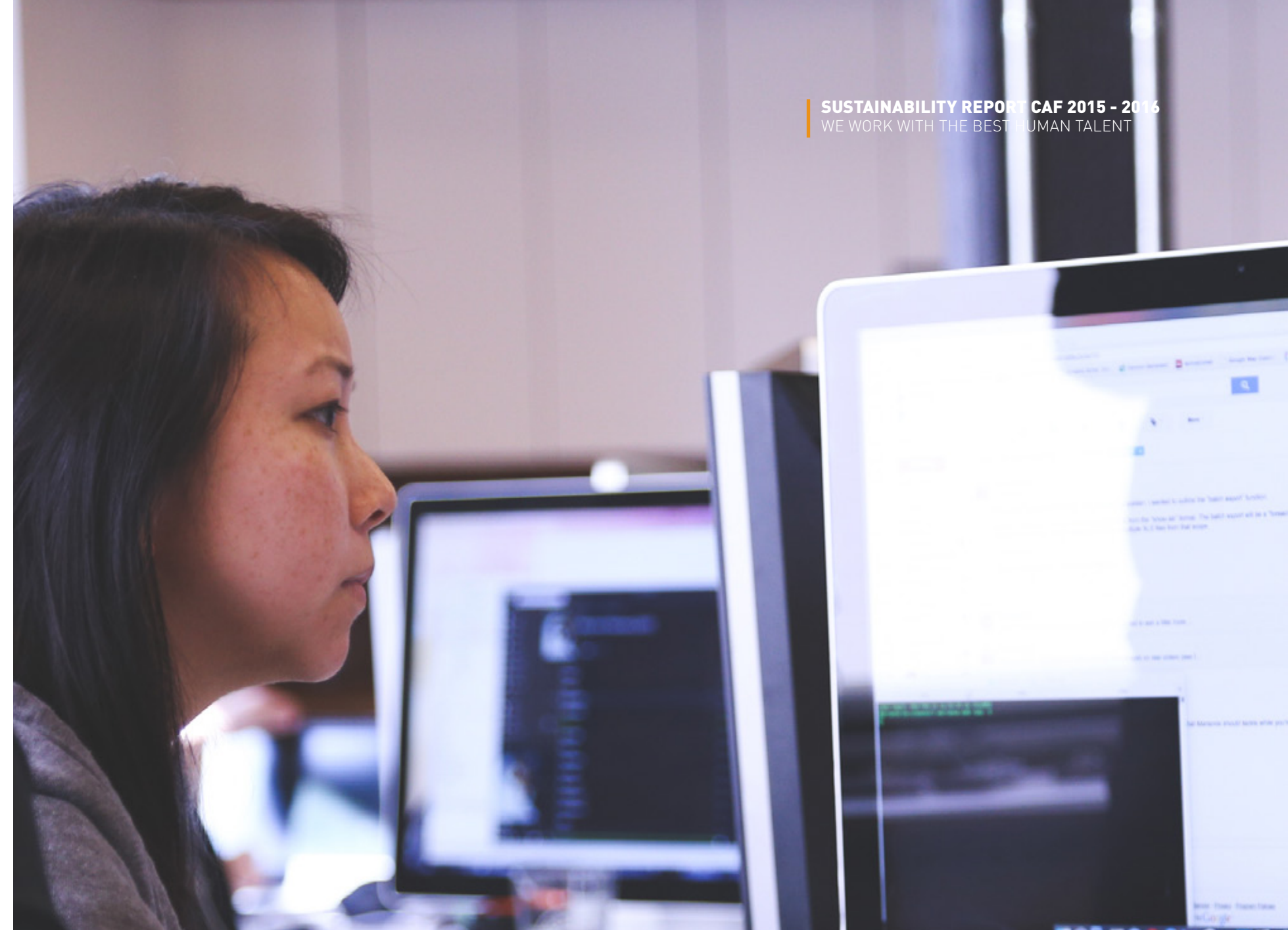
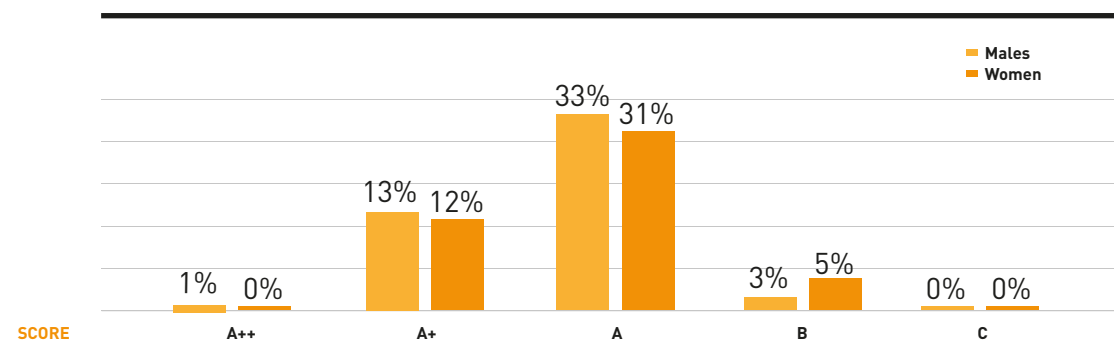
— PERFORMANCE EVALUATION

GRI 404-3

Of the total number of workers evaluated in 2015, 10% obtained an outstanding score, 58% obtained a very good score, and 32% a good score.



In 2016, the performance evaluation was carried out using another methodology that places workers in levels.



As part of its permanent program for improvement and competitiveness, during 2015, CAF continued the Annual Incentive Program (PIA, for its acronym in Spanish), through dissemination actions and review of the indicators. In 2016, with the support of the consulting company McKinsey & Company, the project to reinforce the talent management process was carried out. This initiative allowed for the definition and execution of the necessary interventions to achieve a successful alignment between the management of human capital and the institutional mission, in addition to providing a guide to focus efforts in coming years.



**WE CONTRIBUTE
TO ECONOMIC
DEVELOPMENT IN
LATIN AMERICA**

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ECONOMIC SUSTAINABILITY

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

CAF IS STRONGLY COMMITTED TO WORK FOR THE DEVELOPMENT OF LATIN AMERICA. FOR THIS REASON, IT JOINS EFFORTS WITH SHAREHOLDER COUNTRIES, GOVERNMENTS, MEMBERS OF THE BOARD, AND PERSONNEL AT THE BANK TO BE A PART OF THE TRANSFORMATION OF THE REGION AND OFFER BETTER OPPORTUNITIES FOR ALL.

CAF faced great challenges in 2016 as, for the second consecutive year, the economy in Latin America suffered a downturn of the Gross Domestic Product (GDP) of slightly over one percent, mainly caused by the international environment, which experienced a fall in commodity prices and a reduction of global demand. Under this context, the Bank faced a scenario of lower international growth that threatened to roll back the great advances registered in the region during the past decade and the start of this one, with respect to the provision of goods, services, and improvements in the quality of life of Latin Americans.

Faced with this adverse scenario, CAF continued aiming its efforts to support the priority needs of its shareholder countries by performing an anti-cyclical and catalytic role of resources to mitigate the circumstantial negative impacts resulting from the international environment. Thus, the Bank concentrated its efforts in supporting its shareholder countries for the promotion of an agenda that points toward productive transformation, increase of private investment and saving levels, and reduction of poverty and inequality.

THIS STRATEGY IS PROMOTED THROUGH FINANCING FOR LONG TERM PROGRAMS AND INVESTMENT PROJECTS THAT PROVIDE A RESPONSE TO THE GREAT STRUCTURAL CHALLENGES OF THE REGION IN SUPPORT OF THE DEVELOPMENT OBJECTIVES OF EACH SHAREHOLDER COUNTRY.

In this respect, during 2016, CAF approved 156 operations for a total financing of USD 12.412 billion, 7.5% more than the previous year, which represents a historic amount for the Institution. Specifically, and consensually with shareholder countries, sovereign operations of free availability budgetary support were prioritized to accompany them in their counter-cyclical programs, without overlooking the promotion of investment projects and programs of the public sector, particularly regarding roadways, water, sanitation, and energy. This high demand for sovereign loans enabled to compensate the lower demand for corporate loans that followed a pro-cyclical behavior this year.

DURING 2016 CAF APPROVED 156 OPERATIONS FOR A TOTAL FINANCING OF USD 12.412 BILLION, 7% MORE THAN THE PREVIOUS YEAR

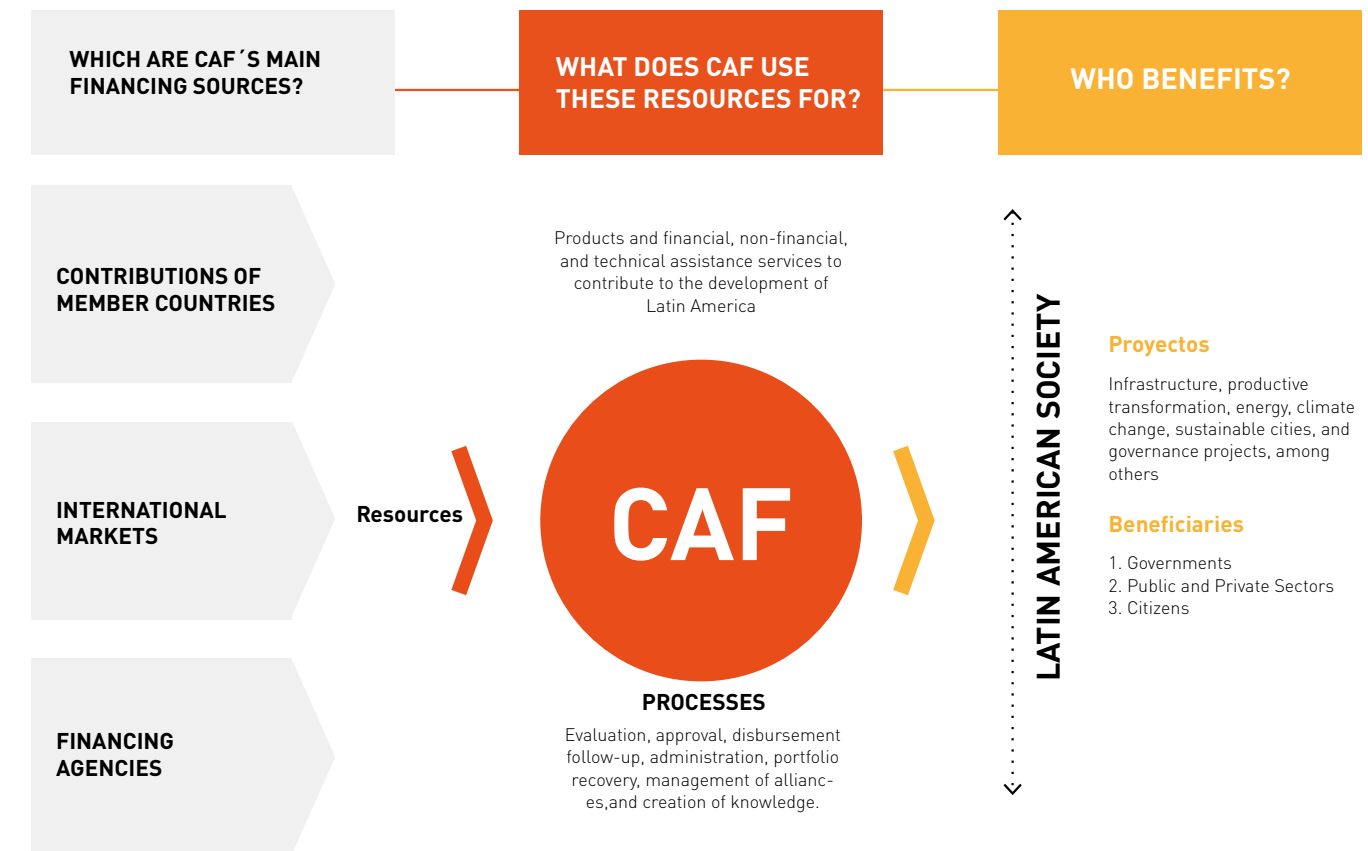
At the same time, disbursements increased to USD 8.426 billion, 42% more than in 2015, mainly as a consequence of the demand for sovereign operations with quick disbursements and a greater rotation of short-term credit lines. In addition, at the close of 2016 the direct portfolio reached USD 22.362 billion, which represents an annual growth of 7.7% and a net increase of USD 1.604 billion compared with 2015.



CAF CONTRIBUTES TO THE ECONOMIC DEVELOPMENT OF LATIN AMERICA

CAF promotes sustainable development and regional integration through an efficient mobilization of resources for a timely provision of multiple financial services, of high value added, to clients of the public and private sectors in shareholder countries. Thus, the Bank strategically contributes to solve the structural limitations that hold back development in Latin America by carrying out the following activities:

- Support for the **diversification of the productive matrix** of the countries to facilitate their process of competitive insertion in international markets.
- Encourage an **increase of productivity and reduction of dependency** on primary product exports by contributing value to the comparative advantages of the economies of the region.
- Promote an **increase of saving levels** by strengthening and deepening financial markets
- Promote **investments in all forms of capital**: human, social, institutional, natural, financial, physical, and productive, through the intermediation and catalyzing of financial resources.
- Strengthen the national productive sectors by promoting and supporting **pragmatic processes of regional integration**.
- Promote **universal access to quality services in education, health, water and sanitation**, that contribute to achieve effective inclusion and facilitate a reduction of the structural conditions of inequality.
- Promote the development of the underprivileged classes through the **generation of formal and quality employment**.
- Support **institutional development** through programs related to governance, leadership, corporate government, and strengthening of the institutions that execute operations in member countries.



During 2016, CAF presented satisfactory results in the management of its economic resources, with operational profits 51% higher than the previous year, mainly due to the growth of liquidity and the credit portfolio.

PRINCIPALES CIFRAS

Asset Category	2015	2016
LIQUID ASSETS	USD 10.781 BILLION	USD 11.989 BILLION
TOTAL ASSETS	USD 32.470 BILLION	USD 35.669 BILLION

FINANCIAL LIABILITIES	2015	USD 21.782 BILLION
	2016	USD 23.778 BILLION
TOTAL LIABILITIES	2015	USD 22.946 BILLION
	2016	USD 25.195 BILLION
LOAN AND INVESTMENTS PORTFOLIO	2015	USD 20.759 BILLION
	2016	USD 22.363 BILLION
PAID CAPITAL	2015	USD 6.846 BILLION
	2016	USD 7.674 BILLION
NET CAPITAL	2015	USD 9.524 BILLION
	2016	USD 10.474 BILLION
OPERATIONAL PROFITS*	2015	USD 135 BILLION
	2016	USD 204 BILLION

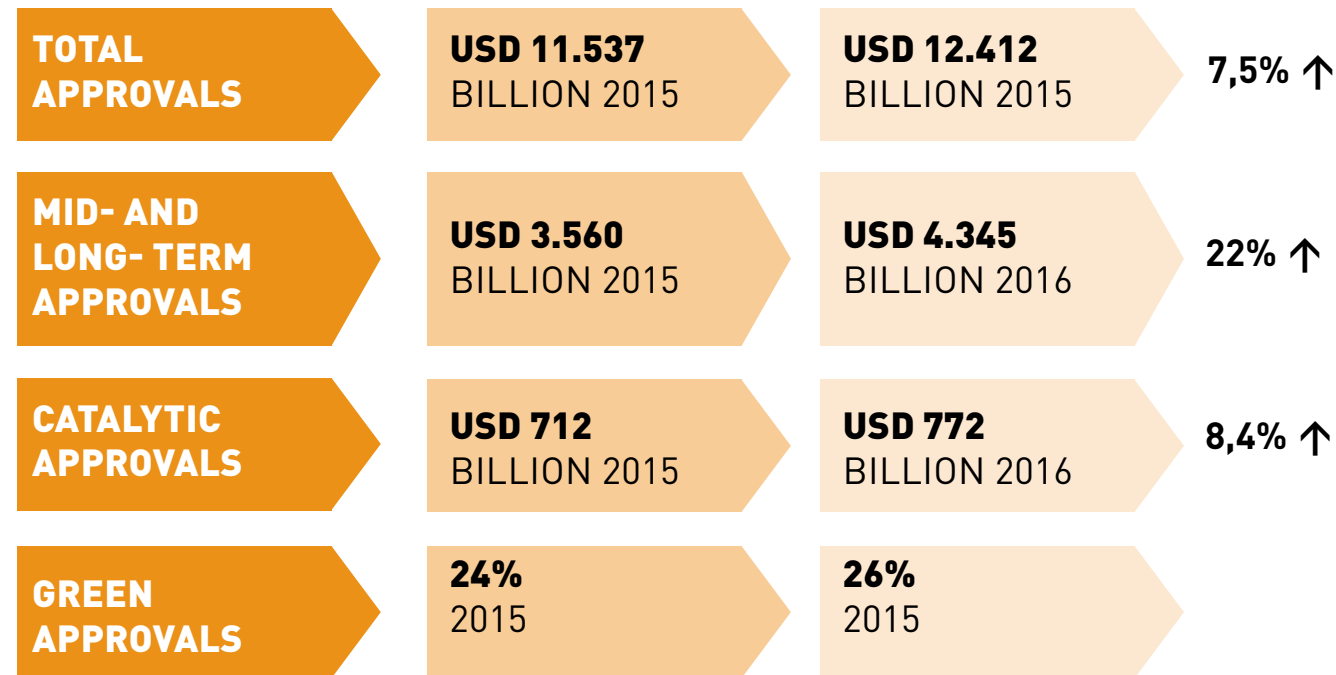
*Operational profits are defined as the net profits before unrealized changes in the reasonable value of the financial instruments and contributions to the special funds.

— OPERATIONAL INDICATORS

During 2015 and 2016 the Bank performed a satisfactory management compared with its main operational indicators which respond to its mission objectives, and to the generation of value in the region. The management performed allowed all of the Institution's operating indicators to remain at optimal or acceptable levels, impacting on portfolio growth, approvals, and number of disbursements during these years.



— Approvals



The 2016 approvals program included 43 mid- and long-term operations, which are divided into 34 loans with sovereign guarantee for USD 4.162 billion and 9 loans without sovereign guarantee for USD 303 million (includes B segments of AB loans). Of the sovereign loans, USD 1.960 billion stand out. They were allocated to budgetary support loans with free availability, with the objective of supporting shareholder countries to overcome the adverse economic context in the region. The remaining USD 2.202 billion were approved in favor of programs and projects to accompany development strategies in share-member countries.

With respect to credit lines for private and public companies and banks, USD 6.384 billion were approved during the year to boost the productive transformation process in the region.

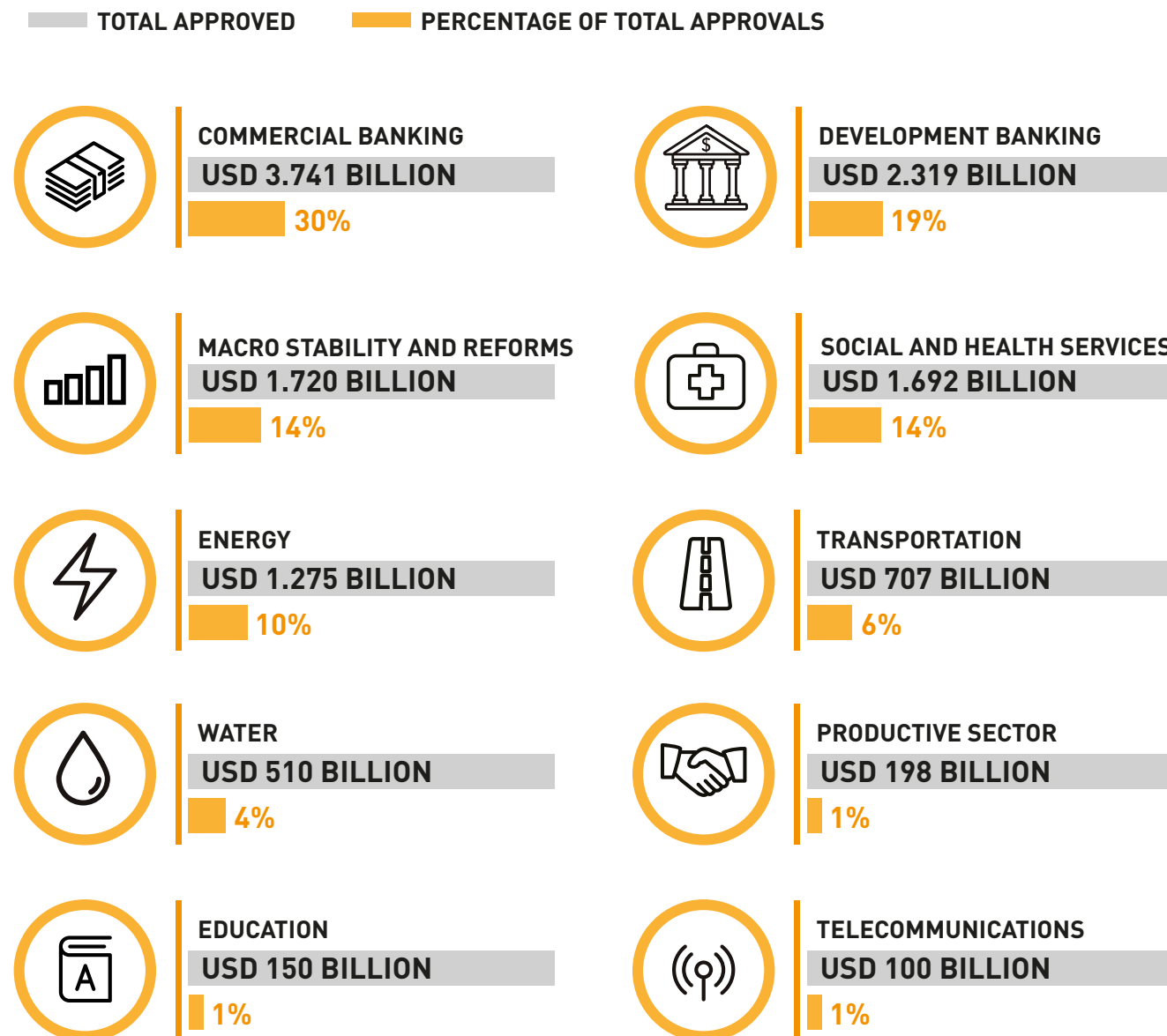
In addition, USD 1.5 billion approved corresponded to contingent lines of credit, both for capital markets as well as to address emergencies resulting from natural phenomena, and USD 65 million in stock options and in technical cooperation funds.

DURING 2016, THE GREEN CLIMATE FUND (GCF) APPROVED USD 49 MILLION FOR THE ATACAMA SOLAR S.A. OPERATION IN CHILE, FOR THE CONSTRUCTION, OPERATION, AND MAINTENANCE OF A 143 MW PHOTOVOLTAIC PARK. THIS REPRESENTS THE FIRST GCF APPROVAL TO CAF IN ITS ROLE AS AN IMPLEMENTING AGENCY OF SAID FUND.

Approvals materialized for 18 of the 19 shareholder countries during 2016, with a participation of 49% of the founding countries (Bolivia, Colombia, Ecuador, Peru, and Venezuela), 36% of the full member countries (Argentina, Brazil, Panama, Paraguay, Trinidad & Tobago and Uruguay) and 15% of the C series countries (Barbados, Chile, Costa Rica, Dominican Republic, Mexico, Portugal, and Spain) and multinational operations. It is noteworthy that during this year the first approval to Trinidad & Tobago was granted for USD 300 million.



— 2016 approvals by economic sector



With respect to the approvals by economic sector, it is important to highlight the support provided to the area of **productive infrastructure (energy, transportation, and telecommunications)** in a wide variety of initiatives aligned with the development strategies of the countries. During 2016, a total of USD 2.082 billion were approved for this sector, to finance road programs and electric energy generation and distribution projects, among which the following stand out:

- Paseo del Bajo 2,082 Project in Argentina: USD 150 million.
- Project for the construction of the El Salto – Monteagudo Highway, and the Cazaderos and Cazaderitos Tunnels in Bolivia: USD 220 million.
- Project for the Improvement of the Transmission and Distribution of Electricity System in the Metropolitan System of Paraguay: 150 million
- Rehabilitation Program for Secondary and Tertiary Road Networks (Vial III) in Uruguay: USD 80 million.

In the **social development** sector, USD 2.352 billion were approved in 2016, among which USD 660 million were allocated to the social infrastructure area (water, sanitation, and education), financing for urban development programs, and the immediate attention of emergencies resulting from natural phenomena. In this sector the following should be highlighted:

- Urban Infrastructure Loan for San Bernardo de Campo in Brazil: USD 125 million.
- Sectoral Wide Approach Loan for Urban Development and Housing in Ecuador: USD 100 million.
- Instituto Técnico Superior del Este (ITSE) Project in Panama: USD 150 million
- Sectoral Wide Approach Loan for Habitat and Urban Development in Venezuela: USD 400 million.

With respect to operations related to subjects of **macroeconomic stability and structural reforms**, USD 1.720 billion were approved this year, which support shareholder countries in their counter-cyclical programs. The following stand out in this area:

- Program for Modern Cities and Infrastructure for Sustainable Territorial Integration in Colombia: USD 450 million
- Program in Support of the Mid-Term Fiscal Consolidation Strategy, 2015-2020, in Trinidad & Tobago: USD 300 million.

With respect to the **productive and financial sectors**, USD 6.258 billion were approved in loans and credit lines to companies and public and private banks, with the objective of strengthening and establishing new relationships with clients in these sectors. USD 2.319 billion approved for this sector will be granted to national development banks to facilitate support to the development strategies of shareholder countries through financial intermediaries.



— PORTFOLIO



With respect to the total portfolio, at the close of 2016, 61 percent corresponded to the northern region (Barbados, Colombia, Costa Rica, Dominican Republic, Ecuador, Jamaica, Mexico, Panama, Portugal, Peru, Spain, and Venezuela); 38 percent to the southern region, (Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay); and the remaining 1 percent to multinational operations.

Compared with 2015, the 2016 portfolio grew by 7.7 percent, which was boosted mostly by program and sectoral loans that helped mitigate the adverse impacts of the international economic context in CAF's shareholder countries.

For more detailed information regarding CAF's approvals, disbursements, portfolios, and financial statements, see annual reports at: <http://scioteca.caf.com/handle/123456789/2>

FUND RAISING AND MANAGEMENT OF FINANCIAL RESOURCES

CAF plays an essential role in the active promotion of sustainable development in Latin America, through which it guarantees the continuity of its operations even in situations of adversity or crisis. In this respect, it is focused on efficiently raising and managing financial resources obtained from several sources, in a competitive, flexible, and innovative framework.

For these reasons, the Bank has developed financial guidelines and policies that contribute to preserve the Institution's solidity and profitability, which makes CAF a pillar of constant support to member countries in their sustainable development objective. This great effort to obtain resources both in international capital markets and through strategic alliances, has allowed CAF to expand its financing for socially responsible investment projects.

Thus, CAF continuously works to find financial resources in better terms and conditions outside the region, enabling it to offer its shareholder countries a more attractive level of financing with the potential of providing more support for the projects it promotes.

CAF MAINTAINS OPTIMAL RELATIONS WITH THE INTERNATIONAL FINANCIAL COMMUNITY IN ORDER TO DIVERSIFY THE SOURCES OF FINANCING AND OBTAIN RESOURCES AS TECHNICAL ASSISTANCE.

COMMITMENTS

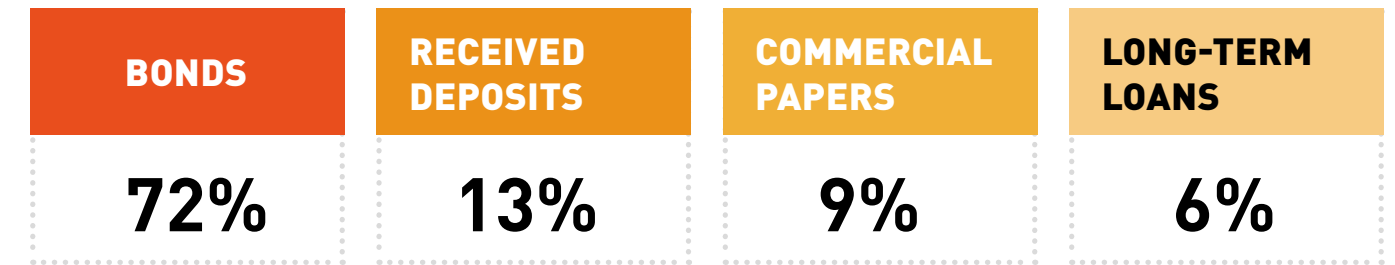
ENSURE TIMELY AND EFFICIENT COMPLIANCE OF LOAN DISBURSEMENTS	OBTAIN FINANCIAL RESOURCES AT COMPETITIVE FUNDING COSTS	DIVERSIFY INVESTOR BASE BY PROFILE AND GEOGRAPHICAL LOCATION
MINIMIZE FINANCIAL RISKS LINKED TO OBTAINING FINANCING	CONDUCT A CONSERVATIVE MANAGEMENT OF LIQUIDITY	TREAT FINANCIAL INFORMATION UNDER INTERNATIONAL ACCOUNTING STANDARDS

ADVANCES IN THE MANAGEMENT OF FINANCIAL RESOURCES

DURING 2016, CAF CARRIED OUT 21 ISSUES IN INTERNATIONAL CAPITAL MARKETS FOR A TOTAL OF USD 3.964 BILLION, WHICH WAS A RECORD BOTH IN THE AMOUNT OF RESOURCES AS IN THE NUMBER OF BONDS.

CAF has continuously worked to raise financial resources to comply without interruptions to the disbursement of loans, which have been evaluated with environmental, economic, and social criteria.

At the same time, CAF has managed the funds maintaining adequate levels of liquidity to generate trust from investors and risk rating agencies. Along these lines, CAF raises financial resources through deposits, bond issues, and commercial papers under competitive conditions, as well as through funds coming from strategic alliances with multilateral institutions and development agencies. At the close of 2016, the Institution's financial liabilities had the following make-up:

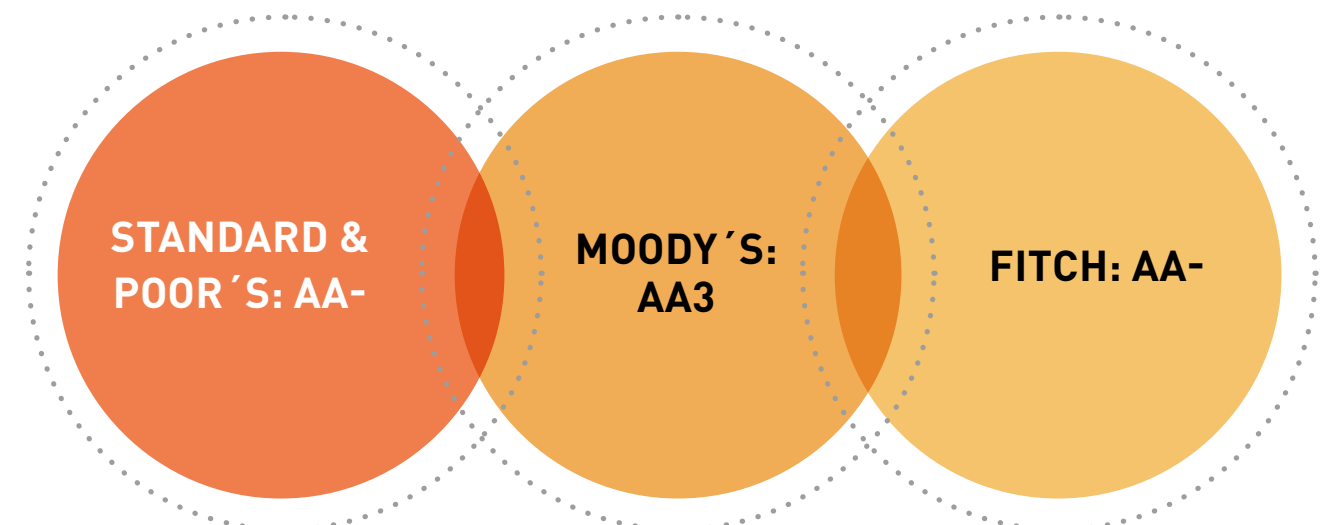


Under this scheme, to a great extent CAF finances its operations through the issue of mid and long-term securities in international capital markets. At the same time, the Bank carries out a follow-up of the existing strategic relationships and evaluates potential new alliances that facilitate the mobilization of resources from the commercial and multilateral banks and official organizations toward Latin America.

At the same time, CAF complies with high standards of financial policies in matters of liquidity, capitalization, portfolio diversification, and management of assets and liabilities, which contributes to the continuity and efficient growth of the project portfolio.

Furthermore, CAF evaluates its management according to the parameters established in its guidelines and policies regarding liquidity and volume of investments by type of risk and capital, while at the same time it adjusts its management in order to comply with the financial indicators that support its credit rating, which advanced to the following level at the close of 2016:

THE STRATEGIC ALLIANCES WITH THE INTERNATIONAL FINANCIAL COMMUNITY BOOST CAF'S CATALYTIC ROLE IN SECTORS SUCH AS RENEWABLE ENERGY, ENERGY EFFICIENCY, WATER AND SANITATION INFRASTRUCTURE, AND CITIES OF THE FUTURE, AMONG OTHERS.



CAF annually develops a “Program of Activities and Budget” (PAP, for its acronym in Spanish), based on the business plans of the diverse units. This plan establishes a financial program, including the fundraising plan which is a reference for the following management year. This financial program is determined based on the result of the current year and the goals for the coming year. Therefore, it constitutes a global working instrument.

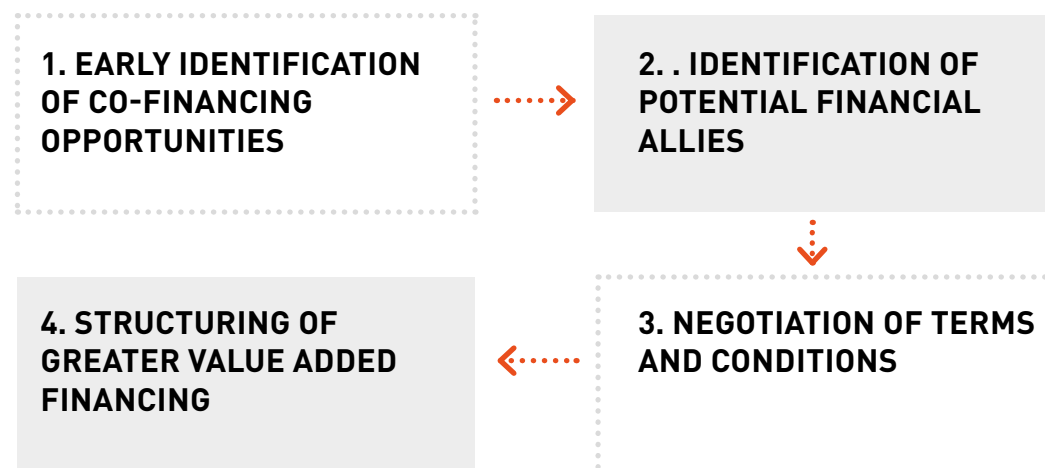
CO-FINANCING

CO-FINANCING CONSTITUTES A LOAN MODALITY THAT COMPLEMENTS CAF’S FINANCIAL RESOURCES BY ATTRACTING FOREIGN CAPITAL TO THE REGION.

Co-financing is an instrument that enables CAF to strengthen its financial capacity and provide benefits with a high value added to shareholder countries. Thus, the Bank mobilizes resources from other financing sources toward Latin America, allowing access to additional resources, and providing opportunities to undertake large-scale projects.

In this respect, CAF co-finances operations with the private banking system, as well as with multilateral organizations such as the Inter-American Development Bank (IDB), World Bank, Inter-American Investment Corporation (IIC), KfW Development Bank (KfW), French Development Agency (Afd, for its acronym in French), China Development Bank (CDB), Official Credit Institute (ICO, for its acronym in Spanish), Nordic Investment Bank (NIB), International Financial Corporation (IFC), and the International Fund for Agricultural Development (IFAD), among other official organizations.

The co-financing process may be summarized as follows:



In addition, CAF has developed a series of policies and guidelines that contribute to manage co-financing more efficiently:

1. CREDIT MANUAL

2. MANUAL FOR THE DISTRIBUTION OF ASSETS

3. DUE-DILLIGENCE GUIDELINES

4. MANUAL FOR THE MANAGEMENT OF TECHNICAL COOPERATION OPERATIONS

5. MANUAL FOR THE MANAGEMENT OF THIRD PARTY RESOURCES



**— COMMITMENTS REGARDING
 CO-FINANCING**

Through co-financing, CAF promotes the execution of operations and projects in the region that leverage compliance with its corporate objectives, in line with the following commitments:

EXPAND THE FINANCING CAPACITY BY DISTRIBUTING ASSETS

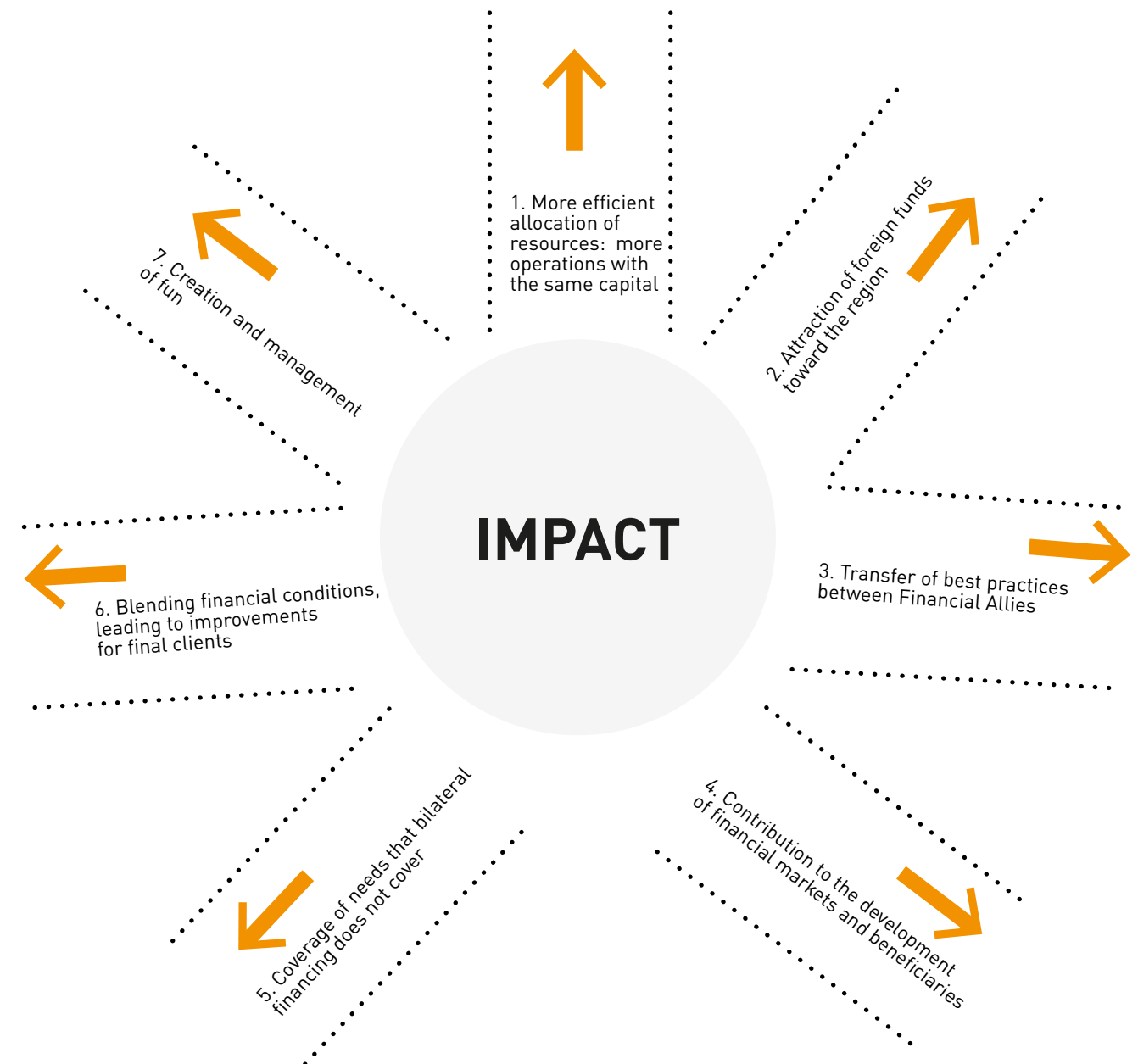
ADOPT MARKET BEST PRACTICES

**STRENGTHEN RELATIONS WITH FINANCIAL ALLIES,
 STRENGTHENING THE CAPACITY TO MOBILIZE RESOURCES**



— BENEFITS OF CO-FINANCING

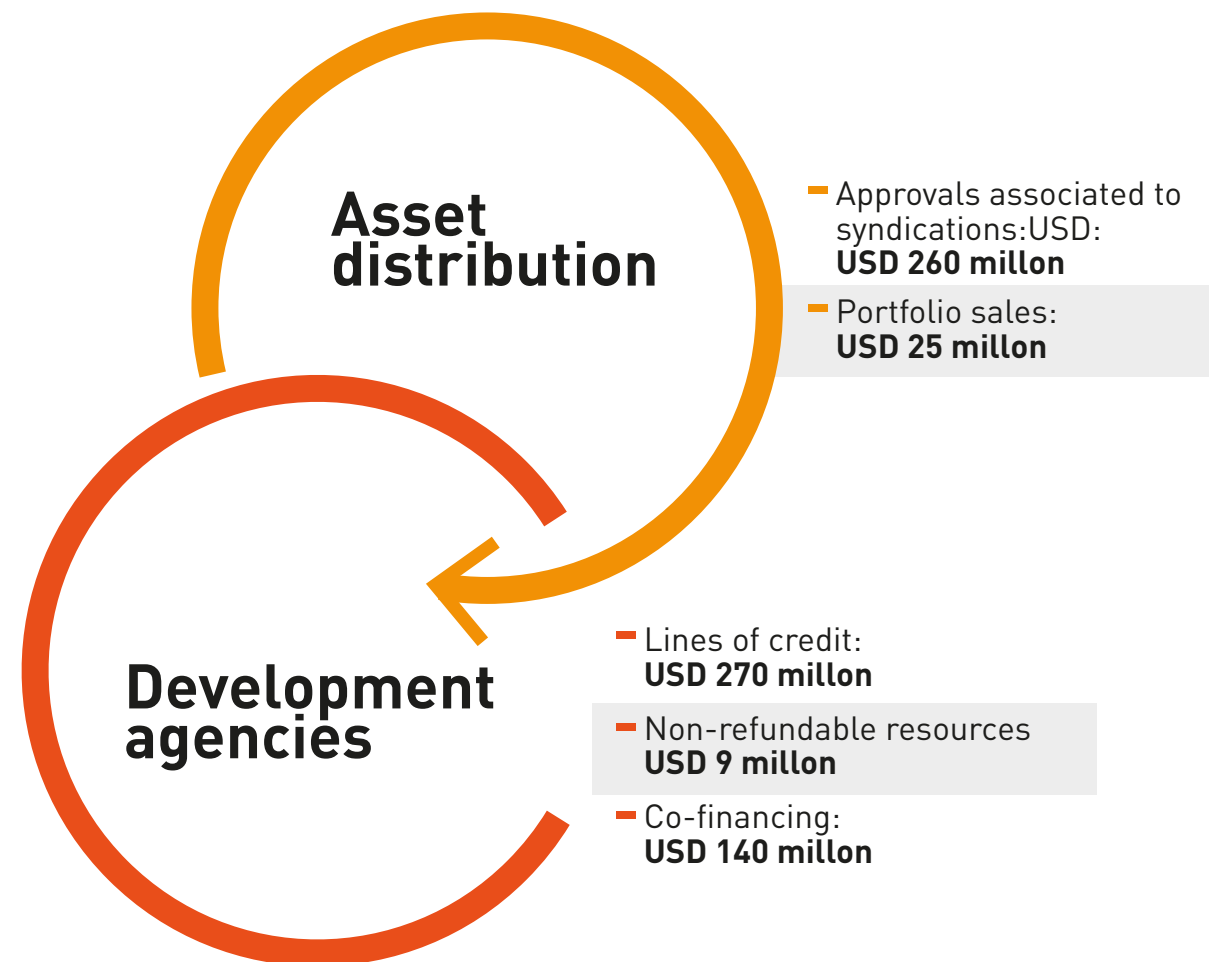
CAF generates a direct impact on the organizations with which it collaborates through different mechanisms such as exchange of knowledge, financing, and other cooperations. The following graph summarizes the different impacts of co-financing:



— MAIN RESULTS OF CO-FINANCING MANAGEMENT

During past years, CAF has worked in co-financing by means of an adequate identification, evaluation, negotiation, and management of short, medium, and long-term credit facilities with commercial and multilateral banks, and official credit agencies, a working scheme that has allowed it to maximize the benefits provided to the final client.

During 2016, the Bank presented the following results that allowed it to comply with its value offer for its interest groups, as well as strengthen relationships with Financial Allies:



GENERATION AND DISTRIBUTION OF ECONOMIC VALUE

GRI 201-1

CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT AIMS TO ACHIEVE HIGH, SUSTAINED, SUSTAINABLE, AND QUALITY GROWTH IN LATIN AMERICA: HIGH TO CORRECT THE DEVELOPMENT GAP COMPARED TO HIGH INCOME COUNTRIES AND COMPENSATE FOR POPULATION GROWTH; SUSTAINED TO ENSURE CONTINUITY OF THE ECONOMIC AND SOCIAL PROGRESS OVER TIME; SUSTAINABLE TO ENSURE INTER-GENERATIONAL FEASIBILITY OF THE NATURAL CAPITAL, RESPECT CULTURAL DIVERSITY, AND SUSTAIN DEMOCRATIC GOVERNANCE IN THE REGION; AND QUALITY, IN ORDER TO BENEFIT THE LARGEST SHARE OF POPULATION EQUITABLY, IN FAVOR OF THE LEAST PRIVILEGED SECTORS.

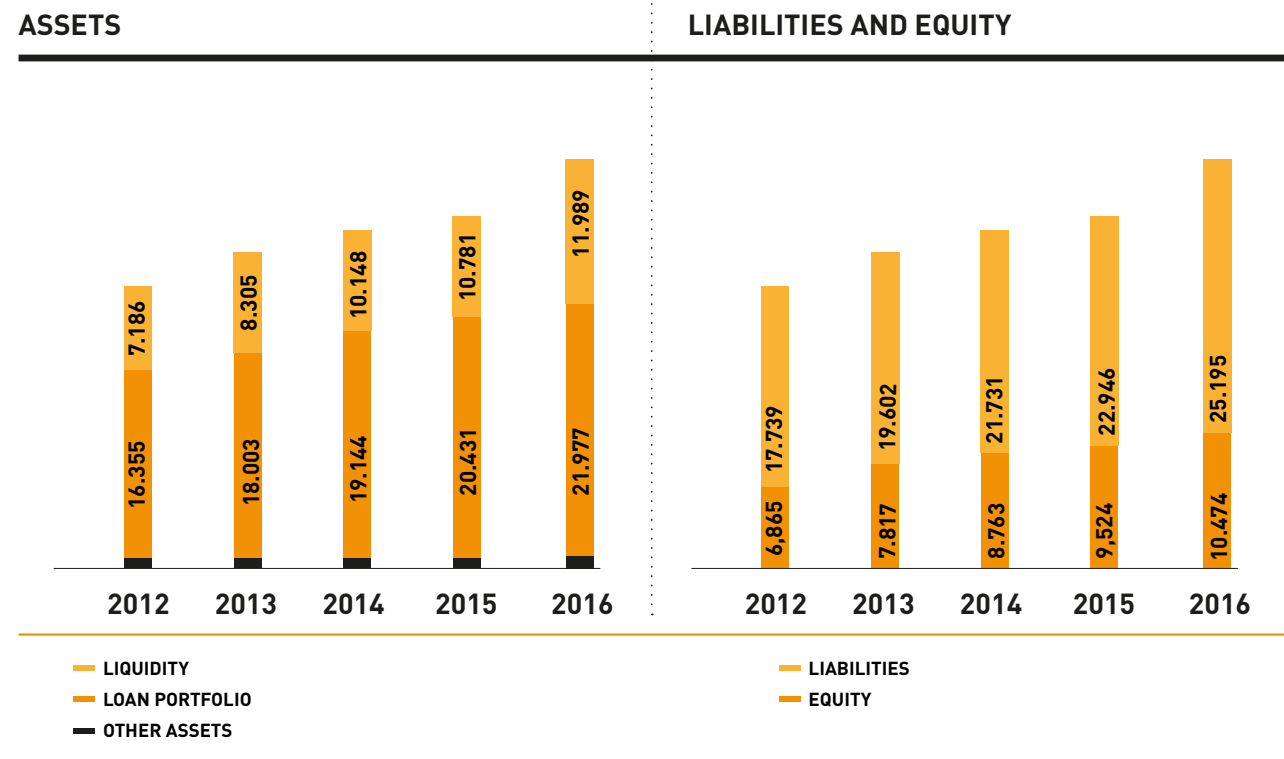
Considering the above, the Bank has focused its management on complying with these guidelines and grow hand in hand with the region. For this reason, during 2016 its assets reached a total of USD 35.669 billion, which represents a 9.8% growth with respect to the previous year. This growth is due as much to the increase of loan portfolios, which closed at USD 21.977 billion, a 7.6% increase from the previous year, as to the growth of liquidity, which totaled USD 11.989 billion, 11.2% higher than the previous period, equivalent to 33.6% of total assets.

It is also important to highlight that CAF's total equity reached 10.474 billion, with a paid capital of USD 4.784 billion, a capital surplus of USD 2.890 billion and USD 2.800 billion between reserves and retained earnings. Thus, the total equity represented 29.4% of total assets and 40.3% of risk-weighted assets, according to the methodology established in the Basel Agreement.

It is noteworthy that during the course of 2016, net interest income rose by 24.1%, as a result of the increase of the LIBOR rate combined with an increase in the volume of the loan portfolio and a reduction in the fundraising margins.

In addition, the operating profit and the ROE showed improvement due mainly to the increase of the LIBOR rate and the growth of loan portfolios and liquidity. Operational profits reached USD 204 million in 2016 and the ROE was 2.1%, while the average yield of the 10 year US Treasury Bonds was 1.83% and the average 6-months LIBOR rate was 1.03%.

GENERAL BALANCE IN USD BILLIONS



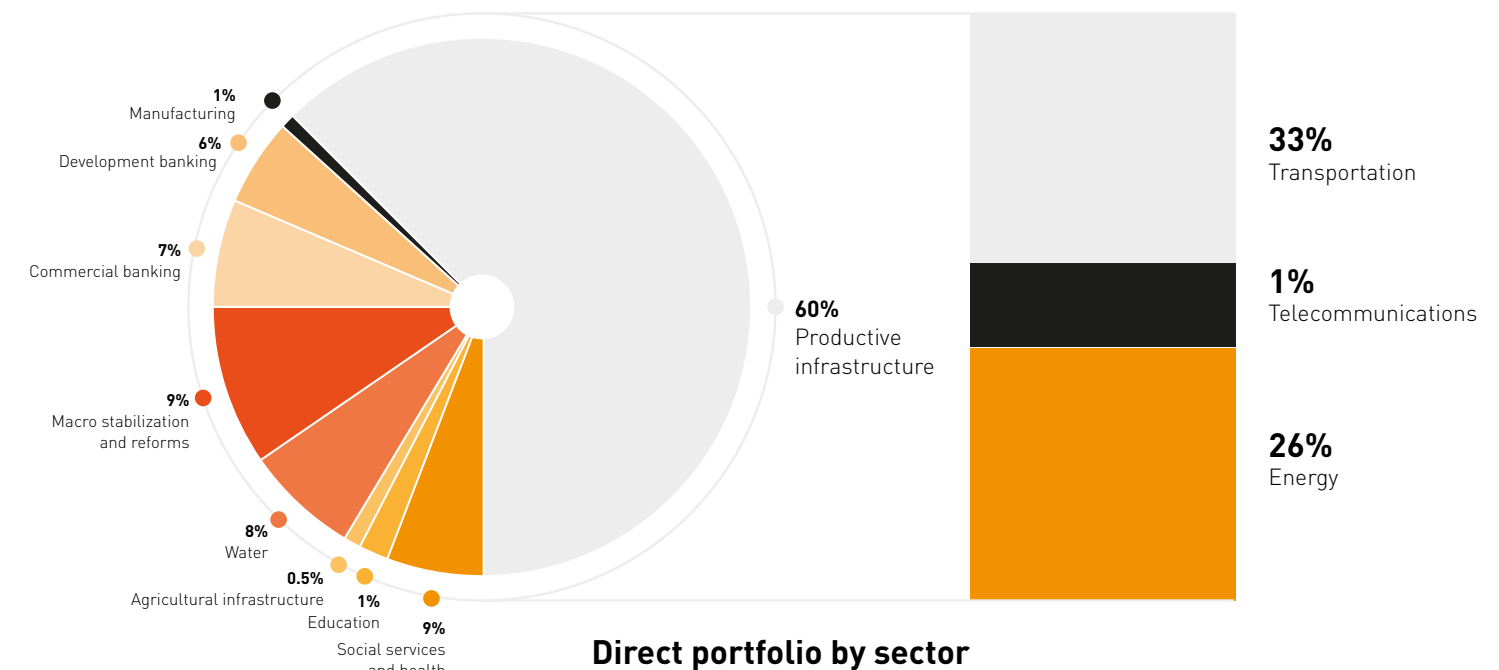
AT THE CLOSE OF 2016, THE DIRECT PORTFOLIO (LOANS AND INVESTMENTS) REACHED USD 22.363 BILLION, WHICH REPRESENTS A GROWTH OF 7.7 PERCENT WITH RESPECT TO THE CLOSE OF 2015, REPRESENTING A NET INCREASE OF USD 1.604 BILLION.

At the same time, the direct portfolio by economic sector mainly concentrated on productive infrastructure (energy, transportation, and telecommunications), with 60 percent of the total, and social infrastructure (mainly water and education), with 9 percent of the total. Thus, CAF's portfolio associated to infrastructure represents 69 percent.

In addition, the direct portfolio in the social services and health sectors reached 9 percent of CAF's total direct portfolio. The portfolio's concentration on these sectors ratifies the Banks strategic interest in supporting the least favored segments of the popu-

lation through the provision of basic services such as roads, transportation, energy, potable water, sanitation, and urban development.

Thus, this relative concentration of the direct portfolio on infrastructure, has allowed CAF to achieve an expertise in knowledge and technical advice to position itself as a leader of priority projects that have a positive impact on the region's global productivity.



With respect to the structure of the direct portfolio by country, it is important to highlight the institutional effort carried out throughout the year to achieve a better geographical distribution of the direct portfolio. As a result of this effort, the relative participation of CAF's member countries remained below 15 percent at each monthly closing, as was the case at the close of 2016. In addition, 18 of the 19 shareholder countries closed 2016 with participation in CAF's direct portfolio.

DIRECT PORTFOLIO BY COUNTRY 2016



COOPERATION FOR DEVELOPMENT

CAF complements its important financial action through the use of diverse mechanisms and sources of resources of cooperation for development, of a reimbursable, non-reimbursable, and contingent nature, under an operational modality aimed at financing technical assistance operations in order to facilitate the transfer of knowledge and technology, promote activities supported by the Bank, and complement the existing technical capacity in member countries.

With this objective, a systematization exercise of CAF's cooperation actions for development has been carried out, in order to measure with greater precision the level of alignment according to diverse strategic prioritization criteria. Currently, these criteria include, in addition to the United Nations Sustainable Development Agenda, the Institutional Development Objectives (strategic action lines prioritized by CAF, for example: infrastructure, social development, etc.), and the Action Fields (productive transformation, integration, etc.). The resources used come mainly from two sources:

**SPECIAL FUNDS COMING FROM
CAF'S NET PROFITS**

1.

**THIRD PARTY RESOURCES HANDLED
AND/OR MANAGED BY CAF, OF A CA-
TALYTIC NATURE**

2.

These resources mainly finance operations that complement the technical capacity of the countries, contribute to the motivating impulse of CAF's renewed development agenda, and generate sectoral knowledge for the region.

IN 2016, TOTAL APPROVALS CHARGED TO THESE RESOURCES REACHED USD 67 MILLION CONSIDERING BOTH SOURCES: 78% CHARGED TO SPECIAL FUNDS AND 22% FROM THIRD PARTY RESOURCES.

— COMMITMENTS IN TERMS OF TECHNICAL COOPERATION

CAF seeks to boost exercises and interventions aimed at building, strengthening, or complementing technical capacities at an institutional or sectoral level in member countries. These technical capacities have been identified as priority for the countries' development and quality of life of its citizens. Therefore, CAF has established the following significant actions to contribute to fulfill this commitment:

1

Support programs or projects aimed at the transfer of knowledge and institutional strengthening of public or private organizations which are a priority for the country's development and its future sustainability.

2

Support the preparation of loan proposals for specific development projects at a national or regional scale, and facilitate the execution.

3

Generate and socialize knowledge regarding relevant and priority subjects for sustainable development and regional integration.

4

Internationally promote shareholder countries, individually or jointly, in fora or events that are relevant for the region's development.

— MAIN ADVANCES IN THE MANAGEMENT OF TECHNICAL COOPERATION

The following are some key management successes during 2016:

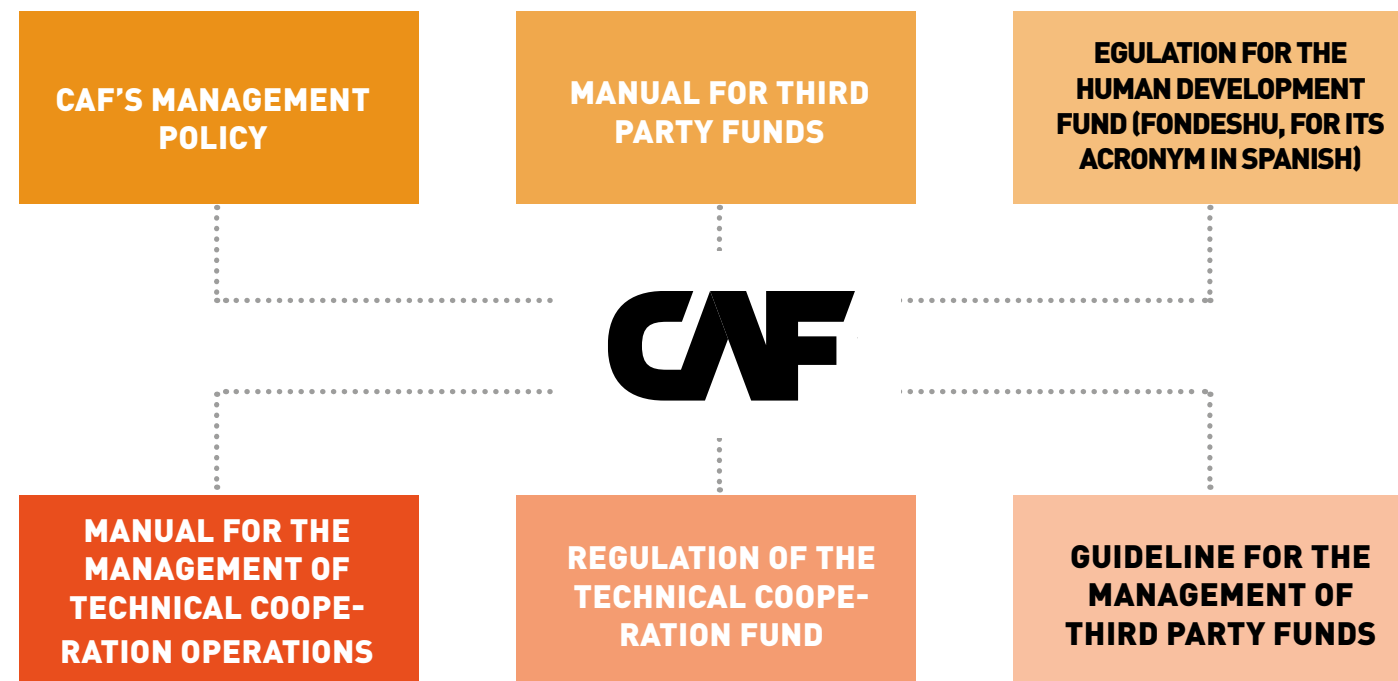
1. CAF's accreditation before Green Funds.
2. Subscription of new facilities.
3. Lean Transformation of the Direction of Cooperation Funds for Development (DFCD, for its acronym in Spanish).
4. Visualization of technical cooperation as a development tool in shareholder countries.



It is important to highlight that CAF agrees with the shareholder countries on the priority action fields of each country, taking into consideration those areas where it can contribute all its experience, knowledge products, and networks, among other facilities that generate the greatest possible impact.

These activities complement CAF's loans and investments program, in agreement with the countries' sectoral strategies, focused on obtaining direct effects and results regarding development. The eligibility criteria of the operations are defined in the regulation of each Special Fund, or in the administration agreement subscribed with the donor of the resources. Special attention is paid at all times to the application of the established procedures, making an efficient use of the resources, minimizing transaction costs, and mitigating reputation and operational risks that are inherent to this operational modality.

In addition, CAF has established a series of guidelines to manage these cooperations, which are aligned with its agenda and mission objectives.



— DIRECTION OF COOPERATION FUNDS FOR DEVELOPMENT (DFCD, FOR ITS ACRONYM IN SPANISH)

CAF created the Direction of Cooperation Funds for Development (DFCD), with the following main objectives:

- I) coordinate the operational programming for technical cooperation (TC) in agreement with the criteria established by the Strategy Committee for Technical Cooperation (CECT, for its acronym in Spanish);
- II) ensure that the use of resources is done in agreement with the applicable regulation and the standard operational model defined to that effect;
- III) facilitate the conceptualization and instrumentation of operations, the adoption of best practices in cooperation for development, and the capitalization of the achieved learning;
- IV) be a spokesperson for funds and institutional donors, offering management services with fiduciary standards.

Thus, the Direction of Cooperation Funds for Development has two Committees through which it monitors the effectiveness of the management approach at a strategic and operational level. The committees are:

1. COMMITTEE FOR TECHNICAL COOPERATION STRATEGIES (CECT, FOR ITS ACRONYM IN SPANISH):

- Establishes guidelines for the use of resources.
- Approves the annual program.
- Evaluates the relevance of creating new programs and new operational modalities.
- Evaluates management results.

2. SPECIAL FUNDS COMMITTEE (CFE, FOR ITS ACRONYM IN SPANISH):

- Recommends the approval of Technical Cooperation operations to the Executive President, aligned with the annual program.
- Authorizes the evaluation of credit and equity investment operations charged to the Special Funds
- Approves the management proposals for third party resources.
- At a corporate level, periodically conducts reviews and audits focused on evaluating management processes and controls according to what has been identified by the Direction of Internal Audit, Direction of Compliance and Portfolio Rating, and the Direction of Accounting and Budget.

IT IS IMPORTANT TO MENTION THAT CAF IS ACCREDITED BEFORE INTERNATIONAL FUNDS SUCH AS THE GLOBAL ENVIRONMENTAL FUND (GEF) AND THE GREEN CLIMATE FUND (GCF) AS AN IMPLEMENTING AGENCY, WHICH IMPLIES THAT CAF COMPLIES WITH PROCESSES AND STANDARDS OF INTERNATIONAL FIDUCIARY BEST PRACTICES.

In addition, through the Knowledge Management area, the Direction conducts regular research regarding international best practices that help develop more sophisticated tools for the management and monitoring of Technical Cooperations.

At the same time, the Direction has a system of indicators to follow-up and monitor active operations, which are based on the information of the Fund Management System. In this respect, CAF follows these indicators every two weeks, and the business areas are notified so that they can execute the corresponding actions if necessary.

— Lean Management

In the framework of the Lean Management process, these management tools were complemented and improved, and this follow-up is reported quarterly to the corresponding Committee.

To ensure feedback with the interest groups and settle the complaints and suggestions that may be identified, annually the Direction of Cooperation Funds for Development generates two satisfaction surveys aimed at the internal clients of the Direction and Institutional clients who are beneficiaries of CAF's Technical Cooperation.

With respect to these satisfaction surveys, and to provide follow-up to claims and solutions to the reported complaints, the Direction of Cooperation Funds for Development (DFCD) annually develops an action and adjustment plan of its management. In 2016, as a result of the 2015 satisfaction survey, internal capacity was adapted to ensure a solution to the identified problems, periodic coordination spaces were created, and 199 corporate participants received orientation regarding existing flows and tools.

— TECHNICAL COOPERATION FUND (TCF)

The Technical Cooperation Fund (TCF) is the main sources of resources for technical assistance managed by CAF, and they come from net profits. In 2016, charged to the TCF, operations were approved for a total amount of USD 30 million, which represents 45% of the total resources allocated for Technical Cooperation operations.

— HUMAN DEVELOPMENT FUND (FONDESHU, FOR ITS ACRONYM IN SPANISH)

APPROVALS CHARGED TO THE FONDESHU IN 2016, REPRESENTED 13% OF TOTAL RESOURCES, WHICH IS EQUIVALENT TO APPROXIMATELY USD 7 MILLION BETWEEN LOAN OPERATIONS AND TECHNICAL COOPERATION OPERATIONS.

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

THIRD PARTY TECHNICAL COOPERATION FUNDS

CAF manages and/or executes third party resources to finance technical cooperation operations in the region, mainly aimed at contracting consultancies and technical assistance. In 2016, approximately USD 15 million third party resources were channeled from the following sources:

1. Strategic and Financial Association Program with the **French Development Agency** (AFD, for its acronym in French): in 2016, approximately USD 200,000 were approved, charged to AFD resources, to co-finance initiatives linked to sustainable cities and climate change.
2. **The Global Environmental Fund** (GEF): in 2016, the Fund approved donation resources for USD 10 million in favor of CAF for the project "Andes Adaptation to Impacts of Climate Change on Water Resources" and donation resources to benefit Colombia for USD 3 million for the project Transformación del Sub Sector Panelero en Colombia a través de los pilotos de la NAMA (Transformation of the Panela (raw sugar) sub-sector in Colombia through the NAMA pilots).
3. **The Green Climate Fund** (GCF): en 2016 the fund approved donation resources for up to USD 300,000 in favor of CAF as an implementing agency for the Readiness Paraguay Program.
4. **The Latin America Investment Facility** (LAIF), through which the European Commission approved, in favor of CAF, diverse programs that are managed by the German and French development agencies (KfW and AFD, respectively). The resources, for an estimated amount of USD 2.1 million for the region, are being invested in studies for the urban transportation, energy, water and sanitation, and climate change sectors, reflecting an important catalytic role.

At the same time, between 2015 and 2016, agreements were subscribed with the following third party resources:

- French Treasury FASEP Facility: EUR 2.000.000
- LAIF Sustainable Cities and Climate Change – AFD: EUR 4.200.000

During those years, the following third party resources have been available to implement and/or execute programs and projects:

AFD: **EUR 1.300.000**

LAIF GRANT FOR CLIMATE CHANGE PROGRAM 2010 - KfW: **EUR 2.850.000**

PUBLIC TRANSPORT INFRASTRUCTURE - AFD: **EUR 3.000.000**

LAIF FACILITY FOR WATER AND WASTEWATER INVESTMENT PROGRAMME IN LATIN AMERICA - KfW: **EUR 4.000.000**

LAIF FACILITY FOR PERFORMANCE BASED CLIMATE FINANCE IN LATIN AMERICA - KfW: **EUR 10.000.000**

LAIF URBAN PUBLIC TRANSPORTATION IMPROVEMENT: **EUR 3.000.000**

OPEC FUND FOR INTERNATIONAL DEVELOPMENT (OFID): **USD 800.000**

RESPONSIBLE PROCUREMENT

CAF has a supply chain that is highly responsible and committed, which contributes to compliance with the highest standards needed by the business for its operations in Latin America. To achieve this, the Bank carries out an exhaustive process to review the suppliers of goods and services, who contribute to the Institution's continuous growth.

During 2016, the Bank experienced a growth of close to 10 percent in contracts with suppliers located in the countries where CAF is present. In this respect, the growth of the economies of CAF's member countries is boosted by actions other than mission actions.

IN 2016, AWARDED CONTRACTS TO SUPPLIERS INCREASED TO 288, FOR A TOTAL CONTRACTED OF USD 4.69 MILLION DISTRIBUTED IN 23 COUNTRIES. USD 42.15 MILLION WERE ALLOCATED TO CONTRACTS MAINLY IN THE AREAS OF CONSULTANCIES, BASIC SERVICES, AND WORKS, DISTRIBUTED TO A TOTAL OF 278 SUPPLIERS.

CONTRACT PROCESSES

The acquisition of goods for all the Bank are centralized in the purchasing area, including specialized purchases of technology, maintenance and construction, inputs required for the operation of offices, the Inputs storehouse, and promotional materials, among others.

The contracts area is mainly in charge of executing the contractual administrative formalization, which includes the process in which the contract applications are received, previously quoted and selected by the requesting unit, validating compliance with the internal norms and policies that regulate contract processes. This formalization is carried out by issuing and signing a contractual document prepared by the Legal Advisory area, and by the generation of the corresponding service order in the administrative system, which enables the allocation of funds to comply with the commitments acquired with the suppliers.

These applications are processed in compliance with the current norms, through an order application issued in the administrative system. The greatest concentration of purchases of goods is for specialized technological equipment. Considering the established corporate standards and the technical specifications, a high percentage of purchases are made in the United States of America, and distributed to representation offices.

PRODUCTIVE TRANSFORMATION

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

During the past fifty years, growth in Latin America was generated equally by increases in productivity and employment rates in the region. Facing this scenario, it is estimated that in the next fifty years, 85% of growth will come from productivity increases. However, if the dynamics behind these increases remains the same as in the past, it would imply a reduction of 40 percent in the global GDP growth rates; therefore, it is necessary for productivity rates to increase by 80 percent in order to keep the growth dynamics at the same levels.

To face this challenge, CAF has defined a productive transformation strategy focused on increasing the productivity of the sectors through the promotion of economies with value added that integrate to the global production and market chains, while at the same time generating greater quality employment.

To achieve this, CAF's actions are aimed at the elimination of the existing barriers to growth in the region, through the promotion of entrepreneurships and strengthening of the productive sector, emphasizing the adaptation and incorporation of existing innovations, and by promoting new innovations in sectors that can integrate to the global chains.

STRATEGIC FRAMEWORK

THROUGH THE DEVELOPMENT OF ITS PRODUCTIVE TRANSFORMATION STRATEGY, CAF IS COMMITTED TO PROMOTE ENTREPRENEURIAL DEVELOPMENT, PRODUCTIVE AND SOCIALLY INCLUSIVE COMPETITIVENESS, AND INNOVATIVE ENTREPRENEURSHIP THROUGH SPECIALIZED PROGRAMS AND GENERATION OF KNOWLEDGE, TO COPY SUCCESSFUL EXPERIENCES, MOBILIZE INTERNATIONAL RESOURCES TOWARD COUNTRIES AND LOCALITIES, AND STRENGTHEN PRODUCTIVE LINKAGES.



CAF's strategy for the Private Sector starts from the comprehensive development of the productive transformation in the countries of the region, in order to generate quality employment and economies with a higher value added, by means of the holistic transformation of four strategic pillars and/or cross-cutting enablers focused on innovation: transportation, energy, agro-industry, and financial development⁸.

⁸This chapter develops the strategies regarding the agro-industry and financial development pillars. Transportation contents may be consulted in the chapter "Road, logistic, and communications infrastructure", and energy contents in the chapter "Energy infrastructure".

KEY PRINCIPLES OF SUCCESS

- **Effort/resources approach** with interventions in selected sectors and enablers
- **Necessary interventions in several countries** to leverage best practices that do not have negative impacts on the environment.
- **Intensive investment in specialized knowledge** with best practices documentation and-creation of additionalities.
- **Catalytic focus** with investments that mobilize resources from other actors in the economy.
- **Leverage of CAF's experience** in defined sectors/enablers, and in the relationship with the public sector.
- **Impact measurements** to carry out follow-ups.
- Focus on **closing market failures**.

LEVELS OF ACTION AND CAF'S ROLE

Attraction of investments and reduction of barriers	Coordination at the industry level	Financing at the company level and technical advise
<ul style="list-style-type: none"> ■ Generate sectoral studies ■ Coordinate public and private actors to increase sector efficiency 	<ul style="list-style-type: none"> ■ Generate mechanisms that enable the coordination of companies to: <ul style="list-style-type: none"> ■ Improve SME's productivity ■ Develop competitive advantages ■ Share best practices that close intra-sectoral productivity gaps 	<ul style="list-style-type: none"> ■ Ensure that high potential companies take a leap forward in terms of productivity, based on resources and advice from CAF

In line with this strategic guidelines to strengthen the private sector in Latin America, the actions of the Vice-Presidency of Productive and Financial Sectors (VSPF, for its acronym in Spanish) are aimed toward compliance of the objectives associated with the following strategic lines:

FINANCIAL DEVELOPMENT

PRODUCTIVE DEVELOPMENT

CORPORATE GOVERNMENT

ENTREPRENEURIAL INNOVATION



In view of this, actions that are coordinated from this line of action are focused proactively toward compliance with the following objectives:

- Promote access to financing mechanisms for SME's, micro enterprises, and entrepreneurs with potential, and maintain its counter cyclical role managing its portfolio with financial institutions.
- Improve the financing ecosystem and generate financing resources for SME's, to overcome regulatory, legal, and information barriers; generate and/or strengthen the capacities of financial institutions; train SME's directly or indirectly to access financing; and directly or indirectly finance SME's.

To do so, CAF focuses its efforts proactively in two groups of countries with financial development gaps and different risk levels:

CLUSTER #1

- Bolivia, Ecuador, Paraguay, Dominican Republic, and Costa Rica
- The focus is on improving the financing ecosystem, manage lines with commercial banks toward SME's, and provide advice

CLUSTER #2

- Brazil, Mexico, Colombia, Uruguay, Panama, Trinidad & Tobago
- Manage lines and advice for SMS's with niche banks (micro-financial institutions) or development banks and NGO's, focused on generating more financing resources

FINANCIAL DEVELOPMENT

CAF PROMOTES PUBLIC AND PRIVATE INITIATIVES FOR THE REGULATION, DESIGN, IMPLEMENTATION, AND EVALUATION OF POLICIES AND FINANCIAL INCLUSION INSTRUMENTS IN THE COUNTRIES OF THE REGION, BOTH FOR THE DEMAND AND THE SUPPLY OF SERVICES, INFRASTRUCTURE, AND FINANCIAL SYSTEM NETWORKS.

Financial development may be understood from two dimensions:



Access to Financial Services Program

THIS PROGRAM HELPED ESTABLISH COMMITMENTS WITH THE GOVERNMENTS OF CAF'S MEMBER COUNTRIES WHICH ARE INTERESTED IN DESIGNING AND IMPLEMENTING NATIONAL STRATEGIES FOR INCLUSION AND FINANCIAL EDUCATION, WITH THE ULTIMATE GOAL OF ENABLING THE COUNTRIES OF THE REGION TO HAVE A POPULATION WITH THE NECESSARY CAPACITIES (KNOWLEDGE, SKILLS, ATTITUDES, AND BEHAVIORS) TO MAKE FINANCIAL DECISIONS WHICH HAVE A POSITIVE IMPACT ON THEIR WELLBEING.

This management is carried out through applied knowledge operations and technical assistance that support business operations and other interventions of CAF's productive and financial sector, which are executed with non-reimbursable technical coope-



ration resources, and aimed at complying with the following objectives:

- Promote the development of public policies for inclusion and economic and financial education, considering the different population groups, age groups, and vulnerability levels.
- Support the strengthening of the schemes and processes for the defense of financial consumers, particularly deficient processes within the financial system and control entities.
- Promote financial education programs for MSME's, as well as their corresponding evaluation.

To comply with this strategy, the following activities were carried out during 2015 and 2016:

2015

- Development of financial capacity surveys and results analysis reports in Bolivia, Colombia, Ecuador, and Peru.
- Consultancies to public institutions in these countries so they would include the results as diagnoses in their national inclusion and financial education strategies.
- Preparation of a study regarding the socio-economic determinants of financial education, with evidence from Bolivia, Colombia, Ecuador, and Peru.
- Participation in approximately 10 international seminars to disseminate the results of these analyses.

2016

- Prepare and disseminate the analysis document regarding the results of the financial capacity surveys in Chile, comparison with the other Andean countries.
- Begin the work to publish the book of the joint CAF-CEMLA research on financial decisions in homes, with the participation of researchers from central banks in Latin America.
- Support the implementation of the follow-up, monitoring, and evaluation system of the ENIF in Peru, and incorporate behavior issues in Colombian strategies.
- Definition of support for the financial capacity surveys in Argentina.
- Launch the lab on savings for retirement, using methodologies from behavioral economics.
- Work carried out with the Central Bank of Uruguay (BCU, for its acronym in Spanish), to design the publication of "Economía y Finanzas, una guía teórica para educadores de niños y adolescentes" (Economics and Finance, theoretical guide for educators of children and adolescents), which will be implemented during the 2017-2019 period through the National Program to Train Teachers on the subject of Financial Education, financed by CAF and the BCU.

— PRODUCTIVE DEVELOPMENT

CAF OFFERS A PORTFOLIO OF FINANCIAL AND NON-FINANCIAL PRODUCTS TO MEMBER COUNTRIES, ADDRESSING THEIR SHORT, MEDIUM, AND LONG-TERM STRATEGIES FOR PRODUCTIVE DIVERSIFICATION AND ACCESS TO FINANCING, EMPHASIZING THE AGRO-BUSINESSES SECTORS AND PROJECTS THAT INCORPORATE ENERGY EFFICIENCY AND GREEN BUSINESSES.

The agricultural sector is currently the one with the greatest productivity gaps in the region, and it faces four big barriers to growth: (1) high producer fragmentation, (2) lack of access to financing, (3) low physical infrastructure development and low level of technical capacity and innovation, and (4) barriers to foreign trade and international markets.

In this respect, the Agro-business strategy developed by CAF includes interventions throughout the value chain, from input suppliers to processors and marketers, initially in four countries with productivity gaps which meet the conditions for intervention:

- Brazil and Peru, focusing on interventions at the company level and specialized sectoral banking
- Paraguay and Colombia, focusing on interventions at the level of enablers, industry, and environment.

— **Agro-businesses**

IN THIS LINE OF ACTION, CAF FINANCES INTERVENTIONS AIMED AT SOLVING GAPS OR FAILURES THAT AFFECT THE EFFICIENCY AND COMPETITIVENESS OF AGRO-BUSINESS CHAINS; PROMOTES NETWORKS WITH COMPANIES, AUTHORITIES, AND APPLIED RESEARCH CENTERS THAT BOOST DEVELOPMENT IN THE AGRO-BUSINESS ENVIRONMENT IN THE REGION; AND GENERATES KNOWLEDGE REGARDING BEST PRACTICES THROUGHOUT THE CHAIN.

In terms of operation, this management is carried out through the interaction of two directions of the VSPF, with the objective of developing internal competencies and strategic alliances to identify, structure, and monitor operations in agribusinesses.

- The business area (DSPF) identifies private or public financing opportunities in sub-sectors - value chains, and proceeds to their evaluation. It requests from the knowledge area an analysis of the trends, potentials, and risks existing in that productive activity, to support the internal evaluation.
- In addition to supporting the evaluation of opportunities already identified by the business area, the knowledge area (DDPF), also prospects new potential chains for the countries of interest, and transfers the information regarding opportunities to the business area.

The strategy does not have a predefined operational plan, but it does have guidelines that help identify business opportunities and mechanisms to address each one of them, with the purpose of finalizing the already identified operations and position CAF as an ally of the Agro-business sector in Latin America. Once the opportunities are identified, they are incorporated to the DFPF's pipeline.

The actions that are carried out seek to intervene the main barriers that have been identified for the development of Agro-businesses in the region:

REDUCTION OF ACCESS BARRIERS TO CREDITS FOR PRODUCERS

CAF's financing facilitates better conditions by the financial sector of the countries, through lines aimed at the sector and direct co-financing by CAF in alliance with private and specialized banks.

REDUCTION OF INEQUALITIES REGARDING ACCESS TO RURAL EMPLOYMENT

By promoting private operations that absorb local employment, with greater emphasis on women for agro-industrial tasks.

MITIGATION OF THE SECTOR'S STRUCTURAL RISKS

Mitigation of climate, agronomic, and market risks, by enhancing the specialized insurance sector.

OVERCOMING INFORMATION ASYMMETRIES

By creating and improving national information systems regarding risks and sectoral opportunities.

For the development of this strategy, CAF maintains a permanent relationship with different public and private organizations dealing with agricultural, industrial, and commercial issues, as well as specialized entities in the sector that leverage compliance with the objectives established for the region:

- Ministries of Agriculture in each country, and their technical agencies (agricultural sanitation services, research institutes, etc.).
- Financial institutions : Agrobanco in Peru, Finagro in Colombia, and Agricultural Savings and Loans Cooperatives in Ecuador, among others.
- LAAD Bank: specialized line for Agribusinesses in several countries.
- Rabobank Holland: strengthening of sectoral capacities at CAF, as well as for the analysis of agricultural risk management and identification of new private operations.
- Sector companies: Northern Hub (Agrícola La Venta in Peru, Cooleche in Panama, Provefrut, Ecuauímica, and Pronaca in Ecuador)
- Strategic allies: Food and Agriculture Organization of the United Nations (FAO) and Inter-American Institute for Cooperation on Agriculture (IICA, for its acronym in Spanish), among others.
- Specialized companies and consultants for support studies: Rabobank for cocoa, coffee, Andean grains, and fruit and vegetable chains in several countries; Economist Intelligence Unit to prioritize and analyze agro-export chains in four (4) countries.

In this perspective, an alliance was established with the Ministry of Agriculture and Irrigation of Peru and the Inter-American Institute for Cooperation on Agriculture (IICA, for its acronym in Spanish) in order to support the design of the SERVIAGRO National Plan, which seeks to provide services to half a million producers. Other important interventions prior to the definition of the agribusiness strategy were addressed during this period under the Productive Linkages component.

DURING 2016, CAF STARTED TO STRUCTURE AND EVALUATE THE FIRST SOVEREIGN OPERATION ON AGRIBUSINESSES, CONTRIBUTING USD 27 MILLION TO THE DEVELOPMENT OF THE FIRST PHASE OF THE MASTER AGRICULTURAL PLAN OF PANAMA'S WESTERN REGION, FOR 7 VALUE CHAINS OPERATED BY 15,000 PRODUCERS.



— Productive Linkages

CAF PROMOTES THE DEVELOPMENT OF VALUE CHAINS THROUGH FINANCIAL INTERVENTIONS AND STRENGTHENING OF PRODUCTIVE CAPACITIES, AND ENCOURAGES THE CONSOLIDATION OF REGULATORY FRAMEWORKS SO THAT THE CHAINS MAY BE EXPANDED TO ACTIVITIES WITH GREATER VALUE ADDED AND PRODUCTIVITY.

The objective of this line of action is to strengthen the coordination of value chains, facilitating the interaction of the actors involved, from producers up to commercial links, with the purpose of facilitating access to markets, thus favoring the sustainability of the businesses.

In this respect, the goals are aimed at the productive inclusion of small, medium, and large producers with anchor companies or productive associations, as well as with public and private entities that offer solutions that promote the competitiveness of productive chains.

During the 2015-2016 period, several activities were carried out, related with productive linkages in the agro-industrial sector:

- In 2016, advances continued with the Excelencia Exportadora (Exporting Excellence) programs in Colombia and Ecuador, seeking innovation in the exporting business model of 40 companies in the first country and 12 companies in the latter, with a total of 50 SME's grouped in three commercial export consortia.
- In the case of Ecuador, the project to strengthen metal-mechanic and food chains culminated, while other projects were developed for the productive strengthening of the organic quinoa chains, benefitting 200 producers; strengthening of two associations and 60 producers of organic cocoa; as well as the meat and fruit chains, supported through the improvement of processes of agricultural quality as a public entity that offers support for the adaptation of production standards for export.
- In Colombia, advances were made in the project to strengthen the Regional Competitiveness Commissions and the construction of Integrated Agendas for Competitiveness, Science, Technology, and Innovation in 11 departments of the country. In addition, studies were initiated on new technologies for alternative edible uses of palm oil, as well as a pre-feasibility study of a fractionation plant for palm oil.
- In Uruguay, support was provided through the R+D+i Program for the creation of the Center for Innovation and Applied Technology Management of the Oil Industry (SEPÉ, for its acronym in Spanish), a center with an inclusive nature, which will pursue greater interaction among all the actors of the productive chain, facilitating development through innovation, training, and technological transfer. This center will design and execute research projects with the purpose of contributing to the generation of new products and services, as well as improving industrial processes, focusing innovation on four main lines: 1) human and animal diet; 2) chemical oil, biochemistry, and pharmaceutical and chemical industry; 3) environment, recycling, and energy; 4) industrial materials and processes.

— CORPORATE GOVERNANCE PROGRAM

THIS PROGRAM WAS DEVELOPED WITH THE OBJECTIVE OF PROMOTING AND DISSEMINATING THE APPLICATION OF CORPORATE GOVERNANCE BEST PRACTICES IN INSTITUTIONS OF THE PRIVATE AND PUBLIC SECTOR, WORKING JOINTLY WITH REGULATORS, STOCK EXCHANGES, CORPORATE GOVERNANCE INSTITUTES, DEVELOPMENT FINANCIAL INSTITUTIONS, AND OTHER ACTIVE ORGANIZATIONS IN THE REGION.

With the execution of this program, carried out with non-reimbursable technical assistant resources, CAF acquires the commitment of gradually implementing corporate governance diagnostic tools to public and private companies, clients, or potential clients of CAF, according to the dispositions established in the Framework Agreement of Corporate Governance for the Development of Development Financial Institutions.

The purpose of this is to have an internal corporate governance evaluation tool for CAF clients, provide support in the implementation of this tool, as well as develop and publish corporate governance studies that promote best practices regarding this matter in the public and private sectors with which the Institution works.

The objectives of CAF's Corporate Governance program are:

- **Generation of knowledge:** strengthen the work that has been carried out with State-owned Companies.



- **Promotion and dissemination:** through seminars and workshops at a country level to disseminate the update of CAF's Guidelines for Corporate Governance, as well as the experiences and methodologies developed.
- **Improvement of Corporate Governance in the financial sector:** Support regulators of the financial system to strengthen the legal framework of subjects in this field, as well as work in specific interventions with microfinancial institutions.
- **Non-financial services for business units:** Conduct personalized evaluations of Corporate Governance of specific CAF clients, as well as expand the capacity to analyze Corporate Governance in companies that are CAF clients through an evaluation questionnaire.
- Improvements of Corporate Governance and management of State-owned Companies, in alliance with other regional organizations.

To comply with these objectives, two activities were carried out in 2015. The IV Annual Meeting of Corporate Governance for State-owned Companies (EPE, for its acronym in Spanish) in alliance with the Organization for Economic Cooperation and Development (OECD), a platform that enables the exchange of experiences among those responsible for the direction and/or property of the EPEs, as a space to strengthen the dissemination and application of corporate governance practices. Two workshops were also carried out for SME's in Peru and Colombia. At the same time, the series Public Policies and Productive Transformation (No. 20), published the research document "La Transparencia del Gobierno Corporativo en las Empresas de Propiedad del Estado en América Latina" (Transparency of Corporate Governance in State-owned Companies in Latin America). Furthermore, in alliance with Fundes Internacional, a program started for the implementation of corporate governance best practices for medium-sized companies in Bolivia, Peru, Panama, and Mexico.

During 2016, work was carried out with the General Direction of Public Companies of Paraguay to develop a Code of Corporate Governance for State-owned Companies in said country, as well as awareness workshops for managers and presidents of the Boards of said companies. Likewise, a training program was developed for mid-sized entrepreneurs and members of the Boards of micro-financial institutions; the first one in three cities of Colombia in alliance with Bancoldex, and the second in Lima with the participation of COFIDE.

A meeting was carried out of the Latin American Corporate Governance Network for State-owned Companies in Mexico City, which CAF promoted from the beginning. Finally, support and promotion were provided to launch the Latin American Association of Corporate Secretaries (ASCLA, for its acronym in Spanish) in Lima, as an initiative that allows to emphasize the value that said officials have in strengthening Executive Boards.

The development of these actions has generated greater awareness within the organization, regarding the importance of evaluating the state of corporate governance of clients. At the same time, work with external strategic allies has strengthened the perception of the importance of corporate governance at a company level and in capital markets.

— ENTREPRENEURIAL INNOVATION PROGRAM

CAF'S PROGRAM IN SUPPORT OF ENTREPRENEURIAL INNOVATION SEEKS TO STRENGTHEN THE RESEARCH, DEVELOPMENT, AND INNOVATION (R+D+I) CAPACITIES OF COMPANIES WITH A LATIN AMERICAN ORIENTATION AND SECTORAL RESEARCH CENTERS TO PROMOTE REGIONAL PRODUCTIVITY AND COMPETITIVENESS AND CONTRIBUTE TO THEIR PRODUCTIVE TRANSFORMATION.

CAF seeks to strengthen coordination between academic - business - and state actors around a common agenda regarding innovation, as well as position CAF as an entity that promotes entrepreneurial innovation in the region.

In the development of this strategy, during 2015 and 2016 18 operations were managed in the Program in Support of Entrepreneurial Innovation R+D+i, with resources reaching USD 680,000 allocated to technical assistance and USD 150,300 for the development of generation of knowledge activities.

PILLAR	OPERATIONS
STRENGTHENING THE MANAGEMENT OF R+D+I IN BUSINESSES	<ul style="list-style-type: none"> Colombina (Colombia): Definition of a R+D+i strategy Pronaca (Ecuador): Strengthening of innovation strategy through the Design Thinking methodology in Pronaca and 25 suppliers AEI (Ecuador): Total immersion workshops on innovation to 30 companies, 8 of which have later developed internal units for the management of innovation
STRENGTHENING OF R+D+I CAPACITIES IN RESEARCH CENTERS	<ul style="list-style-type: none"> CITEAgro (Peru): Development of technological monitoring techniques and transfer of knowledge COUSA (Uruguay): Consolidation and development of SEPE's R+D+i strategies
COORDINATION OF ACTORS WITH THE INNOVATION SYSTEM OF COUNTRIES	<ul style="list-style-type: none"> Workshops for business coordination, knowledge and government entities in Colombia AEI: Coordination workshops to generate R+D+i projects in Ecuador Coordination workshops in Venezuela Support for the Tecnova Business Roundtable Support for WAITRO: "PPA's to innovate on innovation" Support for UIP: Innovation in Paraguayan SME's
GENERATION OF KNOWLEDGE	<ul style="list-style-type: none"> BBVA's open innovation strategy Fintech Revolution Entrepreneurial innovation policies in Chile European technological platforms in the agricultural sector Program evaluation Documentation of innovation center of Bancolombia

— **Technological Capability and Innovation in Latin America**

This initiative proposes the development of applied research to analyze the innovative environment within the private sector of Latin America, with a special emphasis on the southern region, to determine why Latin American companies have a relatively low level of innovation and what would be necessary to increase expenditures and efforts for the innovation of companies.

The results of this research will provide CAF with the necessary knowledge to deepen its strategy to strengthen the entrepreneurial innovation capacities in the region, including public policy recommendations and financial and non-financial instruments that promote innovation.

In the framework of this project, the following studies are being developed:

- The importance of technological capability in a global world
- The art of learning and innovating in a globalized and changing world
- Brazilian innovating companies: the innovating environment
- From the supplier program to open innovation in mining
- Financing status for SME's and new companies in Latin America
- Toward a growth strategy in mining for the 21st century: a case of development based on natural resources





- Manage a transition toward technological patents (more engineer-oriented), that is, less patents based on results of scientific labs.
- Balance the financing of technological innovation between the public sector (academic) and the private sector.
- Focus the applications on prioritized strategic sectors through technological prospection.

Support the national and regional institutions to conceptualize strategic plans for patentable technological development through the following actions:

- Identify institutions whose interest is to strengthen international patenting
- Develop technical assistance agreements jointly with institutions regarding the subject of patentable technological innovation.
- Co-finance strategic studies in the region regarding the subject of technological development
- Conduct regional training workshops regarding international patenting and international technological innovation events

In this respect, CAF has developed a program called “Regional Initiative on Technological Patents for Development”, whose main objective is to strengthen the institutions of the region in the area of technological innovation. This work is carried out jointly with public and private universities in the region, governmental entities of member countries, specially Ministries of Science and Technology, Directions of Intellectual Property Registration, and private enterprises.

For their execution, to date 10 intensive workshops have been carried out, using the “CAF method for the accelerated development of patents”, generating more than 500 concepts with patenting possibilities, and more than 400 individuals from public and private institutions of the region have been trained. In addition, 12 technological innovation agreements have been signed with important institutions at a regional level, and leverage has been achieved with public entities in Panama and Paraguay, reaching USD 1.3 billion.

■ CHALLENGES

- Promote international fundraising by the sovereign sector for Internationally Patentable Technological Innovation (protection of international markets via the Patent Cooperation Treaty [PCT]).
- Encourage the private entrepreneurial sector and the academic sector to explore the world of patents and the advantages it represents, both monetary and intellectually.
- Encourage institutions and other related entities to create or strengthen the current regulations for Internationally Patentable Technological Innovation and management of Industrial property.

■ TECHNOLOGICAL INNOVATION PROGRAM

DESPITE THE POTENTIAL IN THE REGION, LATIN AMERICA’S LAG IN COMPARISON TO OTHER REGIONS IN THE WORLD WITH RESPECT TO THE DEVELOPMENT OF PATENTABLE TECHNOLOGIES IS NOTORIOUS AND DISAPPOINTING.

Facing this scenario, CAF considers that concentrating regional efforts in innovation toward technological patents that enable marketing may promote high technology exports from Latin American countries, and increase the productivity of regional economies, with a positive impact on the technological innovation indicators of the countries of Latin America.

CAF’s efforts regarding this matter are aimed toward the identification of the main institutions in the region that are related to the subject of Technological Innovation, as well as identifying and creating joint programs and activities to help achieve feasible short and medium-term results, aimed at compliance with the following objectives:

- Increase the volume of international patent applications, mainly through the Patent Cooperation Treaty (PCT), the European Patent Office (EPO), and the United States Patent and Trademark Office (USPTO).
- Increase the quality of patent applications submitted to patent agents.



**WE CONTRIBUTE TO
IMPROVE THE QUALITY OF
LIFE AND REDUCTION OF
POVERTY, INEQUALITY, AND
SOCIAL EXCLUSION IN LATIN
AMERICA**

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INFRASTRUCTURE FOR SUSTAINABLE DEVELOPMENT

THE EFFICIENCY OF ANY ECONOMY IS LINKED TO MULTIPLE QUALITATIVE FACTORS THAT INCLUDE, AMONG OTHERS, TRAINING OF ITS HUMAN RESOURCES, EFFICIENCY OF ITS INFRASTRUCTURE AND LOGISTIC PROCESSES, RESOURCES FOR ITS PRODUCTIVE, TECHNOLOGICAL, AND FINANCIAL CAPITAL, EFFICIENCY IN THE ALLOCATION OF ITS PRODUCTIVE RESOURCES, SUITABILITY OF ITS REGULATIONS, GENERAL BUSINESS CLIMATE AND ECOSYSTEM, AND A TRANSPARENT INSTITUTIONAL FRAMEWORK.

In line with this challenge, CAF has focused its interest in the development and improvement of the region's infrastructure, as an element that leverages economic efficiency, regional integration, and sustainable development, based on the promotion of initiatives framed within the following components:



- TRANSPORTATION, LOGISTICS, AND INFORMATION TECHNOLOGY INFRASTRUCTURE**
- ENERGY INFRASTRUCTURE**
- SOCIAL INFRASTRUCTURE**

— TRANSPORTATION, LOGISTIC, AND INFORMATION TECHNOLOGY INFRASTRUCTURE

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

CAF promotes the growth of infrastructure networks and the improvement of transportation services in the region, through generation of knowledge and investments in road, logistic, and urban mobility infrastructure that contributes to economic development and the improvement of indicators in the areas of security, accessibility, integration, inclusion, connectivity, and competitiveness of Latin American countries.

In addition, CAF promotes the use of ICT by expanding the infrastructures, the coverage of broad band services, and the generation of knowledge, to take advantage of the technologies in order to improve the indicators in education, health, government, and competitiveness.

Facing energy developments, CAF supports the expansion of coverage and improvement in the quality of electric services in Latin America through financing for energy infrastructure projects, as well as favoring the development of public policies and business strategies aimed at expanding the networks and reducing the inefficiencies of energy services in member countries.

Furthermore, CAF promotes the coverage of potable water and sanitation, management and protection of basins, irrigation and agricultural development, drainage, and flood control, through studies and financing of social infrastructure investment projects and programs, with the purpose of improving the quality of life of the population according to the specific needs of each country.

In agreement with the dispositions established in the Management Policies, CAF's actions are aimed at providing financial services that contribute to the regional integration process, the economic and social development of member countries, and the insertion of said countries in the international economy.

For this purpose, the Comprehensive Agenda for Sustainable Development constitutes the tool that guides the Institution toward the achievement of its mission, as well as the reference framework that guides the design and implementation of all actions that are carried out in member countries, based on sustainable development and regional integration.

The fundamental principle of the design of this Comprehensive Agenda is to achieve quality sustained growth through the management of six thematic pillars: macroeconomic stability, productive transformation, microeconomic efficiency, environmental balance, equity and social inclusion, and institutional strengthening.

To achieve productive transformation and microeconomic efficiency, one of the areas where CAF has prioritized its actions is transportation, logistic, and information technology infrastructure, due to the effects that the management of this subject has on CAF's mission objectives, as well as the benefits and positive impacts that its promotion has on the region, among which the following stand out:

THEY BRING TERRITORIES CLOSER TOGETHER, REDUCING TRAVELING TIMES AND ALLOWING FOR PROXIMITY, CONCENTRATION, AND GENERATION OF ECONOMIES OF SCALE

THEY SUPPORT A MORE PLANNED AND SUSTAINABLE DEVELOPMENT OF THE REGION

THEY REDUCE POVERTY AND CREATE DEVELOPMENT OPPORTUNITIES



THEY STIMULATE ECONOMIC GROWTH AND TRADE

THEY ENABLE THE CONNECTION BETWEEN RESOURCES AND PRODUCTION AND CONSUMPTION CENTERS

— STRATEGIC FRAMEWORK

In line with its corporate strategy, CAF's action regarding infrastructure seeks to contribute to sustainable development and regional integration in member countries through development strategies aimed at complying with the following objectives:

FACILITATE PRODUCTIVE TRANSFORMATION AND DIVERSIFICATION OF THE REGION:

- Promote the development of the productive infrastructure, especially regarding transportation, telecommunications, and information technology, developing proposals with a high technical quality to finance infrastructure projects and programs which demonstrate relevance, effectiveness, efficiency, and sustainability.

SUPPORT THE INTEGRATION OF THE COUNTRIES OF THE REGION AND THEIR INSERTION IN GLOBAL MARKETS:

- Consolidate CAF's leadership in the development of infrastructure to support physical integration and associated logistic processes.

PROMOTE EXCELLENCE, EFFICIENCY, PRODUCTIVITY, FLEXIBILITY, AND COMPETITIVENESS OF CORPORATE MANAGEMENT AND ITS PERMANENT ADAPTATION TO THE ENVIRONMENT:

- Identify and mitigate the business, operational, and reputational risks that could affect CAF, in a timely manner.

DEEPEN CAF'S LATIN AMERICAN DIMENSION:

- Strengthen CAF's role as a space for the generation of ideas, discussion, and promotion of consensus regarding the subject of Latin American development. Disseminate, at a local, regional, and international level, its knowledge and Latin American experience in matters regarding economic infrastructure, and contribute significantly to the management of quality projects.

STRENGTHEN CAF'S CATALYTIC ROLE:

- Attract new sources of extra-regional resources that generate a greater mobilization of resources to finance investments. Promote the knowledge and experience developed to finance member countries to generate associations with other multilateral credit institutions.

These objectives are aligned with the international agenda to promote sustainable transportation, based on the global actions for sustainability promoted by global initiatives such as RIO +20, Sustainable Development Objectives, COP21 Paris Agreements, and the New Urban Agenda – Habitat III, among others.

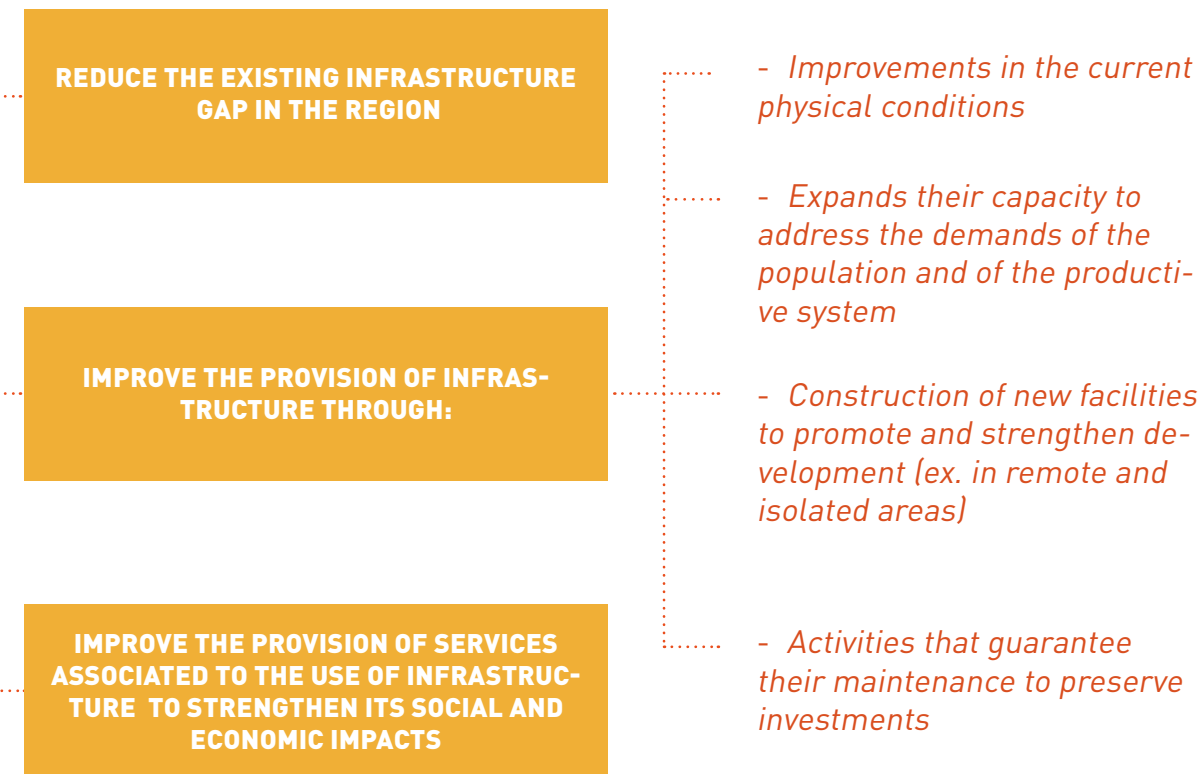
In addition, CAF is an active part of the global community of sustainable and low carbon transportation through its participation in:

- The Sustainable Transportation and Road Safety Initiative of the Multilateral Development Banks.
- The Sustainable Low Carbon Transportation Foundation (SLoCaT).
- The Transformative Urban Mobility Initiative (TUMI), promoted by the Federal Ministry for Cooperation and Economic Development of Germany.
- The Integration Initiative for Infrastructure in South America (IIRSA, for its acronym in Spanish), through technical and financial support to the South American Council for Infrastructure and Planning (COSIPLAN, for its acronym in Spanish), to strengthen the integration of regional infrastructure.

WHAT ACTIONS ARE CARRIED OUT TO COMPLY THESE OBJECTIVES?

To manage the transportation, logistic, and information technology infrastructure, CAF uses two complementary instruments: 1) financing operations, and 2) technical assistance and dissemination of knowledge.

FINANCING OPERATIONS OF HIGH ECONOMIC AND SOCIAL IMPACT THAT:



TECHNICAL ASSISTANCE

- Technical assistance for financed projects in their different stages: structuring and follow-up, planning, technical advice, and pre-investment studies
- Specialized technical support through Country Offices, to define country strategies, specific actions, and technical cooperations

DISSEMINATION OF KNOWLEDGE

- Generation of knowledge through research, analysis, development of diagnostics, and studies to understand the infrastructure needs of the region, identify gaps, and define challenges.
- Active participation in knowledge networks and interest groups to build strategic alliances that complement CAF's actions

These actions generate positive impacts while at the same time strengthen and improve the connectivity of people, quality transportation, and national, regional, and local competitiveness, which are necessary factors to achieve a productive transformation that provides real options for the sustainable development of the population.

— HOW IS THE DEVELOPMENT OF THESE ACTIONS IDENTIFIED AND PRIORITIZED?

Following are the tools to identify and prioritize the actions that are carried out within each management component defined:

COUNTRY STRATEGY DOCUMENT (DEP, FOR ITS ACRONYM IN SPANISH)

This document summarizes CAF’s strategy in a country during a specific period of time, generally aligned with government periods. It identifies the guidelines and priorities that the Government has defined in its guiding planning documents (Development Plans, Master Plans, Sectoral Plans, etc.), and defines the subjects in which CAF’s actions could add value based on its expertise and prior work.

PROGRAMMING MISSION

Taking the DEP as a starting point, CAF organizes formal visits to the different public authorities to dialogue and achieve consensus regarding areas of action

INTERNATIONALIZATION OF EXPERIENCES

As part of the evaluation of a financing operation, or as a result of the support provided during the execution stage, CAF identifies the requirements, needs, and weaknesses that may affect the achievement of the planned objectives

DIALOGUE WITH SECTOR REPRESENTATIVES

Through permanent communication, it is possible to identify the main needs and actions with the highest impact to achieve the development objectives defined regarding financing and technical support.

OWN INITIATIVES

A series of programs have been structured, aimed at strengthening the capacities and dissemination of knowledge in areas of interest, such as roadways, sustainable urban mobility, ICT, logistic, and South American waterways, among others.

INTERNAL PLANNING IN THE FRAMEWORK OF THE INSTITUTIONAL PLANNING PROCESS.

The programs managed as own initiatives are structured by area of action, as follows:

PROGRAM	DESCRIPTION
ROADWAYS	Boosts the development of roadways, promoting best practices in design, conservation, maintenance, and road management, incorporating priority aspects for CAF, such as road security, sustainability, and innovation.
SUSTAINABLE URBAN MOBILITY	Promotes the construction and consolidation of sustainable, efficient, safe, inclusive, integrated, and clean mobility systems, by means of innovative and challenging ideas that improve the mobility of citizens in Latin American cities.
ICT	Identifies the main deficiencies of ICT’s in Latin America, and promotes best practices to expand the digital ecosystem in the region through the development of broad band communications infrastructure.
LOGISTIC	Promotes the concept of comprehensive, inclusive, and sustainable logistic that helps generate competitive advantages in the region.
SOUTH AMERICAN WATERWAYS	Promotes the development of waterways and river transportation, as well as identification of possible projects to carry out infrastructure works that promote the development of this sub-sector in the region.
GEOSUR	Provides digitalized base maps at a local and multinational level to decision makers and the public in general, with geographic and geo-referenced project information.

PROGRAM	DESCRIPTION
GEOPOLIS	Gathers a group of experts that promotes management for the reduction of risks resulting from natural disasters.
IIRSA	Encourages connectivity and physical integration of the region to promote its sustainable development.
PUBLIC-PRIVATE ALLIANCES	Study and promote joint efforts of the public and private sectors for the development of complex infrastructure projects.
IDEAL	Generates regional reports that present a diagnosis of the status of infrastructure in Latin America.

At the same time, management of knowledge activities are identified through an internal exercise of the Direction of Analysis and Sectoral Projection, individually by sector, where no other CAF areas intervene, and where priority is given to activities based on the demand of external and internal clients (Direction of Projects and Country Offices). As a result of this exercise, sectoral strategy documents are developed, with priority action lines.

— SOCIAL ACTORS INVOLVED

Different social actors of a public and private nature are actively involved in the development of these actions. They help leverage compliance of the objectives defined, and for which strategic and permanent networking strategies have been maintained.

- Ministry of Finance and Sectoral Ministries of Transportation, Public Works, and Communications.
- National public entities assigned to sectoral ministries.
- National public entities with planning, regulatory, and/or project structuring roles.
- Territorial public entities: provinces, departments, metropolitan areas, municipalities. Entidades privadas.
- Academia.
- Other types of organizations managing material subjects such as economic associations.

To communicate with these interest groups, representation offices in each country or CAF's External Relations Secretariat fulfill the role of primary speaker with each entity that wants to establish any type of contact with CAF. Later, at an internal level, tools are managed to internalize suggestions for project management, among which the following are included:

COORDINATION COMMITTEES OF THE EVALUATION TEAM (CCEO, FOR ITS SPANISH ACRONYM)

- Suggestion committees for the administration and management of operations in terms of advance, obstacles that arise, and the following steps in the framework of a financing operation.

AREA COORDINATION COMMITTEE (CCA, FOR ITS ACRONYM IN SPANISH)

- Space between the members of each direction to review advances on the goals and current operations and propose internal suggestions.

Likewise, it is through country offices and support of CAF's sectoral and/or cross-cutting business units, that dialogue spaces are generated with the different agents involved, clients, and internal suppliers related with the financing of the projects, and follow-up of the operations is carried out with the counterparts (executing/lending organizations).

— **RESPONSIBILITIES**

Management of the activities and compliance of the corporate objectives related to transportation, logistic, and information technology infrastructure, is the responsibility of the Vice-Presidency of Infrastructure (VIN, for its acronym in Spanish), which has an organizational structure which includes a Vice-President, three directors, evaluation executives from different levels, sectoral specialist executives, and support administrative personnel.

The responsibility over the management of the proposed activities is distributed as follows:

<p>DIRECTOR OF PROJECTS NORTHERN REGION</p>	<ul style="list-style-type: none"> Competency on the financing operations to be developed in Barbados, Colombia, Costa Rica, Dominican Republic, Ecuador, Mexico, Panama, Peru, Trinidad & Tobago, and Venezuela.
<p>DIRECTOR OF PROJECTS SOUTHERN REGIO</p>	<ul style="list-style-type: none"> Competency on the financing operations to be developed in Argentina, Bolivia, Brazil, Chile, Paraguay, and Uruguay.
<p>DIRECTOR OF ANALYSIS AND SECTORAL PROGRAMMING</p>	<ul style="list-style-type: none"> Competency on the technical advice and dissemination of knowledge activities.

The roles and responsibilities of each entity are defined in the Institution's Credit Manual, the Manual for the Management of Technical Cooperation Operations, and other related documents.

— **CONTRIBUTIONS TO THE REGIONAL INFRASTRUCTURE 2015-2016**

During 2015 and 2016 CAF's infrastructure agenda was aimed at the coordination and physical and economic connection of the region, by means of financing important projects to leverage compliance of the countries' development objectives, as well as promoting studies that contribute to sectoral knowledge and provide the necessary tools to outline new and better development scenarios.

— **With respect to financing**

IN 2015 AND 2016, CAF APPROVED A TOTAL OF 39 FINANCING OPERATIONS OF PROJECTS IN 11 COUNTRIES OF THE REGION, WITH AN AGGREGATE AMOUNT REACHING USD 3.244 BILLION.

PROMOTION OF CAF'S CATALYTIC ROLE IN THE REGION

Under this guideline, during the reported period the operation of the Special Vehicle to Finance Infrastructure in Colombia (VEFIC, for its acronym in Spanish) and in Uruguay (VEFIU, for its acronym in Spanish) continued. CAF participates in this operation through CAF Asset Manager, as manager of these funds which provide different options for long term investment for the resources of institutional investors that do not have experience in infrastructure project evaluation, but have significant resources to finance the works.

In the case of Colombia, the fund started with the approval of an investment for the construction of the highway between the cities of Cartagena and Barranquilla, and in its investment pipeline other projects are being evaluated to materialize its participation. At the same time, operations in Routes 21 and 24 stand out in Uruguay. This is the first roadway operation under the Public-Private Participation (PPP) format of the Uruguayan program, and first operation of the fund.

In this same line of action, interventions in other financial institutions are being promoted through loans aimed at financing projects such as the Confital – Bombeo Highway, with the European Investment Bank (EIB) in Bolivia, as well as the Red Vial Pavimentada (Paved Road Network), Caminos Vecinales (Neighborhood Roads), and Puentes II (Bridges II) financed with FONPLATA in Paraguay.



COMPREHENSIVE URBAN INTERVENTIONS

In this action front, during past years Brazil and Ecuador have consolidated as a lab for urban experimentation, where CAF's operations have enabled a comprehensive and multisectoral intervention of municipal programs, improving the quality of life of many citizens, especially in the most marginal areas of these countries.

Among the projects developed under this modality, the following stand out:

- a. Articulation and reclassification program for the urban space, recreation, access, and mobility in Porto Alegre.
- b. Program for the Integration, Mobility, and Development of Manaus, or Sustainable City Goiania Program.
- c. III Roadwork Program in Densely Populated Areas of Guayaquil, Ecuador.
- d. Barrio para Mejor Vivir (Neighborhood for Better Living) Program – Phase II in Cuenca, Ecuador.

SECTORAL INTERVENTIONS

The development of cargo mobility (logistic), recognized as one of the aspects that directly impacts on the competitiveness of countries and the region, has been promoted by operations such as the new Postal Distribution Plant and the support of the Railway Logistic Services Operator in Uruguay, as well as financing for the expansion, modernization, and improvement of the Barranquillas Airport in Colombia, which will help consolidate it as one of the main airports of the Colombian Caribbean coast.

TRANSPORTATION

During the reported period, emblematic projects developed in the areas of integration and regional trafficability:

- The Paseo del Bajo in Buenos Aires (Argentina) is the most important urban project undertaken in their autonomous city, seeking to ease the heavy traffic in the downtown area of the Argentinean capital. CAF finances this work with a loan of USD 400 million.
- The San Borja – San Ignacio or El Salto – Monteagudo Highways in Bolivia will boost connectivity and national competitiveness, as part of the essential Bolivian road network, of which CAF has financed the construction of more than 5,700 km.
- With respect to the railroad sector, the Project for the Improvement of the Railroad Connectivity to Constitucion stands out. It will enable the construction of a railway bridge for part of the Belgrano Sur railroad in the city of Buenos Aires, thus improving vehicular and pedestrian traffic, and reducing accidents.

MANAGEMENT OF PRIOR PROJECTS

In addition to the operations approved during 2015 and 2016, the VIN's management includes follow-up for the operations approved and disbursed in previous years, by supporting executing agents/clients in the execution of the projects, identifying critical points and making recommendations for their solution.

Thus, between 2015 and 2016, follow-up and support was provided to 70 operations, with a total portfolio of 183 operations.

— **Regarding sectoral analysis and dissemination of knowledge**

FACING THIS ACTION LINE, THE FOLLOWING ADVANCES STAND OUT DURING 2015 AND 2016, WITH RESOURCES REACHING USD 5.54 MILLION:

- Development of a portfolio of investments toward 2040 in the port and airport sectors, which includes an analysis of ports and airports and identification of a portfolio of priority projects tending to improve activities and logistic services.
- Program for the creation of the Latin American and Caribbean Network for digital and collaborative ports (phase II), which seeks to promote best practices in collaborative and digital administration of port logistic chains, improving their management and strengthening the region's logistic competitiveness.
- Creation of an Observatory for Comprehensive ICT Development for the analysis of the degree of development of the sector in CAF's shareholder countries, in order to evaluate future investment needs that promote the integration and international competitiveness of Latin America.
- Phase II of the Regional Program for the Development of South American Waterways, seeking to promote the operational improvement of navigability, ports, logistic, and connectivity.
- Latin American Infrastructure Network Cities and Risks - GeoPOLIS-Phase III: creation of a network of experts who are available to generate knowledge and advice governments regarding the adverse effects of earthquakes and climate change, that contribute to the design and construction of infrastructure and more resilient cities, and to incorporate the management of disaster risks in the planning processes of infrastructure.
- IdeAL 2015 - Infrastructure in the Comprehensive Development of Latin America: publication that seeks to promote the generation and dissemination of knowledge and information on infrastructure in the region for decision making and the construction of policies under the premise that quality infrastructure is an essential factor in the development of more inclusive and competitive societies.
- iCity-South: promote the generation and dissemination of knowledge applied to urban mobility in the region for decision making. With the implementation of iCity-South, relevant problems in Latin America will be defined, and practical solutions will be developed. This project will define a road map that will provide CAF information of best practices in the area of urban transportation.
- Road Safety Program - Phase V: promotion of road safety in Latin America and the Caribbean with a "safe system" approach, supporting technological innovation, transfer of best practices between countries of the region and between these and other countries, emphasizing the materialization of programs and projects that reduce road accidents and their consequences.
- Promotion of exchange of experiences:
 - Annual workshop of the Urban Mobility Observatory (OMU, for its acronym in Spanish).
 - International Transport Forum - ITF (Leipzig, Germany).
 - Latin American Telecommunications Congress (CLT, for its acronym in Spanish).
 - International Logistic Meeting (SIL, for its acronym in Spanish) (Barcelona, Spain).
 - Waterways Workshops .
 - Training for Road Safety Audits.
 - Development and dissemination of IDEAL.

— **EVALUATION AND MONITORING OF OPERATIONS**

In the case of financing operations, management monitoring is carried out in coordination with Country Offices, and is based on the follow-up of compliance of the special conditions of the loans, which are included in the contracts subscribed, programming of follow-up visits, and meetings carried out with counterparts. The special contractual conditions are the result of the due diligence carried out during the evaluation stage of the operations. These conditions include requirements related with periodic reports and/or audits, calculations of indicators, and execution of actions that mitigate the risks identified.

As a result of this follow-up scheme, a system called Caliope, for the Rating of Operations is carried out annually. It includes the main critical aspects in the execution of the projects/programs, in addition to being the central pillar for the review of the portfolio and to provide feedback on the internal management seeking to achieve the planned objectives. In addition, there are frequent reviews of the operations with the counterpart (executing organization and borrower), to identify the status of the projects.

These instruments are complemented with the execution of sectoral studies to support the execution of investment programs/projects during the planning, structuring, or management processes.

At the end of the operation, a closing report is prepared, which summarizes the results of the operation and the main aspects to be highlighted, which will be useful to provide feedback to the teams. At the same time, and from an operational point of view, the annual personnel evaluations help evaluate the achievement of the goals planned for each period.

In cases of technical assistance and activities related to the dissemination of knowledge, closing reports are also carried out, synthesizing the main results achieved.

As a result of the annual evaluations carried out, specific actions are defined for each project where execution difficulties have been detected. Budget adjustments may be in order among projects of one same program, technical assistance resources may be allocated to support a specific action, or training workshops may be carried out to strengthen the skills of an executing body. Some examples are:

- The restructuring of funds between two projects of the Road Development Program in the Valle de Los Chillos, Province of Pichincha, in Ecuador, carried out in 2016.
- In Colombia, support has been provided through specialized technical assistance by the Executing Body to review the designs of electro-mechanic equipment of the La Linea tunnel. In Paraguay, almost all the road operations approved and programmed have been supported.
- In Uruguay, support has been provided to a project in the railroad sector and to the mobility survey.
- In Bolivia, in the cities of Tarija and Sucre a pre-feasibility study has been carried out for the integrated transportation systems.
- In Brazil, a pre-feasibility study was carried out for a Bus Rapid Transit System (BRT) in the city of Fortaleza, and support was given to a tender process conducted in Canoas for the Aeromovel project.
- In Argentina, support was provided to the Comprehensive Mobility Plan in Cordoba and Mendoza.

In addition, workshops have been developed with provincial governments to strengthen their capacities regarding Public-Private Alliances in the case of Argentina and Ecuador, and road safety in Argentina, Bolivia, Paraguay, Peru and Uruguay. Likewise, the Training Program for Digital Ecosystem CE-Digital has been structured (developed by CAF, eLAC, and GSMA), as well as the IBEI-ECLAC-CAF Summer School on development and innovation in Latin America.



— ENERGY INFRASTRUCTURE

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

IN THE CONTEXT OF THE CURRENT WORLD, TRANSFORMATION, TRANSPORTATION, AND DISTRIBUTION OF ENERGY ARE ESSENTIAL FOR HUMAN LIFE AND THE DEVELOPMENT OF SOCIETIES. PARTICULARLY, ECONOMIC GROWTH AND THE PROGRESS OF COUNTRIES ARE PROMOTED TO A GREAT EXTENT BY THE AVAILABILITY OF ENERGY AT THE APPROPRIATE MOMENT, IN QUANTITY AND QUALITY.

Access to reliable and safe sources of energy impacts directly on the quality of life of people, as it facilitates the daily social dynamics such as food, refrigeration, and urban transportation, among others, while allowing for constant water distribution services, health provision, and quality education. Thus it is one of the determining elements of productive transformation.

Aware of this scenario, during the past 20 years the countries of Latin America have made large investments to promote access to electric energy for most of their populations. The average electrification in the region has gone from 88.6 percent at the end of the XX century, to 97 percent in 2016.

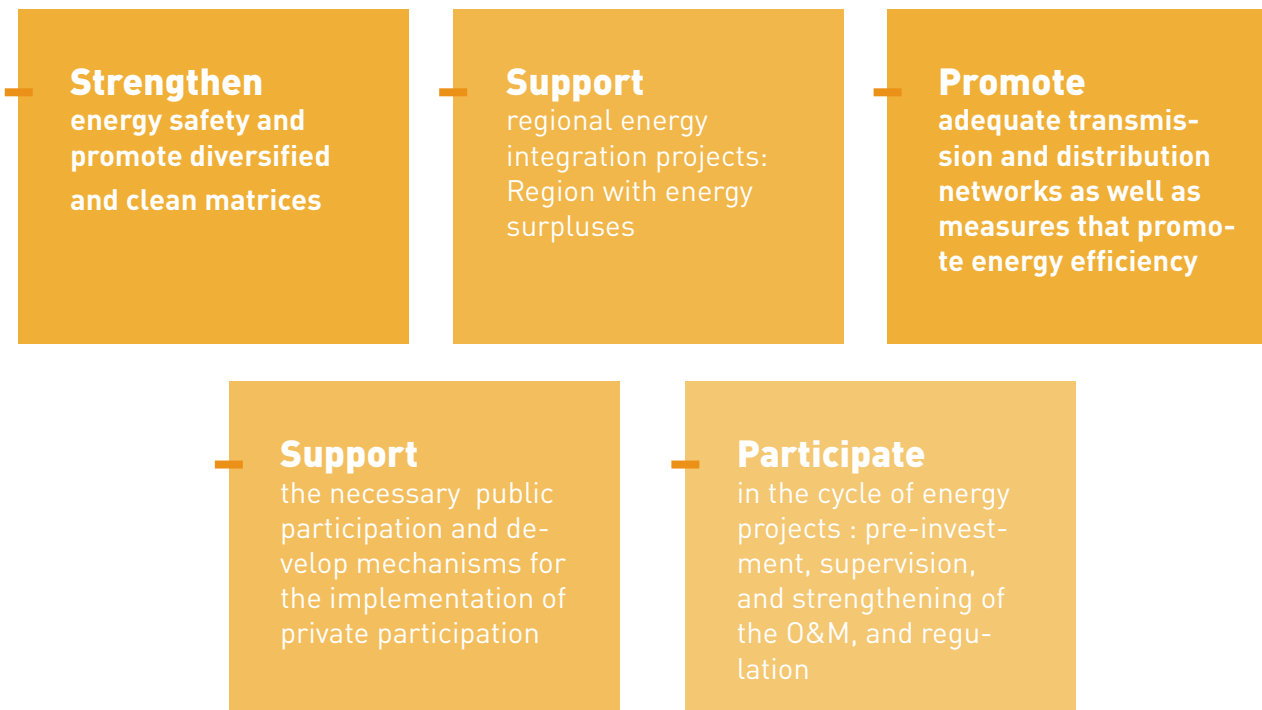
In addition, at a world level Latin America is the region that generates the greatest amount of electric energy from sources with low emissions of greenhouse gasses (GHG), due to the large hydroelectric generation capacity of the region, and the promotion of non-conventional renewable energies that have been increasingly used in past years.

However, growth in the region requires new and greater investments in energy, as well as the promotion of the use of renewable sources such as solar, wind-powered, and geothermal, in order to contribute to maintain the energy availability in the countries and reduce GHG emissions that are generated, contributing at the same time to reduce the impacts of climate change.

— **STRATEGIC FRAMEWORK**

CAF recognizes that investment in energy infrastructure is essential for the development of the region, and has joined efforts with the permanent commitment of promoting the development of sustainable energy systems in Latin America and the Caribbean.

With this in mind, the Energy Vice-Presidency (VEN, for its acronym in Spanish) is in charge of establishing the guidelines that direct CAF's actions regarding this matter, as well as executing the actions defined in the Institution's energy agenda in line with compliance of the following objectives:



In this respect, the work carried out to promote the achievement of these objectives is guided by the measures defined in the Comprehensive Agenda for Sustainable Development, which includes an Energy Agenda. Compliance with the latter is promoted by the execution of the following strategic pillars:

- ENERGY INFRASTRUCTURE

- RENEWABLE AND CLEAN ENERGY

- INTEGRATION AND ENERGY EFFICIENCY

DURING 2015, OPERATIONS REACHING USD **1.112 BILLION** WERE APPROVED, FRAMED IN COMPLIANCE WITH CAF'S ENERGY AGENDA, CORRESPONDING TO 9.1 PERCENT OF TOTAL APPROVALS FOR THAT YEAR. LIKEWISE, IN 2016 OPERATIONS WERE APPROVED TO THIS END FOR USD **1.275 BILLION**, 10.3 PERCENT OF TOTAL APPROVALS FOR THAT YEAR.



— **Energy infrastructure**

CAF SUPPORTS THE **EXPANSION OF COVERAGE AND IMPROVEMENT OF THE QUALITY OF ELECTRIC SERVICES** IN LATIN AMERICA THROUGH FINANCING OF ENERGY INFRASTRUCTURE PROJECTS; IN ADDITION, IT FAVORS THE DEVELOPMENT OF PUBLIC POLICIES AND BUSINESS STRATEGIES AIMED AT EXPANDING THE NETWORKS AND REDUCING THE INEFFICIENCIES OF ENERGY SERVICES IN ITS MEMBER COUNTRIES.

In the framework of this commitment, during 2015 and 2016 the following actions were carried out:



ARGENTINA

USD 150 million wide approach sectoral loan to strengthen the energy sector was approved in 2015. This loan is aimed at facilitating resources to strengthen the energy sector of the Republic of Argentina through the execution of programs included in the National Strategic Plan, particularly through the expansion of the transportation and distribution systems of natural gas.



BOLIVIA

Support was provided to develop the study on Electrical Interconnections between Bolivia and its border countries, in order to identify and evaluate energy infrastructure projects that allow the country to increase its energy exports.



ECUADOR

The USD 400 million wide approach sectoral loan was approved in 2015, seeking to support public investments carried out by the National Government in the framework of the National Strategy to Change the Energy Matrix, which includes works in the electric sector (generation, transmission, and distribution). One of its objectives is to reduce imports of oil derivatives and the substitution of subsidies.

In addition, financing was approved for USD 22 million for a run-of-the-river hydroelectric plant in the Due River, with an installed capacity of 50 MW.

In 2016 an electricity wide approach sectoral loan was approved for USD 100 million, which continues with the efforts of the Government of Ecuador to modify the country's energy matrix.



PANAMÁ

The Technical Cooperation for the National Secretariat of Energy of Panama was approved in 2016, for the development of the 2015-2050 Energy Plan.



PERÚ

In 2015, a long-term loan was approved to La Virgen S.A.C. for USD 50 million, aimed at building and operating a run-of-the-river hydroelectric plant in two stages, the first with a capacity of 64 MW and the second of 84 MW in the province of Chanchamayo, Region of Junin.

On the other hand, the study about the Determination of the Portfolio of Hydroelectric Projects of the Basins of Ucayali and Amazon in Peru ended in 2016. It was developed in the framework of the technical cooperation agreement with the Ministry of Energy and Mining of Peru (MINEM, for its acronym in Spanish).



URUGUAY

A Technical Cooperation was approved in 2015 to support the Electric Market Administrator in the execution of the project Integration of Forecasts Regarding the Aeolic Resource and Solar Radiation, and the project Tools for the Optimal Operation of the National Interconnected System.



PARAGUAY

Financing of USD 150 million was approved in 2016 for the Project for the Improvement of the Electricity Transmission and Distribution System of the Metropolitan System of Paraguay, with the objective of increasing the capacity and strengthen the transmission system, as well as improve the distribution network to minimize the high indices of failures in the Metropolitan System.

In addition, support was approved for the Project for the Improvement of the Transmission and Distribution System of the Metropolitan System of Paraguay - Phase II, for USD 150 million, with the objective of increasing the transformation and transmission capacity of the electric system that supplies the metropolitan area of Asuncion and the departments of Caaguazu and Alto Parana, thus minimizing failures in the Metropolitan System.



VENEZUELA

A credit operation for USD 100 million was approved in 2015, for the expansion of the transformation capacity and electricity supply in the regional system, particularly in the country's central region (Valles del Tuy). This operation seeks to strengthen the electric energy distribution system through the construction of a large 230/115 kV sub-station called Cua sub-station, which will be fed with 765 kV lines from the National Transmission System. At the same time, the Cua sub-station will facilitate the construction of three new 115 kV sub-stations (Yare II, Valle Verde, and Cantarrana). Jointly, the project will supply the necessary electric energy to adequately address the demand for electricity of the population and development centers of the Valles del Tuy.

In addition, two Technical Cooperations were approved to support institutions related to the electric sector in Venezuela. The first, to support the Corporación Eléctrica Nacional (Corpoelec) (National Electric Corporation) in matters of management, follow-up, and evaluation for generation, transmission, and distribution projects.

The second, to support the Ministry of Popular Power for Electric Energy, to facilitate the design and definition of a 35 year national energy matrix and the sub-matrix of the electric system to maximize its sustainability, through a methodological procedure that values social, environmental, strategic, and economic aspects.

Finally, in 2016, a Technical Cooperation agreement was signed to support the National Electric Corporation (Corpoelec) to contract an independent international lab with the objective of carrying out acceptance tests of the hydraulic models in the turbines of Group 2 (units 4, 5, and 6), which are part of the modernization project of the Simon Bolivar Hydroelectric Plant (CHSB, for its acronym in Spanish).

— Integration and energy efficiency

CAF PROMOTES COOPERATION ON ENERGY MATTERS IN THE COUNTRIES OF LATIN AMERICA BY FINANCING ENERGY INTEGRATION PROJECTS AND DEVELOPING REGIONAL NETWORKS THAT HELP GENERATE KNOWLEDGE, EXCHANGE EXPERIENCES, AND COORDINATE A REGIONAL ENERGY POLICY THAT ENSURES A BALANCE IN THE RELATIONSHIP BETWEEN INSTITUTIONS AND PUBLIC AND PRIVATE COMPANIES.

In complying with this purpose, during 2015 and 2016 continuity was given to the work of the Regional Energy Agenda, where CAF's role is aimed at promoting synergies through inter-institutional cooperation, enabling the identification of 20 priority projects, 10 from the electric sector and 10 from the oil and gas sector, to articulate regional networks and effective support to energy safety.

In the framework of the Regional Program for Energy Efficiency, pre-feasibility and feasibility studies were carried out in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela, with the objective of identifying improvement opportunities in each market.

— Renewable and clean energy

During the reported period, the Program for Sustainable Hydro-energy was carried out to strengthen hydroelectric generation through the development of projects in Argentina, Bolivia, Colombia, Chile, Ecuador, Panama, Paraguay, and Venezuela. In this respect, it is important to note the cooperation agreement between CAF and ENDE and ELECTROBRAS to develop studies regarding hydroelectric potential in the Madera River basin, for the distribution and supply of the Brazilian and Bolivian markets.

CAF PROMOTES THE DEVELOPMENT OF CLEAN ENERGY MATRICES IN LATIN AMERICA, THROUGH FINANCING OF PROGRAMS, STUDIES, AND PROJECTS RELATED WITH RENEWABLE ENERGIES AND ENERGY EFFICIENCY IN THE REGION.

EVALUATION

To evaluate the performance of the VEN compared to the objectives of CAF's Energy Agenda, programmed verifications and audits are carried out in addition to sectoral analyses and comparative evaluations of the different markets involved, as well as independent studies that help learn about the potentials and limitations for the implementation of determined technologies in the countries.

As a regular practice, the business directions maintain permanent contact with the clients, enabling, among other things, constant feedback regarding the performance of the activities carried out, and identification of opportunities to improve the strategic development of the Energy Agenda addressing the needs and specific interests of CAF's member countries.

SOCIAL INFRASTRUCTURE

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

THROUGH THE EXECUTION OF ITS SOCIAL DEVELOPMENT AGENDA, CAF CONTRIBUTES TO PROMOTE SOCIAL INCLUSION, EQUITY, AND QUALITY OF LIFE OF THE LATIN AMERICAN POPULATION, ESPECIALLY THE MOST VULNERABLE SECTORS, THROUGH FINANCING AND MANAGEMENT OF SUSTAINABLE INITIATIVES THAT FACILITATE ACCESS TO BASIC SOCIAL SERVICES SUCH AS WATER, HEALTH, HOUSING, AND EDUCATION.

CAF assumes its commitment with its shareholder countries, offering financial solutions and knowledge for the sustainable development of the region, in a framework of respect with environmental balance, promoting equity and social inclusion.

This commitment is based on the recognition of Latin America as one of the most unequal regions in the world, with high indices of social exclusion reflected in the limited access of people to basic services such as water, sanitation, or education. Facing this situation, in line with the objectives stated in the Constituent Agreement, CAF has adopted the purpose of accelerating the economic and social development of the region, by means of actions that are currently aligned with the challenges that countries have to achieve the Sustainable Development Objectives.

To fulfill this purpose, CAF has the Vice-Presidency of Social Development (VDS, for its acronym in Spanish) as the one in charge of managing credit operations to finance projects framed in the strategic pillars defined, granting of non-reimbursable technical cooperations as a complement to credit operations, and exchange of ideas and initiatives related with social development in the region.

Within the VDS, the directors and executives of the projects area are in charge of originating, evaluating, formalizing, managing, and monitoring and following-up on credit and technical cooperation operations. At the same time, the executives of the operational innovation and management of knowledge area provide support for the evaluation and follow-up of programs, projects, and technical cooperations. They also participate in the development and dissemination of strategies and contents of the Vice-Presidency, and promote the Institution's regional and global positioning in the strategic pillars it works.

In addition, the VDS has economic resources from CAF funds allocated to credit operations and technical assistance, subject to annual availability by country and by sector, and under criteria related to the investment needs in each country. The VDS also has an expenditure budget from the area. Thus, during 2015 and 2016, it managed resources for the development of its activities as follows:



— **STRATEGIC PILLARS**

Through financing for projects and programs, technical assistance, and generation of knowledge, CAF supports its member countries in reducing poverty, promotion of social inclusion, and access to quality public goods and services for the creation of opportunities in favor of equality, by means of three strategic pillars:



**COMPREHENSIVE
 MANAGEMENT
 OF WATER**

The impact of the projects, programs, and technical assistance executed within the framework of these three strategic pillars of social development, is reflected on the improvement of inclusion and quality of life of urban and rural populations in Latin America.

The actions established within each of these pillars are part of a strategic plan of the VDS, of each one of the directions that make it up, and of each specific sector (water, urban development, or education). These actions are developed based on the strategy of each sector and country, with medium and long-term effects, and are prioritized according to their links with the strategic and business objectives of the VDS, as well as considering the relationship they have with the different sectoral strategies and needs (or priorities) of the countries. With this in mind, CAF maintains a permanent dialogue with the governmental actors involved.



**QUALITY
 EDUCATION**



**COMPREHENSIVE
 URBAN
 DEVELOPMENT**

— **Comprehensive water management**

SUPPORT THE DEVELOPMENT OF INFRASTRUCTURE RELATED WITH THE COMPREHENSIVE CYCLE OF WATER, THROUGH PROGRAMS, PROJECTS, TECHNICAL ASSISTANCE, AND GENERATION OF KNOWLEDGE, AIMED AT: I) MANAGEMENT AND PROTECTION OF BASINS, II) BASIC POTABLE WATER AND SANITATION SERVICES, III) MANAGEMENT AND CONTROL OF FLOODS, AND IV) IRRIGATION AND AGRICULTURAL DEVELOPMENT.

**COMPREHENSIVE
 WATER
 MANAGEMENT**



- MI AGUA (My Water) Program, in Bolivia, aimed at improving access to water, sanitation, and irrigation for vulnerable populations (more than 200,000 families in rural areas of Bolivia have benefited).
- Technical assistance to support the execution of the Rehabilitation and Optimization Program for the larger water treatment plants in Venezuela.
- Loan operations were granted for the improvement of the quality of service of potable water in the cities of La Plata and Bahia Blanca, as well as for the management and control of floods in the basin of the Lujan River, in Argentina.
- In Panama, projects were approved for the clean-up of the districts of Arraijan and La Chorrera in the Province of West Panama.
- Loan operations were evaluated and approved to support water and sanitation services of the metropolitan area of Buenos Aires, and Norte Grande, in Argentina.
- With technical cooperation resources, studies were developed regarding pre-investment and institutional strengthening initiatives in Argentina, Bolivia, Brazil, Panama, Colombia, Uruguay, and Venezuela.
- Organization of the “Latin America-Spain Water Dialogues”, a space of thematic discussion that CAF organizes annually, bringing together experts from the water sector from both regions.

— **Quality education**

PROMOTE INITIATIVES THAT INCREASE ACCESS TO EDUCATION, IMPROVE QUALITY AT ALL LEVELS, AND STRENGTHEN THE RELEVANCE OF THE EDUCATIONAL OFFERS IN RELATION TO THE DEMANDS OF THE LABOR MARKET.

**QUALITY
EDUCATION**



- Program to support the development of the university infrastructure in Argentina, with the objective of extending coverage and improving the quality of the National University System.
- Technical cooperations regarding Policies to reduce school drop-out rates, identified as one of the main problems in the region's educational sector.
- International seminar on Technical Education and Professional Training in Buenos Aires; support was also provided to the development of a seminar for child development measuring in America, in Lima Peru.
- Work with the Inter-American Dialogue to develop knowledge notes with respect to the development of cognitive and socio-emotional skills that facilitate labor insertion of youths in Latin America.



— **Comprehensive urban development**

CONTRIBUTE TO THE DEVELOPMENT OF CITIES BY PROMOTING IMPROVEMENTS IN QUALITY AND HABITABILITY CONDITIONS IN MARGINAL AREAS, THROUGH TECHNICAL ADVICE, FINANCING, AND INSTITUTIONAL RELATIONS TO PROMOTE EQUALITY, IMPROVEMENTS IN THE QUALITY OF LIFE, AND ACCESS TO BASIC SERVICES.

**COMPREHENSIVE
URBAN
DEVELOPMENT**



- Comprehensive Habitat Program, in Argentina, focused on reducing the levels of social vulnerability in approximately 10 communities in the north of Argentina, by means of a series of multiple investments (housing improvements, land registries, public spaces, community equipment, and water and sanitation, among others).
- IV Urban Development and Social Inclusion Contest. The winning project intends to promote the environmental commitment of the inhabitants of the riverbank of the Lujan River, in addition to promoting citizen actions and awareness regarding the preservation of the flood valleys and active wetlands as natural values, as landscape, and as ecosystemic and recreational services.
- Leading participation of CAF in Habitat III, the United Nations Conference on Housing and Sustainable Urban Development, organized for the first time in Latin America (in Quito, Ecuador), with the objective of renewing the global commitment with sustainable urbanization, and focus on the implementation of a New Global Urban Agenda.
- Programs were approved for urban rehabilitation in the cities of Maceio and Jaboatao dos Guararapes, as well as a comprehensive habitat program in Argentina.
- Loan operations were approved to support programs for the regeneration of public spaces in Manos and Porto Alegre, and relevant sector events were also supported.
- CAF participated in the conference on housing in Mexico City, organized by the Center for Livable Cities of Singapore; The Institution also sponsored the Limapolis conference at the Catholic University of Peru, in preparation for the Pan-American Games of 2019 in Lima.

MANAGEMENT OF RELATIONSHIPS

In the execution of the activities established within each social development strategic pillar, different social actors of the countries are involved, such as:

- Ministries of Finance, Environment, Education, Cities, etc.
- Local, sub-national, and national governments
- Executing agencies
- Non-governmental organizations
- Academia and private sector organizations
- Other clients and public sector institutions

As part of the responsible action of the Social Development Vice-Presidency, strategies are developed to support permanent relationships which, at an internal level, enable permanent communication and feedback between executives and their superiors; at an external level, they allow key social actors to be involved in projects, programs, and technical cooperations with whom institutional relationships have been established, such as beneficiaries, project implementers, public sector, academia, etc.

In addition, there are different communication channels both for the management of relationships as well as to receive complaints and/or suggestions regarding a CAF initiative or project related to social development, with the objective of supporting the constant improvement processes of said initiatives. For example, in the case of a contact application for subjects dealing with water, the Institution has the mail address agua@caf.com, managed by the Vice-Presidency of Social Development and the Direction of Strategic Communications:



ELECTRONIC MAIL



VIRTUAL SPACES



FACE-TO-FACE MEETINGS



WORKSHOPS AND COURSES



WEB SITE

MONITORING AND FOLLOW-UP

To monitor the effectiveness of the management carried out, performance evaluations are developed for all the members of the work team, in addition to feedback processes and constant communication with the other actors involved in the projects or institutions with which CAF maintains strategic alliances. Monitoring mechanisms are also stipulated, used as tools for project cycles at the VDS:



The results obtained from the monitoring mechanisms are evaluated to identify the performance of activities compared to the stated goals and purposes, emphasizing key success and defects, in addition to the constant review of the obstacles found and lessons learned.

With respect to the analysis of the results obtained in the different evaluation methods considered in the project cycle tools, adjustments are usually implemented to improve the performance of the projects or programs, such as the provision of additional funds to cover an investment gap, training, or construction required by the project.



CHALLENGES:

- Increase the impact of credit operations to contribute with more efficiency to the improvement of social and productive inclusion of Latin Americans, considering that Latin America is one of the most unequal and inequitable region in the world.
- Support the efforts of Latin American countries in the adoption of the integrated management approach for water resources, as well as guarantee the quality and sustainability of potable water and sanitation services.
- Continue support to countries in the promotion of educational access, as well as boost an improvement in the quality and relevance of education.
- Strengthen the efforts in promoting a comprehensive urban management approach in Latin American cities.

CONTRIBUTION TO THE SOCIAL DEVELOPMENT OF LATIN AMERICA

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

AS AN AGENT THAT PROMOTES THE DEVELOPMENT OF LATIN AMERICA, CAF'S ACTION IS AIMED AT IMPROVING QUALITY OF LIFE, REDUCING POVERTY, PROMOTING SOCIAL INCLUSION AND ACCESS TO QUALITY PUBLIC GOODS AND SERVICES, BY EXECUTING AN AGENDA THAT PROMOTES SOCIAL DEVELOPMENT AND CREATION OF INNOVATING OPPORTUNITIES FOR A SOLUTION TO THE SOCIAL PROBLEMS OF THE REGION.

In this framework, CAF has structured its Social Development Agenda and its Social Innovation Initiative around a set of strategic pillars that are adjusted to the priorities and needs of its shareholder countries.

— SOCIAL SUSTAINABILITY

To contribute with compliance of its strategic objectives and offer more access to quality social services that reduce inequity in Latin America, CAF promotes development and the implementation of programs to mitigate social risks in the areas of influence of the projects it finances, with the purpose of improving the economic and social conditions of vulnerable populations in the region.

This is carried out with interventions aimed at generating capacities for the citizens and productivity, using complementary education tools (music and sports), and income leveling methodologies.

To prioritize the development of these social sustainability projects, and identify their impacts on the communities, the following process takes place:

1

Projects are evaluated according to the following criteria:

- The target population must be a vulnerable community connected to CAF's action or to the strategy of the shareholder countries.
- Proven methodologies are used to generate social and productive capacities, using complementary education tools (music and sports), and income leveling tools.
- The project must be replicable and sustainable.
- The project must generate the highest possible positive impact with the least possible investment.

2

The project must be approved by internal bodies.

3

During the execution, follow-up and feedback activities are carried out in the field with the actors involved.

4

Systematizations, qualitative evaluations, and impact evaluations are conducted when required and when resources allow.

THE SOCIAL SUSTAINABILITY PROJECTS INVEST NON-REIMBURSABLE TECHNICAL COOPERATION RESOURCES TO GENERATE SOCIAL AND PRODUCTIVE CAPACITIES, USING COMPLEMENTARY EDUCATION TOOLS AND INCOME LEVELING TOOLS IN VULNERABLE POPULATIONS LINKED TO CREDIT OPERATIONS OR COUNTRY STRATEGIES.

— SOCIAL SUSTAINABILITY PROGRAMS

From the Direction of Social Sustainability, CAF promotes initiatives aimed at addressing the challenge of reducing poverty and inequality through the use of methodologies that prioritize complementary education mechanisms in areas such as music and sports, as well as income leveling tools that promote socio-productive empowerment and access to services, with the purpose of strengthening the generation of human, productive, and social capacities in vulnerable communities linked to CAF's actions.

In this respect, the development of this strategy is focused on the execution of three programs:



**STEPS FOR
INCLUSION**



**Music
to grow**

Una iniciativa de CAF



somos

SPORTS NETWORK FOR THE
DEVELOPMENT OF LATIN AMERICA
Una iniciativa de CAF

These programs are executed in line with the United Nations Sustainable Development Objectives, the regulations of the Human Development Fund (FONDESHU, for its acronym in Spanish), whose goal is to finance the preparation and execution of projects that promote sustainable human development of the marginal social sectors in CAF's shareholder countries, with a high demonstrative impact, as well as the Manual for the Functioning of Special Funds. This Manual establishes that social development and the development of cultural, musical, and/or sports activities are among the priority action areas to be financed by CAF's special funds. In addition, priority cross-cutting issues are defined, where social inclusion and gender stand out.

— **Steps for inclusion**



PROGRAM THAT SEEKS TO GENERATE **SO-CIAL AND PRODUCTIVE CAPACITIES** WITH RESPECT TO CREDIT OPERATIONS AND COUNTRY STRATEGIES IN VULNERABLE COMMUNITIES.

To guarantee compliance with this purpose, the program includes working to level social competencies and development of productive capacities in communities, sectors, populations, or groups with high levels of exclusion and poverty, both in rural and urban areas:



- RURAL AREAS

- Training in agricultural, livestock, and fishing, among others.
- Development of productive and logistic chains



- URBAN AREA

- Technical training
- mechanisms for first employment
- microentrepreneurships
- among othe

This is developed through the following methodologies to level incomes:

TRAINING FOR WORK

Methodology focused on the insertion, re-insertion and update, with the objective of increasing and adapting the knowledge and competency skills for work.

COMMUNITY RURAL TOURISM

Methodology developed with vulnerable communities, generally farming communities, located close to tourism attractions. It consists of a series of workshops on subjects related to strengthening of tourism, such as health conditions in their gastronomy, quality of accommodations, providing value to ancestral costumes in the form of tourism products such as dances, walks, grazing, harvesting, knitting, training in entrepreneurship (companies, costs, expenditures, prices, etc.), development of technological skills, customer service, associations, and financial inclusion, among others.

INCLUSIVE BUSINESSES

Methodology based on education regarding social capacities (partnerships, policies, resolution of conflicts, family, etc.) and productive capacities (techniques and capacities for employability, such as punctuality, respect, order, etc.) of people and entrepreneurships, in vulnerable communities linked to CAF's actions, where formally established companies with consolidated markets, called "anchor companies" include these people and entrepreneurships in their value chain, thus connecting those who produce with those who consume.

TELEMEDICINE

Methodology which seeks to improve the health conditions of vulnerable and remote populations, bringing medical services closer to them through the use of information and communications technologies. The PASOS Program incorporates this methodology as a complement to socio-productive projects in communities with health issues, as well as addressing specific petitions of the countries.

THROUGH THE PASOS PROGRAM, OPPORTUNITIES ARE IDENTIFIED TO GENERATE BENEFITS FOR THE POPULATION BY MEANS OF DIRECT PARTICIPATION OF THE COMMUNITIES AS AGENTS OF CHANGE FOR THEIR OWN DEVELOPMENT.

In the development of this program, during 2015 and 2016 the social needs of six countries of the region were addressed (Colombia, Ecuador, Peru, Panama, Paraguay, and Venezuela), benefitting 5,200 individuals.



APPROVED PROJECTS:

- i. Training for work: National program of workshop schools, a tool for peace - Ministry of Culture (Colombia)
- ii. Women leading sustainable inclusive development in the Province of Loja - UN Women (Ecuador)
- iii. Training high school graduates to improve employability opportunities of youths - UNESCO (Ecuador)
- iv. Socio-productive training through gas connections in community dining rooms - Contugas (Peru)
- v. Implementation of a municipal program for inclusive businesses - Municipality of El Hatillo (Venezuela)

vi. Margarita Artesanal: productive empowerment of women - A.S. Margarita Posible (Venezuela)

vii. Regional Rural Development Model, Northern Area of the Department of Cauca - Corporación Vallenpaz / European Union (Colombia)

viii. RUTAS: Consolidation of the Rural Corridor - Fundación Codespa (Peru, Ecuador, and Bolivia)

ix. Complemento RUTAS: Strengthening of the artisan market - Fundación Codespa (Peru)

MANAGED PROJECTS:

In addition to the nine projects approved, two more projects were managed that had been approved in previous years:

- x. Design of a rehabilitation center for children and youths - Ministry of Finance (Paraguay)
- xi. Marketing of coffee in the sub-basins of Cirí and Trinidad - Fundación Natura (Panama)



— Music to Grow



THIS IS AN INITIATIVE THAT USES MUSICAL TRAINING AS A COMPLEMENTARY TOOL FOR EDUCATION AND SOCIAL TRANSFORMATION, THUS CONTRIBUTING WITH THE COMPREHENSIVE EDUCATION OF BOYS, GIRLS, AND YOUTHS AT RISK IN LATIN AMERICA

Through this program, CAF identifies the educational and social organizations in the region that are dedicated to musical teaching as a tool for social transformation, to strengthen them with the support of the successful and well known Venezuelan teaching model “learn by playing/singing”, a joint work with its allies, the Simon Bolivar Musical Foundation (El Sistema) for the orchestra part, and Schola Cantorum Foundation of Venezuela (La Schola) for the choral part.



The program focuses its support on the training of educators, through the following components:

ITINERANT WORKSHOPS

- Of Venezuelan maestros with broad experience, that travel to participant countries in the region for short periods, and offer their knowledge to local maestros to apply that methodology in their organizations.
- Of local maestros whose competencies were previously valued by the allies of the program.

VALUATION AND EVALUATION OF LOCAL MAESTROS

- Those that were already trained with the methodology, and their competencies were validated by the allies of the program to replicate the acquired knowledge in their countries.

TRAINING OF MUSICAL LEADERS

- To offer the participants of allied organizations, management, leadership, and organizational management tools, which are necessary to replicate the teaching methodology.

IT HAS BEEN DEMONSTRATED THAT MUSICAL TRAINING FAVORS COGNITIVE PROCESSES FOR THE INTELLECTUAL DEVELOPMENT OF THOSE WHO PRACTICE IT, AS WELL AS PROMOTING NON-COGNITIVE SKILLS, WHICH ARE KEY FOR PERSONAL AND SOCIAL DEVELOPMENT, SUCH AS TOLERANCE, RESPONSIBILITY, SOLIDARITY, TEAM WORK, AND A SENSE OF BELONGING, AMONG OTHERS.

In the execution of this program, during 2015 and 2016 6,300 boys, girls, and adolescents from 10 countries of the region benefited: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela.

**10 COUNTRIES
ADDRESSED**

**6.300
BOYS, GIRLS,
AND ADOLESCENTS
BENEFITED**

**60.000
ACCUMULATED
BENEFICIARIES**



The strategy is to “**train agents of change**”: sports coaches, teachers, and community leaders. This has been identified as the way to make the methodology sustainable in time. The rotation of children and youths within an organization may be high, but a coach or teacher may remain in the institution for a longer period of time and tends to become a multiplier factor inside and outside of the institution.

Once trained, coaches and/or leaders transmit the methodology to the children through sports practice, focusing on comprehensive development. The projects increasingly include training workshops for parents, for a richer and more complete experience, where the training of boys, girls, and youths in the field is complemented with tools that the parents can provide at home. SOMOS provides technical advice for the development and execution of projects, synergies and alliances for the exchange of experiences and best practices between the organizations that make up the network, and financing resources.

— **SOMOS – sports network for the development of Latin America**



THIS IS AN INITIATIVE THAT PROMOTES **SOCCER AS A COMPLEMENTARY EDUCATION TOOL AND FOR THE SOCIAL INCLUSION OF BOYS, GIRLS, AND YOUTHS** FROM VULNERABLE COMMUNITIES IN THE REGION, IN THE FRAMEWORK OF THE INTERNATIONAL SPORTS MOVEMENT FOR DEVELOPMENT AND PEACE.

For the development of the program, the first action is to identify social and sports organizations which, through the practice of soccer, use a sports methodology for development. Special emphasis is placed to ensure that projects have methodologies that include the following strategic lines:

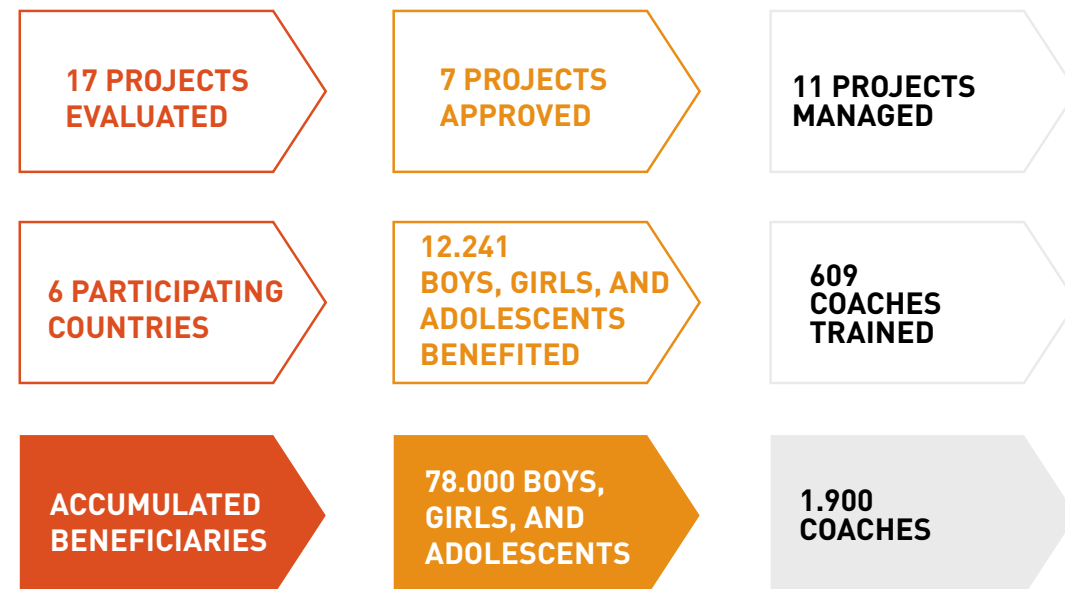
- Development of social skills.
- Strengthening of citizen values.
- Promotion of health and prevention of diseases.
- Gender equity.
- Inclusion of individuals with intellectual disabilities.

SPORTS PRACTICE GENERATES A LARGE NUMBER OF BENEFITS, AMONG WHICH THE FOLLOWING STAND OUT⁹ :

- Promotes a variety of values and skills for life.
- Helps promote behaviors for a healthy lifestyle.
- Increases the self esteem of girls and women, and offers them opportunities to learn skills and develop positive relationships.
- Performs an important role in reducing social tensions and conflicts at a community and national level.
- Offers an alternative to increase the level of inclusion and wellbeing of people with disabilities.

⁹ Source: Aprovechamiento del poder del deporte para el desarrollo y la paz: Recomendaciones a los Gobiernos (Taking advantage of the power of sports for development and peace: Recommendations to Governments), International Working Team for Sports for Development and Peace.

In 2015 and 2016 a total of 12,241 boys, girls, and adolescents benefited from the program, and 690 sports coaches were trained from six Latin American countries: Argentina, Bolivia, Brazil, Colombia, Peru, and Uruguay.



APPROVED PROJECTS:

- i. SOMOS Golazo –Carvajal Foundation (Colombia)
- ii. SOMOS Un Gol por la Vida –Odebrecht Association Peru (Peru)
- iii. SOMOS Special Olympics - Latin American Special Olympics (Argentina)
- iv. SOMOS Educar por el fútbol. Online Training – UNICEF / Cantolao Sports Academy/ Tahuichi Soccer Academy (Peru and Bolivia)
- v. SOMOS Real Madrid Foundation–Real Madrid Foundation/ Salesianas Schools (Brazil)
- vi. Students for Inclusion – Students of la Plata Foundation (Argentina)
- vii. Por el juego y por tus derechos (For sports and for your rights)– UN Women (Ecuador)

PROJECTS MANAGED:

In addition to the seven projects approved, four additional projects were managed which had been approved in previous years:

- i. SOMOS Cantolao, phase III –Cantolao Sports Academy (Peru)
- ii. SOMOS Tahuichi, phase III –Tahuichi Soccer Academy (Bolivia)
- iii. SOMOS Colombianitos, phase III –Colombianitos Foundation (Colombia)
- iv. Systematization of the SOMOS models (Peru, Bolivia, and Colombia)

— MANAGEMENT OF THE PROGRAMS

The execution of these programs involves the participation of different social actors such as NGO´s, private companies, public sector (local and national governments), clients, and CAF executors.

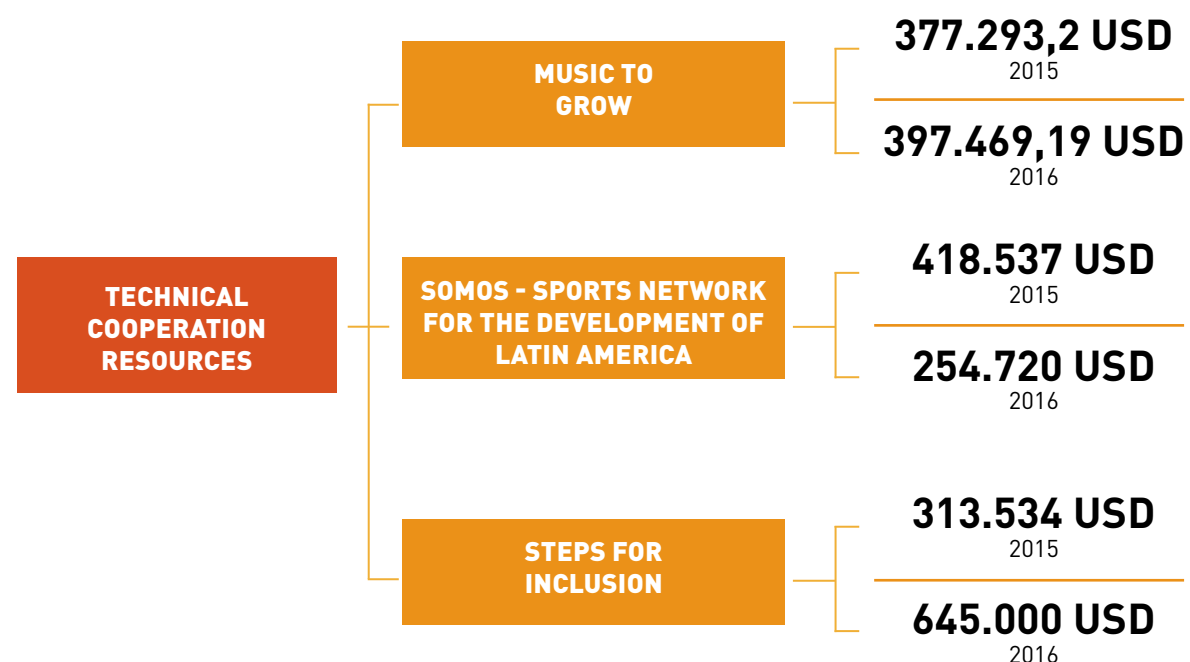
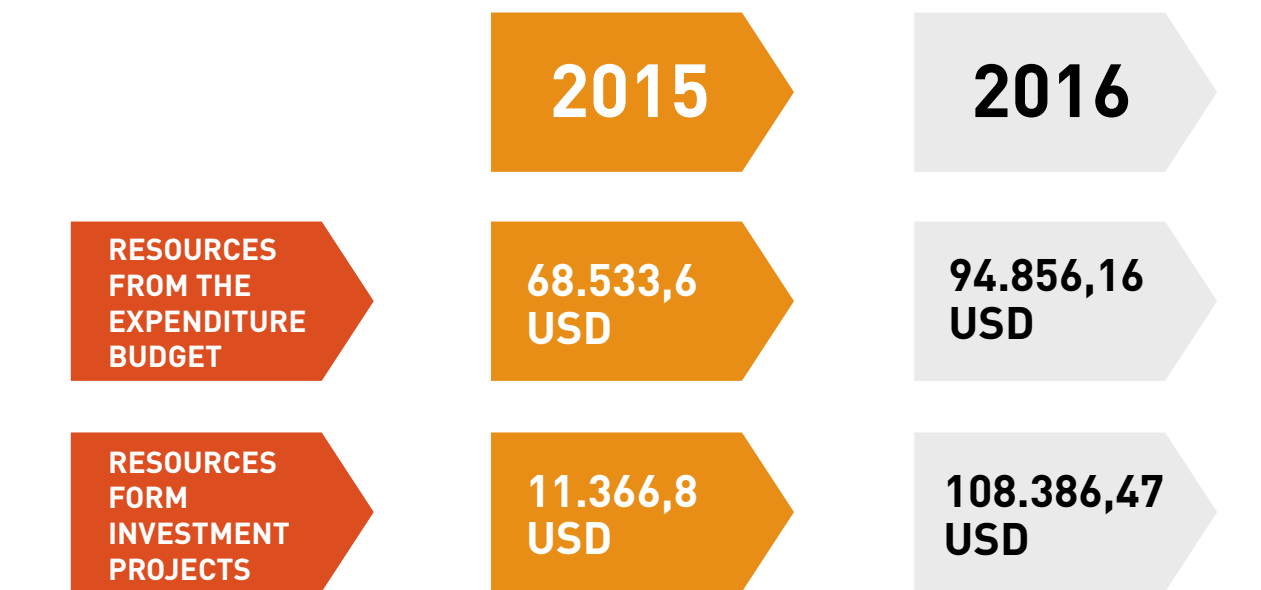
Complaints and suggestions from these related groups are channeled through direct feedback processes between the actors involved (beneficiaries, executors, and internal clients), as well as advance reports, monitoring visits, constant communication, and internal satisfaction surveys, with the objective of learning about the needs of the clients and the business units, to design projects that adjust to their expectations, and readjust the possible deviations in the different stages: origination, evaluation, management, and project closure. Internally, the management of these initia-

tives is monitored through the performance evaluations of the work team, which evaluate the performance of the activities in relation to the goals and purposes defined for the execution of the programs, through the review of the obstacles found and lessons learned, which helps identify the specific actions to improve the performance of the projects and new scenarios are raised for the development of programs in future years.

Likewise, responsibilities are assigned during the evaluation, formalization, administration, and closure of each operation, as well as other responsibilities linked to the development of the programs' strategy, their dissemination, and relationships with the counterparts¹⁰.

¹⁰ Management of the social sustainability subjects is the responsibility of the Corporate Vice-President of Social Development and the Director of Social Sustainability and her team (2 principal executives, 3 executives, and one administrative official).

Resources for the development of these projects come from technical cooperation funds, area expenditure budgets, and investment budgets, as detailed below:



— INCLUSION AND GENDER EQUITY

CAF acknowledges that Latin America's positioning as a region in constant economic and social development must be accompanied by a comprehensive vision of development, therefore, it recognizes that improvements in the quality of life of urban and rural populations is directly related with gender equity.

The concepts of gender equity and rights of women have been widely discussed in international treaties and agreements such as the Convention on the Elimination of all Forms of Discrimination Against Women, defined by the UN in 1979 (CEDAW); the Action Program agreed upon by 179 countries in the International Conference on Population and Development (CIPD) of 1994; the Action Platform of the Fourth World Conference on Women, held in 1995, and the Sustainable Development Objectives (SDO).

In line with the dispositions and criteria established in these international instruments, guaranteeing access to sources of employment and basic services, as well as creating entrepreneurship projects and microfinancial programs are some of the strategies that respond to a new equality perspective between men and women, whose connecting pillar is the recognition of gender equity as a cross-cutting aspect of the different projects implemented at a public policy level and within the core of development organizations.



FOR THIS REASON, CAF UNDERTAKES THE COMMITMENT OF BEING A REGIONAL INSTRUMENT TO CHANNEL FINANCIAL AND KNOWLEDGE SOLUTIONS AIMED AT PROMOTING GENDER EQUITY IN THE COUNTRIES OF LATIN AMERICA.

To comply with this purpose, CAF's action is aimed at supporting compliance of the objectives and commitments of its member countries with respect to gender equity and the empowerment of women and girls in their territories, as well as the achievement of the fifth Development Objective: Achieve gender equity and empower all women and girls.

— **STRATEGIC FRAMEWORK FOR ACTION**

CAF is committed to the implementation of programs in support of women, particularly in the creation of small and medium-sized enterprises, access to productive micro-credits, and financial literacy, among others, through an agreement generated during 2012 in the framework of the United Nations Conference on Sustainable Development, Río +20, and UN Women, as well as through compliance with the agreement signed with the United Nations Development Program, through which it promotes joint actions in several areas among which the subject of gender stands out.

Thus, CAF promotes **gender equity and the empowerment of women** in Latin America and the Caribbean, through **effective fundraising**, provision of **financing services**, and **transfer of knowledge**, supported by the three guidelines established in the **Institutional Guidelines for Gender Equity (LIEG, for its acronym in Spanish)**:

DIRECT ACTION

- Credit operations, technical cooperation or management of knowledge that promotes gender equity, and rights and empowerment of women as a priority for development.

GENDER EQUITY MAINSTREAMING

- Cross-cutting and systematic insertion of the LIEG in all CAF intervention areas and its functioning.

PREVENTIVE ACTION

- Application of the Gender Safeguard in all CAF operations, taking into consideration the barriers that the project reduces or overcomes, the effects it will have on gender relationships, and the risks of not including the gender perspective in its development.

CAF IMPLEMENTS THE LIEG IN ORDER TO ADDRESS THE GENDER APPROACH IN A COMPREHENSIVE MANNER, AND ADVANCES ACTION TO REDUCE THE EXISTING GAPS BETWEEN WOMEN AND MEN TO ACCESS DEVELOPMENT OPPORTUNITIES, JOINING EFFORTS WITH THE REGIONAL MULTILATERAL BANKING SYSTEM IN FAVOR OF GENDER EQUITY.

The objectives and goals developed in this strategic framework materialized in the **Strategic Gender Equity Plan (PEEG, for its acronym in Spanish)**, whose application is focused on the development of three working lines:

ORGANIZATIONAL CULTURE

- Training CAF personnel with a gender perspective
- Sensitization activities for internal and external collaborators

FINANCING

- Implementation of Gender Safeguards in all of CAF's credit operations
- Generation of pro-gender projects
- Technical assistance in structuring operations financed by green funds, with respect to the compliance of the requirements regarding gender

KNOWLEDGE

- Execution of knowledge products (studies and reports)
- Participation in fora and dialogue spaces at a national and international level
- Establishment of strategic alliances for compliance with the objectives

THE INCLUSION AND GENDER EQUITY UNIT (UIEG, FOR ITS ACRONYM IN SPANISH)

is responsible for coordinating and carrying out actions that promote gender equity inside and outside of CAF, using as a framework the Institutional Guidelines for Gender Equity (LIEG, for its acronym in Spanish), whose objectives and goals materialized in the Strategic Gender Equity Plan (PEEG, for its acronym in Spanish).

THE DIRECTION OF HUMAN CAPITAL (DCH, FOR ITS ACRONYM IN SPANISH)

facilitates the implementation of the LIEG's Action Plan at an internal level in CAF, through actions for the creation and strengthening of staff capacities.

TOGETHER WITH THE DIRECTION OF THE ENVIRONMENT AND CLIMATE CHANGE, (DACC, FOR ITS ACRONYM IN SPANISH),

compliance of the Gender Safeguards is ensured. They are part of the current Environmental and Social Management System for CAF's operations.



PREVENTIVE APPROACH

Compliance of the objectives outlined is ensured by the implementation of the Gender Safeguard in all operations. This tool enables CAF to identify gender gaps and the possible risks that these gaps may deepen, while at the same time valuing the existence of opportunities to promote gender equity and the empowerment of women in the execution of all its credit and technical cooperation operations.

The objectives of the Gender Safeguard are:

- Ensure that women and men benefit equally from the projects and programs financed by CAF.
- Ensure an equitable participation of women and men in the projects and programs financed by CAF, both in their design as well as their execution.
- Prevent the design and execution of programs and projects financed by CAF to deepen the pre-existing gender gaps, or produce adverse impacts that affect one of the genders.

During 2015 and 2016, different results were obtained in each line, allowing for a continued advance in social intervention strategies and alternatives that position CAF as one of the models in the promotion, respect, and leadership for gender equity.



ORGANIZATIONAL CULTURE

The training and sensitization process started for the Institution's managerial and executive personnel, providing knowledge that contributes to the mainstreaming of gender issues, carrying out:

- Five training workshops regarding basic gender concepts; mainstreaming the gender perspective in operations; status of women in Latin America; CAF's thematic work areas and presentation of the PEEG.
- Two sensitization campaigns:
 - March 8th: International Women's Day
 - November 25th: International Day Against Violence Toward Women

FINANCING

- Total of 16 technical cooperations approved.
- In Argentina, Bolivia, Ecuador, and Paraguay, the leadership capacities and economic empowerment of women were strengthened.
- Girls and adolescents were incorporated in the sports for development programs in Uruguay and Venezuela.
- In Bolivia, the participation of women was promoted in the management of potable water and sanitation services.
- Pilot application of the Gender Safeguard in three operations.
- Three technical services were provided to structure operations financed by green funds.



KNOWLEDGE

- Coordinated work was promoted with UN Women and the United Nations Development Programme (UNDP) to work in favor of the Sustainable Development Objectives.
- Strategic presence in the High Level Panel of the Secretary General regarding Economic Empowerment of Women, in the Habitat III Conference, the XIII Regional Conference on Women, the Third Global Forum on Enterprises for Gender Equity, and the Gender Work Group of Multilateral Development Banks.
- Four studies in progress: i) financial inclusion and gender; ii) Safe transportation and gender; iii) Mainstreaming of the gender perspective in water projects in Bolivia; iv) Diagnosis of gender gaps in Latin America: labor, education, and family subjects.
- Six technical notes on subjects related to water and gender, urban mobility and gender, and gender violence, among others.
- Establishment of strategic alliances of a regional scope with UN Women, UNDP, and the Gender Group of the Multilateral Banking System.



EVALUATION

CAF monitors and follows up on the compliance of the objectives defined for each operation, it conducts follow-up visits and mid-term missions to determine the scope of achievement of said objectives, identify possible delays and bottlenecks, and agree on the application of corrective measures. In addition, the Inclusion and Gender Equity Unit has its own indicators to measure the progress in the implementation of the Strategic Plan for Gender Equity (PEEG, for its acronym in Spanish). The projects and programs, financed with technical cooperation resources or through credit operations, have their respective matrix of indicators to facilitate their monitoring and follow-up ¹¹.

¹¹ Because the UIEG and its PEEG have been recently created, the first evaluation of the management results will be carried out at the close of 2017.

CONTRIBUTION TO REGIONAL INTEGRATION AND STRENGTHENING OF THE INSTITUTIONAL FRAMEWORK IN LATIN AMERICA

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

With the objective of guaranteeing the generation of an ecosystem that facilitates the adequate development of the programs and projects included in the Comprehensive Agenda for Sustainable Development, CAF recognizes the importance of improving public management and the institutional quality of its shareholder countries, as well as promoting the region's integration as a strategy that helps leverage the creation of new opportunities to position Latin America in the international markets, influencing the improvement of the quality of life of Latin Americans.

— REGIONAL INTEGRATION

IN COMPLIANCE WITH ITS INSTITUTIONAL MISSION, CAF HAS UNDERTAKEN AN IMPORTANT ROLE IN THE REGIONAL INTEGRATION OF LATIN AMERICA, UNDERSTOOD AS THE COMBINATION OF A PRAGMATIC VISION OF INTEGRATION WITH THE DEVELOPMENT OF A COMPREHENSIVE DEVELOPMENT AGENDA FROM WHERE A MULTIDIMENSIONAL APPROACH OF THE WORK IS DONE WITH THE APPLICATION OF DIFFERENT REGIONAL INTEGRATION SCHEMES AND INITIATIVES. THE PURPOSE IS TO FAVOR AN EFFECTIVE AND TIMELY INSERTION OF THE REGION IN THE WORLD, AS WELL AS PROMOTE SOCIAL EQUITY AND BENEFIT ALL THE LATIN AMERICAN POPULATION.

The participation and technical support that CAF has permanently provided for the development of the regional agenda, as well as its presence in the presidential summits of Latin American countries, and the promotion of programs for integration and bi-national and sub-regional cross-border cooperation focused on social cohesion and the reduction of asymmetries, have consolidated CAF as a key actor in the promotion of priority projects aimed at achieving integration from different fronts:

**PHYSICAL
INFRASTRUCTURE**

**ENVIRONMENTAL, SOCIAL,
EDUCATIONAL, AND
CULTURAL DEVELOPMENT**

**- ENERGY
MARKETS**

**- FINANCIAL
MARKETS**

**PRODUCTIVE LINKAGES
WITH VALUE**



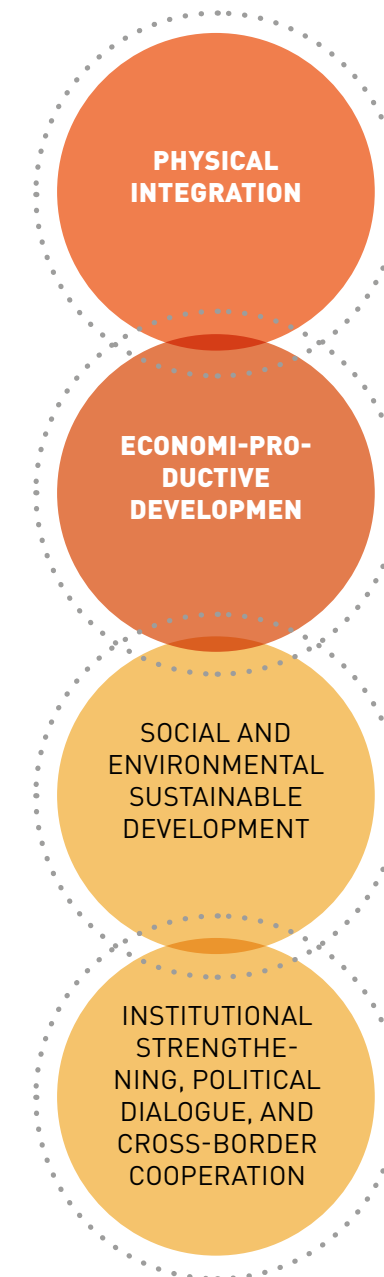


Thus, CAF's work for the promotion of regional integration is aimed at compliance with the following objectives:

- Contribute in the design of the regional integration agenda with respect to the strategic and permanent presence in all the fora and integration and political agreement schemes (presidential summits, ministerial councils, and technical meetings), as well as identify, prioritize, coordinate, and follow-up the on the main subjects and projects that are promoted in said regional fora.
- Identify, establish, and follow-up on the Annual Working Plans (PAT, for its acronym in Spanish), with all the current political dialogue and regional integration fora.
- Establish and maintain contact with organizations dealing with regional integration and political agreements.
- Contribute to the coordination of the Development and Border Integration Program (PADIF, for its acronym in Spanish) aimed at the identification, promotion, and follow-up of bi-national and multilateral initiatives of member countries, and the technical cooperation projects in matters regarding integration, development, dialogue, and cross-border cooperation.
- Promote inter-institutional synergies aimed at the management and dissemination of academic activities, studies, and spaces for joint reflection that promote emblematic regional integration projects.
- Provide support to the OPE to strengthen CAF's political relationship and presence in some countries of Latin America and the Caribbean.

DEVELOPMENT AND BORDER INTEGRATION PROGRAM (PADIF)

Through this program, CAF promotes the consolidation of a strategic vision of the borders in its member countries, to strengthen the planning and coordination of sub-regional and bi-national programs and projects, with the objective of improving the advantage of border complementation from a medium and long-term perspective, with a comprehensive vision supported by four priority pillars:



Thus, the activities of the PADIF have been aimed at supporting and financing the timely identification, preparation, and execution of high impact projects in the following components:

- Initiatives that promote, in shareholder countries, the adoption of a strategic vision of the borders in the medium and long-term, that favors planning and the coordination of programs and projects to improve the advantage of the shared potential and the opportunities for bi-national cooperation, as well as consolidate the integration and sustainable human development objectives in the region.
- Sectoral projects and initiatives in the framework of the bi-national dynamics and the Comisiones de Vecindad (Neighborhood Commissions), which includes actions and activities aimed at building bi-national border spaces with direct participation of the sub-national governments and local communities.
- Initiatives that contribute to consolidate the integration and border development community agendas in the framework of the regional integration processes, mainly UNASUR, CAN, MERCOSUR, Mesoamerica Project, and CELAC, among others.

CURRENTLY, THROUGH THE DEVELOPMENT AND BORDER INTEGRATION PROGRAM, CAF PROMOTES MORE THAN 60 BILATERAL AND MULTILATERAL PROJECTS IN 25 BORDER AREAS OF LATIN AMERICA, WITH AN INVESTMENT EXCEEDING USD 7 MILLION.



TYPE OF PROJECT	PROJECTS	DESCRIPTION
PROJECTS WITH A MEDIUM AND LONG-TERM STRATEGIC VISION	Improvement of territorial connectivity between Uruguay and Argentina	<ul style="list-style-type: none"> - Promoted by the Ministry of Territorial Planning and Public Investment in Argentina, and the Ministry of Transportation and Public Works in Uruguay. - The objective was to prepare a study to define a preliminary transportation infrastructure investment project and/or improvement projects of an operational or institutional nature, whose execution in the medium and long term would allow for the improvement of territorial connectivity between Argentina and Uruguay and the operating conditions of the transportation and logistic services between both countries. Its execution ended in 2016. - Amount executed: USD 78,600. - Currently, this study is being used as a model for territorial planning in the framework of UNASUR's COSIPLAN.
	Plan for the Development of the Amazon Sector of the Border Area between Bolivia and Peru	<ul style="list-style-type: none"> - This request made by the countries is mainly focused on promoting development actions and economic and social complementation between the populations of the border area of the Amazon Sector, with emphasis on the promotion of projects and programs for cross-border productive complexes, including an environmental evaluation given the special characteristics of the area. - The execution of this project started in November of 2016, with an approved amount of USD 150,000.

TYPE OF PROJECT	PROJECTS	DESCRIPTION
BI-NATIONAL SECTORAL PROJECTS AND INITIATIVES	Border Observatory Phase II: Uruguay - Brazil	<ul style="list-style-type: none"> - This project, requested by both ministries of Foreign Relations, is executed by the CEFIR Training for Integration Center of Uruguay. - During Phase I, background information on border issues was systematized, and work actions were implemented at an institutional level between the States. Multiple activities allowed to revitalize agendas, generate spaces to coordinate actions, and strengthen links between state and non-state actors. - In addition, an Observatory web site was developed, enabling more visibility for the subject. - The second phase of the Border Observatory responds to the need to deepen regional integration through the consolidation of working tools that have been already generated, and through the expansion of the work pillars, incorporating the areas in the border between Brazil and Uruguay. - This is currently being executed, with an approved amount of USD 43,100
	Economic and Financial Education of the Leticia-Tabatinga border region	<ul style="list-style-type: none"> - In the framework of the signature of a MOU between the presidents of Colombia and Brazil (2015) jointly with CAIXA and Banca de Oportunidades, a project was structured to strengthen the financial and productive capacities of the border area of Leticia (Colombia) and Tabatinga (Brazil), an area that is capable of catalyzing local development processes respecting the idiosyncrasy of the communities that live there.



TYPE OF PROJECT	PROJECTS	DESCRIPTION
BORDER PROJECTS IN THE FRAMEWORK OF REGIONAL INTEGRATION	Economic and Financial Education of the Leticia-Tabatinga border region	<ul style="list-style-type: none"> - The objective of this project is to transfer training methodologies in Economic and Financial Education (EEF, for its acronym in Spanish) to train microentrepreneurs in strengthening financial competencies, disseminate company formalization processes, and the importance of access to financial products and services. - This is currently being executed, with an approved amount of USD 50,000.
	UNASUR: Support for the General Secretariat to promote the 8 Multinational Infrastructure Projects of COSIPLAN 's prioritized portfolio	<ul style="list-style-type: none"> - The objective of this Technical Cooperation was to support the General Secretariat in the preparation of a study and to facilitate a consultancy for South American countries that require it for the identification of the needs to promote the 8 Multinational Infrastructure of COSIPLAN 's prioritized portfolio, that would allow the countries to advance and manage political, technical, and financial cooperation proposals, contributing sustainable solutions for technical and financing problems. - Currently, the countries of UNASUR are reformulating their Infrastructure Priority Projects Agenda based on the conclusions of this study.

PROGRESS IN THE REGIONAL INTEGRATION OF LATIN AMERICA

Through the definition and start up of comprehensive work programs with all the regional organizations and schemes, CAF decidedly supported the evolution of regional integration in Latin America and the Caribbean, particularly through the implementation of sub-regional, regional, and hemispheric integration and political dialogue agendas.

In this respect, CAF has recognized its active and permanent participation in presidential summits, ministerial meetings, and work groups as a key factor to promote the political and economic strategy of the region.

At the same time, a permanent communication mechanism was established with the General Secretariats and the support to the Pro Tempore Presidencies of the main integration schemes from a multidimensional perspective, mainly in the framework of the Andean Community (CAN, for its acronym in Spanish), the Southern Common Market (MERCOSUR, for its acronym in Spanish), the Mesoamerica Project (PM, for its acronym in Spanish), the Pacific Alliance (AP, for its acronym in Spanish), and the organizations for south-south political dialogue and cooperation such as the Union of South American Nations (UNASUR,

for its acronym in Spanish), and the Community of Latin American and Caribbean States (CELAC, for its acronym in Spanish).

Working and cooperation programs started with the Latin American Integration Association, the General Secretariat of the Organization of American States, the Ibero-American General Secretariat, the International Youth Organization for Ibero-America, the Organization of Ibero-American States for Education, the Latin America-East Asia Cooperation Forum, and the Latin America and European Union Summit.

At the same time, an important network of multilateral institutions, academic entities, and social organizations was established to promote regional integration, such as the Latin American Energy Organization, the Amazon Cooperation Treaty, the Latin American Economic System, the Economic Commission for Latin America, the Latin American Faculty of Social Studies, the Getulio Vargas Foundation, the Esquipulas Foundation for Peace, Democracy, Development, and Integration, the Democracy and Development Global Foundation, and the Training Center for Regional Integration.

— INSTITUTIONAL DEVELOPMENT

CAF UNDERSTANDS GOVERNANCE AS THE POLITICAL CAPACITY OF A SOCIETY TO MAKE DECISIONS AND SOLVE COLLECTIVE CONFLICTS IN A FRAMEWORK OF PLURAL, DEMOCRATIC, AND STABLE REGULATIONS AND PROCEDURES.

In this respect, CAF has understood the need to generate a new approach for the relationship between the State and society, with a comprehensive vision of political, economic, and social issues, seeking to mobilize the great existing human capital potential, and with the purpose of abandoning zero-sum views, or contradictory interests, between the State, society, and the markets, to recognize a necessary synergy between them.

In line with the challenges implied by this for the context of Latin American countries, CAF has established the commitment of promoting spaces that strengthen institutional quality through the generation of knowledge and empowerment of civil societies, with a promise of value that seeks compliance of the following purposes:



To address these purposes, from the work carried out by the Corporate Direction of Institutional Development (DCDI, for its acronym in Spanish), CAF has focused its efforts on three specific intervention areas:

PUBLIC MANAGEMENT AND INSTITUTIONAL QUALITY

Strengthen the state capacities to improve the provision of public goods and services, through training for human capital and selective support for public organizations.

YOUTH AND EMERGING LEADERSHIP

Identify youths with transforming capacity and leadership skills, to empower them and provide them with tools so they can stand out in their societies and become facilitators of change.

CITIZEN SAFETY

Support member countries in addressing their citizen safety challenges, strengthening the role of the State in this matter, and supporting the study of related cases in comparable countries, but with greater development regarding this subject.

THE ACTIVITIES CARRIED OUT IN EACH AREA OF INTERVENTION HAVE A STRATEGIC VIEW TENDING TO PROMOTE A STATE THAT IS A DRIVER OF DEVELOPMENT, WITH INSTITUTIONAL CAPACITIES THAT ENSURE AN EFFECTIVE PROVISION OF PUBLIC GOODS AND SERVICES THROUGHOUT THE TERRITORY, IN A DEMOCRATIC SYSTEM THAT RESPECTS THE PARTICIPATION OF ALL THE SECTORS OF SOCIETY IN PUBLIC AFFAIRS.



- IN THE SHORT TERM

It seeks to **empower** different members of the civil society so they can be capable of **promoting significant changes in their societies**



- IN THE PLONG TERM

It seeks to promote an **absolute improvement of the institutional quality** of CAF's member countries, resulting in the **perfection** of democratic societies and a **greater participation** of its members in the development of public policies

Thus, during 2015 and 2016 the main objectives of the DCDI were to work jointly with the business units and country offices to detect the opportunities to support member countries with respect to their needs to improve institutional quality, while trying to achieve a greater synergy and cohesion between the three areas of action of the Direction.

To achieve these objectives, the area's annual budget reached USD 500,000, and non reimbursable technical cooperation resources were granted for USD 4.000.000 for each year¹². These resources are managed by a highly qualified team work, specialized on the issues it addresses, allowing for an efficient approach to the different subjects addressed.

¹²This amount includes the DCDI's own allocation, as well as the amount that affects the allocation of the countries, but which keeps the DCDI as an associated area.

— PUBLIC MANAGEMENT AND INSTITUTIONAL QUALITY

CAF PROVIDES TECHNICAL ASSISTANCE TO ITS MEMBER COUNTRIES, TO DEVELOP NEW MANAGEMENT CAPACITIES, EXECUTION OF MODERNIZATION ACTIONS FOR PUBLIC ADMINISTRATIONS, AND IMPLEMENTATION OF OPEN GOVERNMENT STRATEGIES, WHILE OFFERING SPECIFIC TRAINING TOOLS TO STRENGTHEN THE COMPETENCIES OF THE HIGH AND MEDIUM LEVEL PUBLIC MANAGEMENT IN LATIN AMERICA, AND OF THE SOCIAL ACTORS WITH WHOM THEY INTERACT.

— Leadership for Change Program (LPT, for its acronym in Spanish)

Objective: Promote the exercise of a leadership that understands the importance of the participation of organizations and actors of the civil society in the public policy processes, in order to strengthen the relations between the State and society through specific actions.

From its beginning in 2001, this program has positively impacted **2,352 municipalities** in the region, and **28,654 participants** have graduated.

2015

THE PROGRAM WAS CARRIED OUT IN

6 COUNTRIES

(BOLIVIA, COLOMBIA, ECUADOR, PANAMÁ, PERÚ AND VENEZUELA)

WITH THE SUPPORT OF **7 UNIVERSITIES** OF THE REGION

WITH THE PARTICIPATION OF **2.157 INDIVIDUALS**

2016

THE PROGRAM WAS CARRIED OUT IN

7 COUNTRIES

(ARGENTINA, BOLIVIA, COLOMBIA, ECUADOR, PANAMÁ, PERÚ AND VENEZUELA)

WITH THE SUPPORT OF **8 UNIVERSITIES** OF THE REGION

WITH THE PARTICIPATION OF **2.759 INDIVIDUALS**

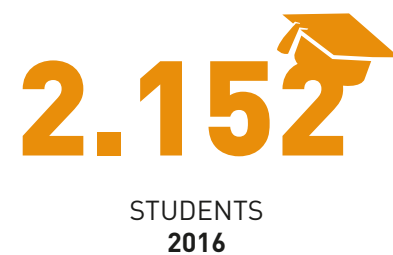
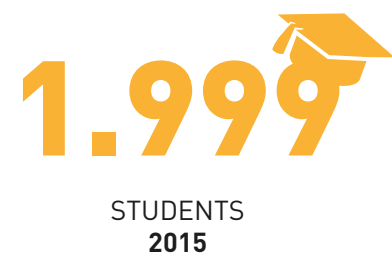
In addition, during 2016, a strategic alliance was established with the University of Salamanca, Spain, to strengthen the general coordination processes and academic support of the program.

— **Governance, Policy Management, and Public Management Program**

Objective: Train public officials and government teams of Latin American countries to strengthen the local institutional capacities in order to address the decentralization processes in countries of the region and the political weight that sub-national government entities have acquired.

This program has been developed for over fifteen years, with the academic support of the George Washington University Graduate School of Political Management, impacting **923 municipalities** of the region, graduating **15,372 individuals**.

During 2015 and 2016, the program was developed in 10 countries of Latin America (Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela), with the support of 13 universities of the region.



— **Training programs for Latin American high level public management**

Objective: Offer training programs to high level officials of governments in the region, aimed at constituting a managerial segment in Latin American public functions, with technical strength and competencies to build feasibility and sustainability in government policies.

For the development of these programs, CAF has established alliances with the École Nationale d'Administration (ENA), in France; the Carolina Foundation, in Spain; the Universidad del Salvador and Universidad Austral, both in Argentina; and the Organization of American States (OAS), among other institutions.

During 2015 and 2016 training programs were offered on the following subjects:

- Executive Training Program on Leadership and Management of Change
- Ibero-American Public Leadership Program
- Executive Program for Latin American Mayors on Government Management and Communication
- Virtual High Public Management Program for Latin America



— **Other training spaces**

At the same time, beyond the general menu of training options, the DCDI assists CAF member countries in the implementation of specific training that adjusts to the particular demands and needs of the governments of the region. It is the case of the 3Q workshops or the workshops in the framework of the "SeguLab" safety strategy.

3Q WORKSHOPS

Workshop aimed at renewing commitments, coordinating efforts, sharing initiatives, and above all, reconsidering new action programs in a single working team within a public institution, to plan, coordinate, and execute better public policies to implement.

SEGULAB

Citizen Safety Workshop to coexist in Public Spaces, to generate a series of recommendations and exchange of experiences by experts, municipal authorities, and CAF specialists, to address the problems and challenges in the subject of prevention of crime in the cities.

There is also a virtual training program with the Centro Latinoamericano de Administración para el Desarrollo (CLAD) (Latin American Management for Development Center), which consists of a series of Webinars and one virtual program designed with the Universidad Austral of Argentina, which addresses diverse subjects of interest associated to institutional development.

— Technical Assistance

The institutions of a country have a central place in the preparation and implementation of public policies, as well as in the relationships established between the State and the citizens. With the purpose of contributing to improve its quality, CAF provides technical assistance to its member countries for the development of new management capacities, the execution of modernization actions of public administrations, and the implementation of open government strategies.

Among others, in the development of this line of action different projects have been carried out, such as:

- Strengthening of the Public Investment System of Paraguay
- Strengthening of the General Secretariat of the Government of the Province of Buenos Aires.
- Development of the Federal Training Plan for the use of new voting instruments.

— Promotion of Open Government

The need to «open up» of the States is not a new doctrine, but rather the budget for an effective citizen surveillance or supervision regarding public affairs which is at the base of a representative democracy.

In recent times the concept of «open government» has acquired a new boost from the impact and possibilities generated by the revolution of information and communication technologies in the public sphere. This trend produces direct effects on the reconfiguration of the relationship between the State and the citizens, based on three main pillars: transparency, participation, and collaboration.

On the basis of these pillars, CAF develops a strategy aimed at strengthening and promoting the adoption of policies and actions of Open Government by the countries of the region, by strengthening the networks and actors, and generating and disseminating knowledge on the subject.

Specifically, support is provided to linking networks between academic institutions, governments, and the civil society, and training is promoted for public officials and agents of the society at large through classroom and on-line activities that enable the promotion of the Open Government in the region with an innovative approach, both in the sectoral and territorial dimensions.

Alliances have been established for this initiative with the Organization of American States, Open Government Partnership, the Universidad Austral, and the Government of the Autonomous City of Buenos Aires.

— Latin American Governance Network

CAF has promoted the creation of a regional community integrated by teachers, students, graduates, and participants of its educational and training programs, with the objective of having a collaborative space to generate and disseminate knowledge related to governance and leadership in the context of Latin American countries.

In the framework of this work that has been promoted through this network during 2015 and 2016, the following advances stand out:

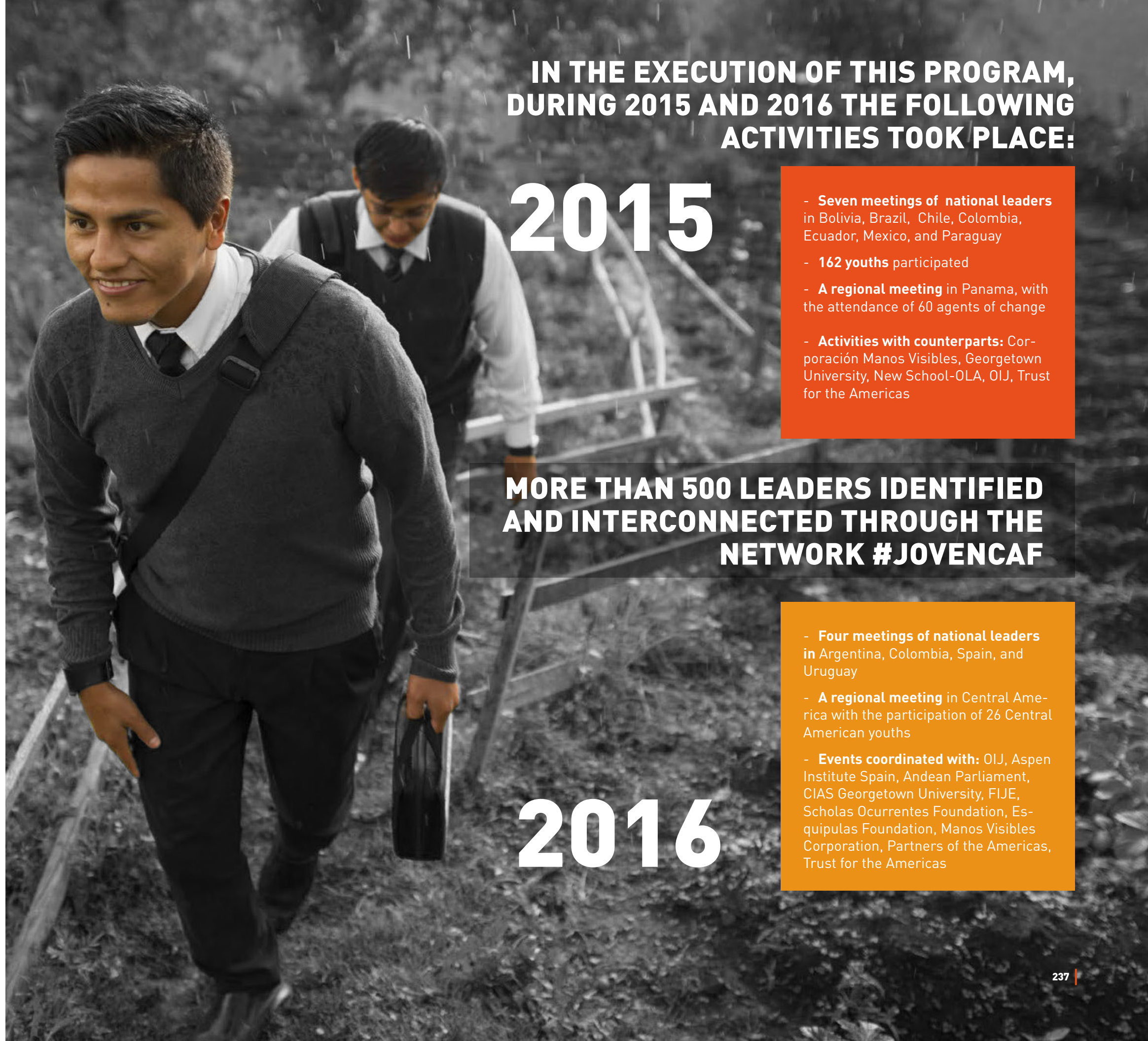
- Launching of the virtual platform for participants and graduates of CAF's training programs (www.gobernabilidadcaf.com and a private group in Facebook), in addition to a collaborative work space for the academic coordinators of the programs.
- Development of GobCAF mobile application, which will be launched in 2017, with the objective of disseminating information and facilitating the interaction of the members of the network, as well as increasing CAF's relational capital.
- Eight national meetings were carried out with graduates in Argentina, Bolivia, Colombia, Ecuador, Peru, and Venezuela, to disseminate knowledge and share experiences. Close to 840 graduates of the Governance and Leadership programs participated in these events.

— Generation of Knowledge

In the framework of the first regional meeting of graduates from the Governance and Leadership programs carried out during 2015 in Rio de Janeiro, the first title of the series "Estado, Gestión Pública y Desarrollo en América Latina": "Capacidades Estatales" (State, Public Management, and Development in Latin America": "State Capacities") was launched. This opportunity was also used to launch the publication that gathers experiences and testimonies of the training programs "Gobernabilidad y liderazgo en América Latina, 15 años de experiencia de los Programas CAF de formación" (Governance and leadership in Latin America, 15 years of experience of CAF's training programs). Later during the same year, the second title of the series was presented, called "Valor Estratégico de la Gestión Pública" (Strategic Value of Public Management).

In 2016, the titles "Economía Política" (Political Economy) and "Regímenes Políticos" (Political Regimes) were launched, presented in the framework of the Annual Congress of the Latin American Center of Management for Development (CLAD, for its acronym in Spanish) in Chile, before graduates of the programs in the Universidad del Rosario in Colombia.

In addition, the report "Los nuevos desafíos de América Latina: la visión de los líderes emergentes 2015" (The new challenges of Latin America: the vision of the 2015 emerging leaders) was presented after surveying the participants of the Governance and Leadership programs in its 2016 edition.



— YOUTHS AND EMERGING LEADERSHIPS

CAF recognizes that the construction of any development and social investment agenda cannot exclude youths as strategic actors for the consolidation and strengthening of democratic societies. For this reason, it has established its program #JovenCAF, which proposes the following objectives:

- Educate and train youths from the region with a vocation for leadership and innovation.
- Promote the creation of a network of young Latin American leaders promoting exchange of ideas, strengthening of capacities, and generation of knowledge.
- Generate institutional alliances with international organizations, universities, social organizations, and governments, to define joint agendas for the promotion of young leadership.
- Analyze the main problems of the region with respect to youths, and promote the execution of actions in each country, and CAF's institutional support to provide answers.

**IN THE EXECUTION OF THIS PROGRAM,
DURING 2015 AND 2016 THE FOLLOWING
ACTIVITIES TOOK PLACE:**

2015

- **Seven meetings of national leaders** in Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, and Paraguay
- **162 youths** participated
- **A regional meeting** in Panama, with the attendance of 60 agents of change
- **Activities with counterparts:** Corporación Manos Visibles, Georgetown University, New School-OLA, OIJ, Trust for the Americas

**MORE THAN 500 LEADERS IDENTIFIED
AND INTERCONNECTED THROUGH THE
NETWORK #JOVENCAF**

2016

- **Four meetings of national leaders** in Argentina, Colombia, Spain, and Uruguay
- **A regional meeting** in Central America with the participation of 26 Central American youths
- **Events coordinated with:** OIJ, Aspen Institute Spain, Andean Parliament, CIAS Georgetown University, FIJE, Scholas Ocurrentes Foundation, Esquipulas Foundation, Manos Visibles Corporation, Partners of the Americas, Trust for the Americas

— CITIZEN SAFETY

Taking into consideration the insecurity conditions identified in Latin American countries, CAF develops actions aimed at promoting citizen safety initiatives and strengthening the institutions in charge of their management in member countries.

In the development of this strategy, during 2016 **12 events** related to citizen security were carried out in Argentina, Bolivia, Colombia, Ecuador, and Peru, with the attendance of more than **1,000 individuals** and **20 international speakers** who shared their knowledge to strengthen the management of safety in the countries of the region.

At the same time, starting in 2016, a work team was created with the different units that address this subject at CAF, with the purpose of having a shared vision and align the objectives toward the same goal. In addition, work was carried out to consolidate strategic alliances with organizations such as the OAS and the Woodrow Wilson Center, as well as in the establishment of new contacts with institutions that specialize in this subject, to support the countries in the design and implementation of activities related to this issue, particularly with Argentina, Ecuador, and Peru.



— LESSONS LEARNED

In accordance with CAF's proposal to implement an agenda for the sustainable development of the region, institutional quality is a cross-cutting component of the operations that the Institution leads in Latin America through its vice-presidencies, country offices, and corporate directions. For this reason, the DCDI must offer its support to said areas to help strengthen the capacities of the human capital that is in charge of the implementation of projects and operations with CAF resources, as well as those agents of change that are having an impact in the improvement of the places of interest for the Institution.

At the same time, based on what is established in the new technical cooperation guidelines, the DCDI will support the institutional strengthening initiatives of executors of credit operations through consultancies to public entities for the transfer of knowledge and development, as well as to strengthen their institutional capacities.

In addition, to achieve adequate institutional frameworks in the States, and development levels in the countries, it is necessary to have public officials who are committed and well trained. Currently, it is estimated that the Latin American region has close to 30 million public officials, and it is assumed that most of them do not have access to specialized or regular training to update their knowledge.

To generate a real transformation in the functioning of the State, it is key to strengthen the training of people and see it as an investment. In this respect, the proposal is to continue promoting the education of the human capital, aware that the results of these training processes, which seek to generate individual and collective competencies, are slow, but with the conviction that this effort will lead to an improvement of the institutional quality

of the region.

In addition, with the emergence of the notion of open government, the field of public affairs has opened a new window of opportunities to advance in a process of transformation of the political-institutional matrix of Latin America, which will enable the full exercise of the rule of law and a sustained growth over time. This concept has enjoyed an increasing interest by diverse organizations, disciplines, and fields of study as a result of the extraordinary evolution of information and communications technologies, but also due to the abandonment of two central assumptions over which the traditional state organization was built: the weakness of the civil society and the private sector, and the assimilation of the concept of public with the concept of state.

In this context, the DCDI will seek to promote this new paradigm of public management in Latin American countries through the design of an intelligent strategy that can coordinate with other international organizations, governments, universities, and organizations of the civil society, with the purpose of enhancing the resources and activities intended for this purpose. This line of action will contribute to compliance with the challenges stated by the member States of the United Nations in the 2010 Sustainable Development Agenda, specifically objective number 16, "Peace, Justice, and Solid Institutions", which states the need to advance in the construction of effective, responsible, and transparent institutions at all levels; guarantee the adoption of inclusive, participative, and representative decisions that respond to the needs of all levels; guarantee public access to information; and protect the fundamental liberties, among others.

KNOWLEDGE FOR DEVELOPMENT

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

— MANAGEMENT OF KNOWLEDGE

The context of deceleration of commodity prices implies new challenges for CAF: on the one hand, a demand for greater liquid short-term financing as well as for infrastructure investment projects; on the other hand, it also demands knowledge services that support these investments to improve their design, implementation, and impact. In addition, it also requires working together with governments to think and identify reforms that support the internal factors of growth, promoting an open discussion regarding different policy alternatives which, based on evidence, enrich the public debate and, through it, generate the necessary consensus for their implementation by governments.

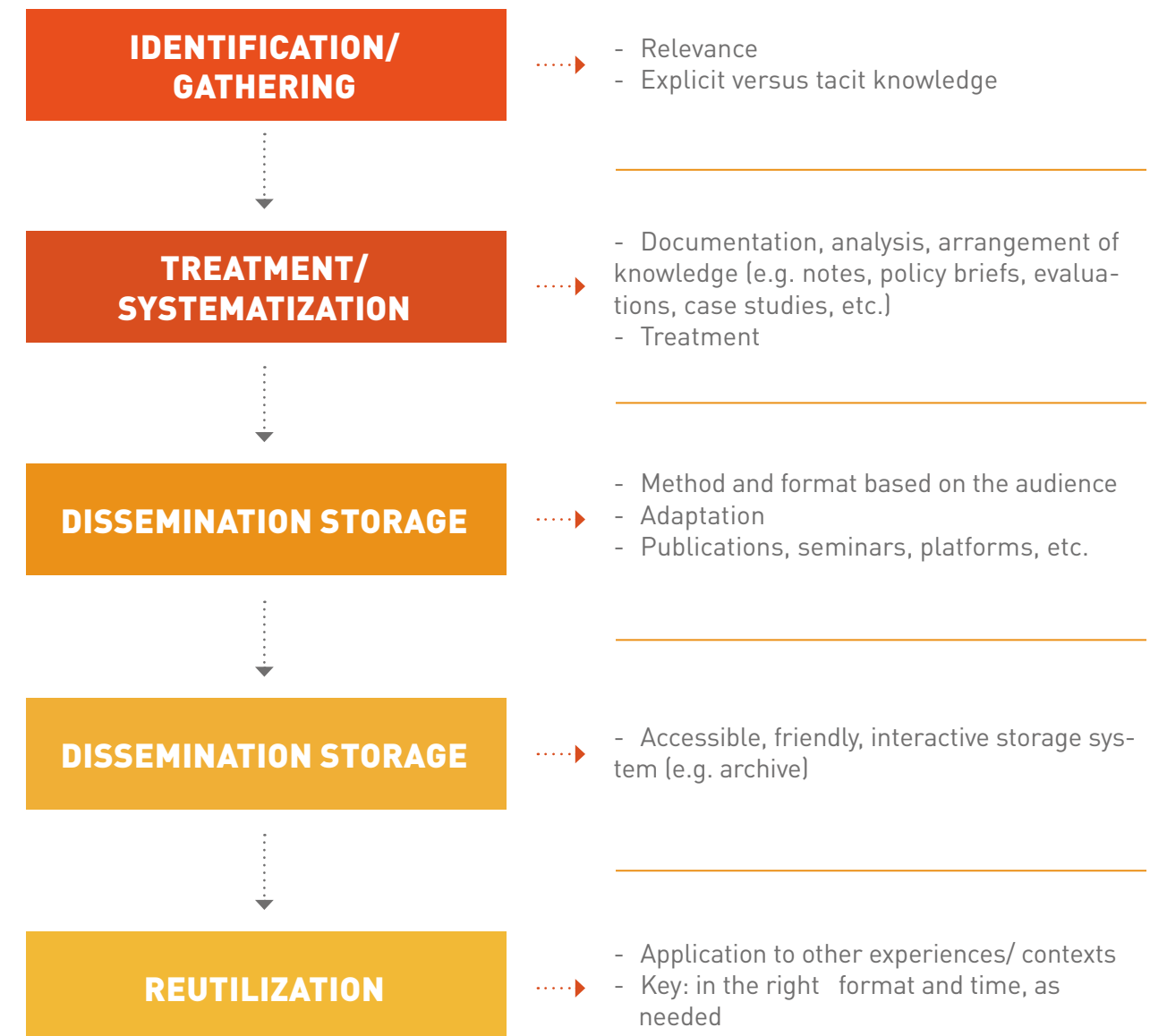
In this context, CAF is making a qualitative leap with the full and structured recognition of knowledge as an essential part of CAF's contribution to development. Loans and financial services, as well as knowledge services have always taken place, but in the past two years CAF has advanced providing a greater coherence and organization to these services. Latin America's current scenario, together with the increasing number of CAF operations and its greater regional and global influence make it necessary to place the management of knowledge at the center of the Institution's strategic discussion.

Considering this, CAF has advanced its efforts to measure the way in which it manages knowledge, to better understand its contribution and develop the tools, systems, and processes, to capture, organize, and reuse the knowledge internally, in addition to offering non-financial services for development in an organized and systematic manner, with clear and measurable objectives.

— MANAGEMENT OF KNOWLEDGE AS AN INSTRUMENT FOR DEVELOPMENT

Knowledge services complement the financial assistance offered by the Multilateral Banking System and constitute a key aspect to strengthen the role of these institutions facing the dynamics of development. For this reason, CAF seeks to strengthen its projection adopting a knowledge management strategy that articulates and arranges the diverse initiatives it already develops in this field.

WITH RESPECT TO MANAGEMENT OF KNOWLEDGE, CAF UNDERSTANDS IT AS A GROUP OF SYSTEMATIC PROCESSES (IDENTIFICATION / GATHERING, TREATMENT / SYSTEMATIZATION, DISSEMINATION, STORAGE, REUTILIZATION), AIMED AT TAKING ADVANTAGE OF THE KNOWLEDGE IN THE ORGANIZATION TO GENERATE VALUE IN ACHIEVING ITS OBJECTIVES.



Thus, CAF recognizes that the management of knowledge is a useful tool for the development that generates value added to its operations, while:



MANAGEMENT OF KNOWLEDGE

— **IT FAVORS ORGANIZATIONAL LEARNING** TO MAKE INTERNAL PROCESSES MORE EFFICIENT AND PROVIDE A BETTER SERVICE TO CLIENTS AND USERS.

— **IT INCREASES THE VALUE OF INTERACTIONS** AND INTERNAL PROCESSES, AS IT ENABLES A **GREATER EFFICIENCY** IN THE STRUCTURING PROCESS OF THE OPERATIONS, AND **IMPROVES THE RELATIONSHIPS** BETWEEN EXECUTIVES AND INSTITUTIONAL OR GOVERNMENTAL ACTORS.

— **IT INCREASES THE IMPACTS OF THE PROJECTS** INASMUCH THE OPERATIONS ARE FRAMED ON STRATEGIES BASED ON AN ADEQUATE DIAGNOSIS OF THE FACTORS THAT LIMIT THE DEVELOPMENT OF COUNTRIES.

— **IT ENABLES THE ACCUMULATION OF EXPERIENCES** REGARDING THE RESOLUTION OF DEVELOPMENT PROBLEMS IN THE REGION, WHICH MAY BE SHARED WITH OTHER ACTORS OF DEVELOPMENT, GOVERNMENTS, AND ACADEMIC INSTITUTIONS.

— CAF ADVANCES IN THE MANAGEMENT OF KNOWLEDGE

The Corporate Direction of Economic and Knowledge Analysis for Development (DCAECD, for its acronym in Spanish) was established at the start of 2015, and one of its purposes was defined as “to coordinate, strengthen, and consolidate the management of knowledge and supply of non-financial services of the Institution”.

The DCAECD interacts closely with the Institution’s sectoral areas, with the purpose of contributing to the achievement of a pragmatic application of knowledge management in favor of development, as well as integrate said management effectively within the supply of financial services provided by the Bank.

The starting point of these initiatives are the needs of the clients. They must be useful to improve the impact on the development of the projects managed by CAF, and must be perceived by the countries as relevant for the application of public policies.

Thus, during the 2015-2016 period, the Direction of Impact Evaluation and Policy Learning (DEIAP, for its acronym in Spanish) consolidated, and the objectives of the Direction of Socioeconomic Research (DIS, for its acronym in Spanish) and the Direction of Macroeconomic Studies were realigned to contribute to the management of knowledge:

- Consolidation of the Organization’s area of Impact Evaluation
- Creation of CAF’s Information Service (SICAF, for its acronym in Spanish) to provide cross-cutting support to the management of knowledge and promote a culture of learning in the Institution.

- Participation in the development of the documents “Estrategia País” (Country Strategy).
- Production of two Economy and Development Reports, one on skills for life and work, and the other on habitat.
- Participation and support in the improvement of the credit process.
- Realignment of the strategies of the Research Direction toward three subjects with teams explicitly defined for that purpose: social inclusion, productivity, and State capacities.

— EVALUATION AND MONITORING

For the evaluation, control, and follow-up of the processes that are carried out regarding the management of knowledge, annual strategic meetings take place to review the results obtained during the year, global goals are established, and new activities and responsible parties for the following period are defined. At the same time, each proposed goal has management indicators, as well as a process to monitor and follow-up their compliance. Work has been carried out for a corporate indicator of CAF’s contribution to knowledge, but its first version is expected to be available toward the end of 2017.

Learning that establishes a roadmap for the continuous improvement of CAF’s management of knowledge emerged from the implementation of these evaluation mechanisms. These are:

IT IS RECOGNIZED THAT TO ADVANCE IN A SUBSTANTIAL AND SUSTAINABLE MANNER IN THE MANAGEMENT OF KNOWLEDGE PROCESSES, IT IS NECESSARY TO INVOLVE KEY ACTORS BOTH WITHIN CAF AND OUTSIDE OF IT.



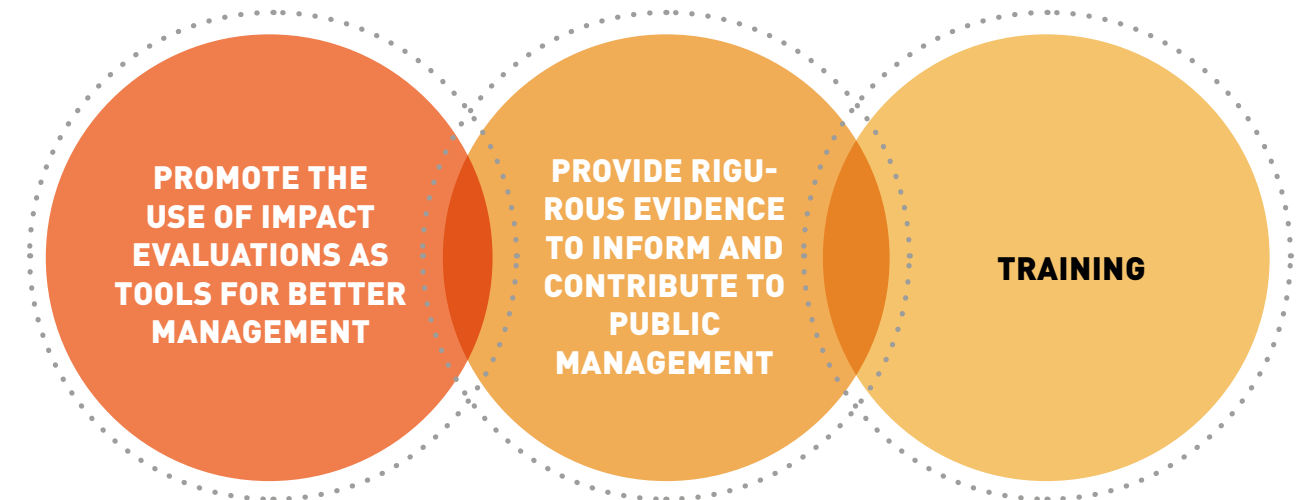
STRENGTHEN AND COORDINATE THE MANAGEMENT OF KNOWLEDGE IN ALL AREAS THAT INCLUDE CAF'S PROCESSES AND ACTIVITIES.

PROJECTION OF THE MANAGEMENT OF KNOWLEDGE AS A STRATEGIC PILLAR WHICH WILL CONTRIBUTE TO THE CONSOLIDATION OF CAF'S BUSINESS MODEL.

— IMPACT EVALUATION

THE MISSION THAT SUPPORTS THE MANAGEMENT CARRIED OUT FROM THE IMPACT EVALUATION AREA HAS TO DO WITH CONTRIBUTING **TOOLS FOR DECISION MAKING BASED ON EVIDENCE** TO MEMBER COUNTRIES, SO THAT THE SOCIAL INTERVENTIONS THAT GOVERNMENTS IMPLEMENT IN THEIR TERRITORIES MAY BE MORE **EFFECTIVE, GENERATE A REAL IMPACT ON THE POPULATION, AND TO SUSTAINABLE DEVELOPMENT.**

To comply with this purpose, the Impact Evaluation area guides its management based on three pillars of action:



As part of the compliance with these pillars, there is a protocol to prioritize CAF's credit operations, which works through the Corporate Businesses Committee (CNC, for its acronym in Spanish), which is in charge of defining CAF's interest in a specific project, considering economic, social, and environmental aspects as essential criteria.

Through this consultation, as a learning strategy the Impact Evaluation area determines if there is interest in taking a closer look at any of the projects that were already approved. With respect to the subject of technical cooperation, the areas express their interest in carrying out evaluations associated to operations, and the impact evaluation areas gets involved to review the feasibility of the projects and initiatives to be evaluated.

Externally, an open call is made for member (and non-member) countries to participate in

an evaluation process, where there is a systematic review of who complies with the criteria established to carry out impact evaluations. In addition, those who already know CAF's experience with impact evaluations look for support in this aspect.

For the implementation of impact evaluations, whether internal or external, there is working team which includes the area Director, the processes executives, and research assistants; each evaluation initiative to be implemented is in charge of the processes executives, who are in charge of structuring them with the support of the research assistants. There are also external advisors who provide recommendations regarding the evaluation proposal made in the area.

— INITIATIVES AND PROGRAMS

88 DEMANDS FOR EVALUATION PROJECTS

- 59 did not come through, and 29 became evaluations that are still active or already concluded

OF THE 29 EVALUATIONS

- 18 are impact evaluations
- 4 are qualitative evaluations
- 6 are projects whose methodology has not been determined

8 CAF MEMBER COUNTRIES ARE INVOLVED

- in the 29 evaluations
- 12 of the 29 evaluations are internal projects related to credit operations or technical cooperations.
- The remaining 17 evaluations are external processes that are not related to the products offered by CAF

SUBJECTS WORKED IN THE 29 EVALUATIONS

- Capacity of the state
- Education
- Social Inclusion
- Infrastructure
- Productivity
- Citizen Safety

— EVALUATION AND MONITORING

To understand the relevance of the use of impact evaluations, one year after the final report has been turned in, a macro-evaluation is carried out regarding its effectiveness in the public policies of the counterpart institutions, which enables to see if decision makers regarding public policies used the recommendations and adjustments made with the evaluation and, specially, to see if the evaluation exercise is internalized and institutionalized by the governments.

Thus, for the seven projects that have been advanced and which have the complete results of the macro-evaluation, it may be concluded that:

60%

HAS USED THE RESULTS OF THE EVALUATIONS TO MAKE DECISIONS

40%

OF THE CASES, NORMATIVE CHANGES HAVE OCCURRED AS A CONSEQUENCE OF THE EVALUATION

In addition, a continuous evaluation process is carried out regarding the methodologies and processes implemented by the area, where the following indicators are taken into consideration:

<p>PROMOTION OF IMPACT EVALUATIONS AS TOOLS FOR MANAGEMENT</p>	<ul style="list-style-type: none"> Started evaluation processes v. finalized processes Duration of evaluation processes
<p>USE RIGOROUS EVIDENCE TO INFORM AND SUPPORT PUBLIC MANAGEMENT</p>	<ul style="list-style-type: none"> Number of evaluations in which CAF is involved Number of translations made and available
<p>TRAINING</p>	<ul style="list-style-type: none"> Number of trainings carried out by CAF

As part of the learning and challenges obtained from the evaluation and monitoring of the processes, the following activities are considered for implementation:

- Consolidate a network of learning with counterparts that know the importance of impact evaluations.
- Establish a commitment and the sustainability of the projects by the counterpart as part of the criteria in selection processes.
- Visualize and disseminate the initiatives that have been carried out in the Impact Evaluation area.
- Be more efficient in the use of the resources that are available for the development of the area's projects, in order to cover the currently existing demand.

— SOCIOECONOMIC RESEARCH

THE MISSION OF THE DIRECTION OF SOCIOECONOMIC RESEARCH IS TO PRODUCE AND DISSEMINATE KNOWLEDGE REGARDING KEY ISSUES FOR THE SUSTAINABLE DEVELOPMENT OF LATIN AMERICA, THROUGH RESEARCH WORKS AND QUALITY STUDIES, INTERACTION WITH PARTIES RESPONSIBLE FOR THE FORMULATION OF PUBLIC POLICIES, ACADEMIC RESEARCHERS, REGIONAL RESEARCH NETWORKS AND THINK TANKS, AND COLLABORATION WITH THE BUSINESS AREAS OF CAF.

Production and dissemination of knowledge are focused on three research areas that CAF has identified as essential for the development of Latin America: Social inclusion, Productivity, and State capacities.



SOCIAL INCLUSION

- Promote the social inclusion of the most vulnerable sectors of the Latin American population through three pillars: i) employability of youths, ii) access and quality of health services, and iii) positioning of women at the heart of the family, the labor world, and political life.



PRODUCTIVITY

- Improve the allocation of productive factors and promote the productive transformation of the countries of Latin America, through innovation, the accumulation of physical capital, and the efficient allocation of available resources.



STATE CAPACITIES

- Strengthen the capacities of the state for the design, implementation, and learning of public policies in Latin America, thus improving the effectiveness of policy interventions to promote development.

To comply with its objectives in each one of these areas, the Direction develops a series of activities among which the following stand out:

■ **Economy and Development Report (RED, for its acronym in Spanish).**

Aborda cada año desde 2004 un tema crítico del desarrollo de la región con el objetivo de brindar herramientas para la discusión de políticas públicas.

■ **CAF Survey (ECAAF, for its acronym in Spanish).**

This is a survey for individuals in households, carried out by CAF annually since 2008 in a series of cities in Latin America. It consists of person-to-person interviews where a structured questionnaire is carried out to gather demographic and socio-economic information from those surveyed, as well as several characteristics at a household level.

■ **Call for research proposals.**

University researchers, research centers and public and private institutions are invited to send their proposals with the objective of promoting and strengthening research on subjects associated to the research agendas. The proposals are evaluated according to the methodological accuracy and relevance for public policy.

■ **Series of working documents.**

Research works that are financed through the calls and research agendas will be published, as well as those developed by the Staff of the Direction.

■ **Seminars organized by the Direction.**

Seminars will be carried out to discuss the content and advances of the RED, as well as the research work of Staff members of the Direction and external researchers that have been invited to participate.

■ **Conferences and seminars.**

The Staff of the Direction is invited to present and discuss the results of their research in conferences and seminars which include the participation of academics, public officials from different universities, research centers, multilateral organizations and think tanks.

During 2015 and 2016, the following projects were carried out:



- **RED 2015 A more effective State: Capacities for the design, implementation, and learning of public policies.**

This document analyzes the capacities that States need to have to improve the effectiveness of public interventions to promote development. An effective State requires capacities for design, implementation, and learning of policies. This depends in part of the existence of a quality bureaucracy; a public purchasing system that facilitates the acquisition of key inputs for the effective execution of the programs; citizen participation that strengthens the accountability process, and through this channel improve the provision of public services; and finally, the establishment of monitoring and evaluation schemes that transform experiences in the management of public resources regarding knowledge and learning.

- **RED 2016 More skills for work and life: the contributions of the family, school, environment, and working world.**

This report studies how to strengthen Latin America's human capital, focused on its most basic components: cognitive, socio-emotional, and physical skills of individuals. It analyzes the contribution of the four institutions where the maturing process of skills occurs: the family, the school, the environment, and the working world. The report sheds light on the most important investments for a comprehensive development of the individual and emphasizes the importance of two crucial stages in life: early childhood and youth.



THE ECONOMY AND DEVELOPMENT REPORTS (RED 2014, RED 2015, AND RED 2016) WERE PRESENTED IN 36 CITIES OF LATIN AMERICA.

30 RESEARCH TITLES WERE PUBLISHED IN THE SERIES OF CAF'S WORKING DOCUMENTS.

CAF SURVEY:

2015

- Implementation of surveys in **10 cities** of Latin America
- **9,620 individuals** surveyed
- **pecial modules:** Measurement of cognitive and socio-emotional skills

2016

- Implementation of surveys in **11 cities** of Latin America
- **1,290 individuals** surveyed
- **Special modules:** Migration, housing and accessibility

RESEARCH PROPOSALS:

3 CALLS FOR RESEARCH PROPOSALS

- **Habitat and urban development**
 - **Objective:** Analyze the relationship between the characteristics of the urban habitat, productivity of companies, and well-being of households.
- **Energy, environment and development** (jointly with the Vice Presidency of Energy and the Corporate Direction of the Environment and Climate Change)
 - **Objectives:** Analyze the role of energy as a factor for sustainable development of Latin America.
- **Productive transformation**
 - **Objective:** Analyze the determinants of the productivity lag in the economies of Latin American.

572 RESEARCH PROPOSALS RECEIVED

MACRO-ECONOMIC STUDIES

THE MISSION OF THE DIRECTION OF MACROECONOMIC STUDIES (DEM, FOR ITS ACRONYM IN SPANISH) IS TO CONTRIBUTE TO DETECT OPPORTUNITIES AND RISKS IN CAF'S INTERVENTIONS, THROUGH A TIMELY DIAGNOSIS OF THE MACROECONOMIC SITUATION AND THE BOTTLENECKS THAT LIMIT THE DEVELOPMENT OF THE COUNTRIES IN THE REGION.

To comply with this objective, the DEM develops situation documents with high demand within the institution, which are annually published by country:

- 10 monthly reports of the Regional Observatory.
- 2 Half-yearly Economic Reports.
- 1 Fiscal Sustainability Report.
- Reports on the estimates of the main macroeconomic variables (updated quarterly) and of the evaluation of sustainability of the public debt.

In addition, to support the analysis of the main economic and political events in CAF's member countries, during 2016 the following documents were published:

- 34 Situation Notes
- 224 Economic Flashes
- **XVII Annual Internal Workshop on the Economies of the Region- Evaluation of the economic performance of the region:** The Workshop on the Economies of the Region takes place every year in September, where economists analyze the main economic trends of the countries of the region, and present their forecasts for the main macroeconomic variables

for the next two years. This event marks the beginning of the development of CAF's Activities and Budget Program. In addition, periodic update presentations are carried out in the Representation Offices and also for the business areas that request it.

Documents on the Challenges to Development:

The DEM supports CAF's strategy in member countries, contributing with the Vice Presidency of Country Programs, (VPP for its acronym in Spanish) in the development of the country strategy documents (DEP for its acronym in Spanish) through a diagnosis of the economic and fiscal situation of the countries, the identification of development gaps, and coordination of strategic inputs of the business areas. Starting in 2018, the DEM will launch a new input for the DEP: the document on Challenges to Development. The purpose of this document is to facilitate the prioritization of interventions through the application of complementary methodologies for a better diagnosis of the main restrictions to development in the countries. In 2015 and 2016, work was carried out in the DEP's of Peru, Colombia, Trinidad & Tobago, and Argentina.

Support for the origination and credit evaluation processes:

In 2016, the DEM developed a methodology to support the origination and credit operation evaluation processes for sub-national entities with sovereign guarantee, responding to a corporate need of having instruments that enable their own and detailed evaluation of the potential fiscal risks of said entities. The methodology is based on standard indicators for the analysis of liquidity and solvency risks at a sovereign level, adapted to the distinctive features and availability of the data of regional governments.

In addition, the DEM annually contributes to the dissemination of knowledge in the region through the development of the macroeconomic chapter of the Latin American Economic Outlook (LEO), jointly with the OECD and ECLAC.

- LEO 2016:

Toward a New Relationship with China, launched at the Ibero-American Summit of Chiefs of State in Cartagena, Colombia, in December 2016.

- LEO 2015:

Education, Competencies in Innovation for Development was launched at the Ibero-American Summit of Ministers of Foreign Relations in Cartagena, Colombia, in November, 2015.

SOCIAL INNOVATION

Social Innovation contributes to the promotion of sustainable development in the region through the implementation of innovative initiatives that contribute to the solution of problems related to human development, with the objective of improving the life conditions of vulnerable groups, especially with respect to the generation of social inclusion opportunities through the creation of productive work and/or access to essential services.

In addition, it contributes to promote change trends and paradigms, promotes new measuring tools, encourages participation in innovation networks, and captures global knowledge to contribute in the construction and strengthening of social innovation ecosystems in Latin America.



SOCIAL INNOVATION GENERATES VALUE ADDED BECAUSE...

- It reaches beneficiaries that have not been reached by traditional programs, especially **highly vulnerable communities**
- It contributes to the instrumentation of CAF's **Human Development Agenda**
- It is an effective bridge for **social actors and the civil society**
- It represents an **experimental space for low cost and flexible testing**, with business potential and influence in public policy
- It provides a **small scale, fast and efficient** response to social demands
- It represents a **fundraising potential** of financial resources and strategic partners
- It contributes to **capture and manage knowledge** in the development of social intervention models

— **SOCIAL INNOVATION STRATEGY**

THE DIRECTION OF SOCIAL INNOVATION (DIS, FOR ITS ACRONYM IN SPANISH), IS AN EXPERIMENTATION SPACE TO CAPTURE, TEST, AND FINANCE IDEAS, DYNAMICS, INSTRUMENTS, AND/OR MODELS WITH THE POTENTIAL OF BECOMING USEFUL AND SUSTAINABLE SOLUTIONS TO SOCIAL CHALLENGES THAT TROUBLE THE REGION, PARTICULARLY THE MOST VULNERABLE GROUPS, WHILE CONTRIBUTING TO THE CONSTRUCTION OF SOCIAL INNOVATION ECOSYSTEMS IN LATIN AMERICA.

This mission responds to the stipulations set forth in the Regulation of the Human Development Fund (FONDESHU, for its acronym in Spanish), in the Manual for the Functioning of Special Funds, and in the Guidelines of Ethical Conduct established by CAF, as well as the commitments adopted for the 2030 Agenda for Sustainable Development Objectives. The goals and objectives of the area are aligned also with the strategic objectives of the Bank and its Activities and Budget Program (PAP, for its acronym in Spanish).

SOCIAL INNOVATION OBJECTIVES

- Promote Social Innovation as a tool to build **useful and sustainable solutions** for social problems that trouble the region.
- Contribute to the **construction of social innovation ecosystems** in the region.
- Make **global, regional, and territorial alliances** with actors from different sectors and disciplines that may add to the collective impact.
- Promote opportunities for inclusion, particularly through collaborative schemes between relevant actors in the territory, to access very basic services and promote productive work in vulnerable populations.
- **Promote new ways of doing things, particularly with the community and civil society, as agents of change and protagonists of their own development.**
- **Capture and disseminate global and local knowledge**, participate in networks and, if possible, contribute to complement and/or develop public policies in the corresponding areas.

CAF understands Social Innovation as a process in permanent evolution, hybrid, and collaborative, that assumes a synergy between actors from different sectors and disciplines, who collaborate and relate to each other in complex interconnected systems, to learn and add, under a common agenda, capacities, resources, and knowledge, for the generation of possible solutions to the social problems of vulnerable groups.

From this perspective, social innovation assumes a dynamic of risk and experimentation, a conceptual audacity to challenge established truths and start new paths, acceptance of failure as knowledge and a key element of social innovation, risk capital to take on initiatives and failures, maximum administrative flexibility to facilitate the management of resources, and capacity to learn and generate knowledge from the successes and errors resulting from each experience. To comply with its objectives, the work of the DIS is focused on two spheres of action that are permanently in synergy:



MACRO SPHHERE

- Construction of **strategic alliances at a regional scale**, to promote social innovation and change trends in the region
- Promotion and testing of **new and alternative ways to measure the impact** of development actions
- **Active participation in social innovation networks** that help capture and disseminate knowledge at a regional and global level

MICRO SPHERE



- **Strengthening of the capacities** of vulnerable groups and organizations of the civil society, **from a perspective of rights and gender**, in order to generate **opportunities for inclusion**
- **Territorial approach of the actions** of a multidimensional character (economic, political, social, and environmental elements, among others), that consider the territory as the **scenario where all these dimensions take place and come together**
- Promotion of virtuous processes of **co-creation and local cooperation resulting from social demand**, redefining social problems and bringing **non-conventional and efficient solutions to problems** that are difficult to solve.

Thus, the entrance criteria for any proposal to be considered by the DIS are, among others, the following:

1. Novelty regarding the approach to the problem and its solutions, and to its application in a new social context, whether it is a creative adaptation or copies of experiences, processes, or products.
2. Potential for social change, temporary change of the initiative's initial situation.
3. Potential for sustainability with respect to the economy, social, cultural, and political elements, in the medium to long-term.
4. Scalability, potential for expansion, whether territorial/demographic, or programmatic (as a public policy or as long-term programs that may be public or private).

5. Potential to contribute to the ecosystem to which the initiative to support belongs.
6. CAF's role defined in terms of the greater or lesser leadership that CAF exercises in the relationship with allies with respect to the management of the project or initiative in question.
7. Catalytic effect, as the share of CAF's contributions compared with the contributions of the counterpart (desirable yet not binding).

In the development of these strategies, in addition to working with diverse areas at CAF, the DIS relates to a wide group of allies:



Within these relationships, the DIS works directly in the territory with its clients and social innovation ecosystems, especially through periodic mission travel, telephone conversations every fifteen days, and frequent virtual meetings according to needs; this becomes a source of transparent and permanent discussion and information with the project's dynamic and before any suggestions or concern that may emerge.

In addition, the DIS has a general internet address to receive correspondence, (innovacionsocial@caf.com) and, occasionally, satisfaction surveys are sent to clients/beneficiaries.

The team responsible for this management is made up of one corporate director, three principal executives and two executives, reporting to the Corporate Director, with the regional responsibility located in CAF's office in the city of Bogota.

The amounts of the DIS interventions vary on average between USD 50,000 and USD 300,000, which are executed in time horizons of two to four years.

— SOCIAL INNOVATION AND ITS CONTRIBUTION TO DEVELOPMENT

Social Innovation is an interactive process that evolves in a zigzag line, with advances and setbacks, correcting the route as advances are made, with unexpected results that open opportunities that were not originally conceived. It is essential to underline that the short-term cannot be a condition of social innovation. On the contrary, it requires medium and long-term horizons that enables changes to be incorporated in the DNA of the intervened communities. Thus, social innovation initiatives contribute to development as follows:

- In the **short-term**, the DIS contributes to position issues relating to human development and population groups, particularly vulnerable and excluded groups, in the regional sustainable development agenda. In addition, it positions itself as an ally for the development of its member countries contributing with new concepts

and dynamics in the treatment of human development, taking on risks and opening intervention paths that governments, due to their nature and in general, cannot undertake themselves.

- In the **medium-term**, the projects developed at the DIS provide the opportunity to test new intervention ideas, dynamics, and approaches with the potential to solve social problems while at the same time creating and strengthening the individual and collective capacities of the social actors and communities, as well as strengthen the social innovation ecosystems in the territory.

- In the **long-term**, the DIS projects have an impact potential expressed in the installation of capacities and improvement in the life conditions of the communities, as well as their potential to influence on public policies or in CAF's business or that of other actors.

— RESULTS

In general terms, during the 2015-2016 period, the following results were achieved:

- Twenty-seven social innovation operations were approved, aimed at organizing the demand for essential services and to promote productive work in vulnerable groups. These operations involved more than 220 actors/partners, and approximately 15,000 individuals strengthened their capacities improving their life conditions.
- Eight alliances were established to strengthen the social innovation ecosystems in the region, and promote change trends.
- Fact sheets were created about the projects approved by the area, in order to gather information on the advances, results, practical knowledge, and learning achieved during the intervention process.
- • Work was carried out to gather and disseminate global and local knowledge, and to position CAF as a promoter of social innovation in Latin America through more than 50 events, including exchange of experiences, launching of projects, institutional presentations, and others.



— Macro sphere

ON AVERAGE, EACH OPERATION HAS MORE THAN 10 STRATEGIC PARTNERS WHO ARE RELEVANT TO SOCIAL PROBLEM, INCLUDING LOCAL AND/OR NATIONAL PUBLIC POLICY MAKERS (AN APPROXIMATE TOTAL OF 30).

B COMPANIES- COLOMBIA, BRAZIL, PARAGUAY, PERU, ARGENTINA, CHILE, URUGUAY

OBJECTIVE:

Encourage the B movement in Latin America, movement of triple impact companies: financial, social, environmental, to promote the private sector as an agent of change and development in the region.

Results:

- 290 certified companies.
- An academic network was developed for the management of knowledge regarding B Companies.
- A B Community was established and consolidated in six countries of the region.
- Large-size companies adopt the B Impact Assessment.
- Three law projects were promoted to favor triple-impact companies.
- One city develops the program Ciudades+B (+B Cities)

INNOVACIÓN CON SENTIDO PLATFORM- AVINA FOUNDATION- REGIONAL

OBJECTIVE:

Create a collaborative space that coordinates regional, national, and local actors under a common agenda that integrates social, technological, and business innovation to contribute to the reduction of poverty and to generate a greater social impact.

Results:

- Consolidation of the Platform with at least two new members.
- 4,000 MSME's, cooperatives, and large rural and urban companies, managed in a more sustainable manner.
- 18 Remote Economy Centers in indigenous and farming communities, benefitting more than 10,000 individuals with access to internet, public services, training, and commercial opportunities.
- Improvement of the economic and environmental feasibility of more than 2,000 small producers and 2,400 artisan women.
- Satellite monitoring of deforestation in Argentina, Bolivia, and Paraguay.

UNIÓN DE RESPONSABILIDAD SOCIAL UNIVERSITARIA (UNION OF UNIVERSITY SOCIAL RESPONSIBILITY (URSULA) - REGIONAL

OBJECTIVE:

Build a space where all interested parties may meet to have a positive discussion on the role of Latin American universities in the XXI century, emphasizing the need to incorporate social responsibility

Results:

- For the first time ever, a Latin American union incorporates responsibility and social innovation as a cross-cutting issue in the regional academic system.
- The social responsibility of universities is addressed not only in terms of "extension" or "social projection", but as a management model that crosses the essential functions, proposing a strong coherence among them.
- URSULA functioning as an institutionalized regional work platform on University Social Responsibility.
- 60 universities in nine countries have adhered to URSULA.

STOPLIGHT FOR THE ELIMINATION OF POVERTY OF THE PARAGUAYA FOUNDATION- PARAGUAY

OBJECTIVE:

Ayudar a desarrollar y escalar el Semáforo de Eliminación de Pobreza, una metodología y métrica que permite a las familias medir su nivel de pobreza e identificar estrategias personalizadas para solucionar sus carencias específicas

Results:

- 50 companies and 9,500 employees apply the Stoplight for the Elimination of Poverty.
- 80% of employees exceed their selected indicators going from red or yellow to green.
- At least two public entities apply the Stoplight with 800 surveys carried out.
- Strengthening of technological capacities of the platform for its international scale.

MISSING DIMENSIONS IN THE MEASUREMENTS OF POVERTY- REGIONAL

OBJECTIVE:

Applied research regarding the missing dimensions in the measurements of poverty, which contributes with a more comprehensive analysis of this phenomenon, the potential of enriching the multidimensional analysis of poverty and promote its incorporation in public policies and sustainable development programs.

Results:

- Applied research was carried out. Publication of “Las dimensiones faltantes en la medición de la pobreza” (The missing dimensions in the measurement of poverty) in alliance with the Oxford Poverty and Human Development Initiative.
- Successful dissemination of the study in national and regional fora.
- Generation of evidence through the measurement of these dimensions in specific interventions: Bankomunales in the Dominican Republic and Haiti; and in penal centers in Colombia and Bolivia.

ASHOKA: SOCIAL ENTREPRENEURS NETWORK

OBJECTIVE:

Work and interact with Ashoka, the largest network of social entrepreneurs in the world, with the objective of capturing knowledge and identifying change-makers and social initiatives that contribute to alleviate social problems in the region.

Results:

- Identification of innovators and capture of knowledge of initiatives with great value.
- Active participation, strategic mentoring, and interaction with the regional and global social innovation ecosystem.
- Promote the Globalizer Program in its different versions.

■ **Micro field**

GRI 413-1

Currently, the work carried out in this field is aimed at the generation of social inclusion opportunities in two complementary directions:

- Productive work for vulnerable groups such as individuals deprived of liberty, individuals with disabilities, youths at high risk, and rural communities.
- Essential services for majorities, such as education and financial inclusion, improvement of housing, telecommunications and telemedicine, and community solutions for agriculture and water.



A diciembre 2016, la DIS tenía una cartera de 40 operaciones distribuidas en Argentina, Bolivia, Brasil, Colombia, Chile, Costa Rica, Ecuador, México, Perú, Paraguay, Uruguay, República Dominicana, Haití y Venezuela, además de las operaciones regionales.



PRODUCTIVE WORK INITIATIVES FOR VULNERABLE POPULATIONS

Vulnerable population	Initiative - Countries	Description	Results
POBLACIÓN EN SITUACIÓN DE DISCAPACIDAD	Manos que Salvan Vidas (Hands that Save Lives): Transformando una discapacidad en capacidad (Transforming a disability into a capacity) - Colombia	First adaptation outside of Europe and in Spanish, of the German model of Discovering Hands, taking advantage of the high sensory capacities of blind women for the early detection of breast cancer.	<ul style="list-style-type: none"> Three Colombian coaches trained in Germany as trainers of Tactile Examiners (AET, for its acronym in Spanish). Five women with visual disability trained as AET in Cali. Public hospitals in Cali incorporate AET in their payrolls. Clinical study with 300 patients: AET identify alterations in tissues with a success rate exceeding that of doctors (84% v. 47%). Cost efficiency study of the start-up of the model in process. SENA starts the design of a curriculum to train AET in the future.
HIGH-RISK YOUTHS	Queremos Graduarnos - Venezuela	Development of a complementary system for formal education, based on strengthening soft skills, civic education, and education for peer youths for the prevention of violence and school dropouts, as well as for increasing their social-working opportunities.	<ul style="list-style-type: none"> Improved IAS-QG model that allows for the incorporation of new youths. Working QG Youth Permanent Learning Community, supported by a communication technology platform and exchange of information. Support of QG Youths by volunteer youth organizations and institutions allied in the learning of pro-active attitudes, as well as motivation and values required to take advantage of the opportunities to access higher education, entrepreneurial courses, or quality labor insertion.

PRODUCTIVE WORK INITIATIVES FOR VULNERABLE POPULATIONS			
Vulnerable population	Initiative - Countries	Description	Results
			<ul style="list-style-type: none"> Creation and consolidation of the Comunidad de Socios (Community of Partners), sponsors and allies committed to QG. Systematization of processes, procedures, and policies whose results will be included in Manuals, seeking to grow through a system of autonomous QG modules.
INDIGENOUS POPULATION	Community Development and Social Innovation of Indigenous Populations of the Bi-national Guajira – Colombia and Venezuela	Development of intervention, evaluation, and governance systems based on the wayúu local culture through a process of conversation and intercultural construction. The aim is to overcome the intervention paradigm in La Guajira, based on an assistance approach, the development of exogenous initiatives, and lack of coordination among the actors, through an alternative based on generating conditions of full citizenship from a perspective of rights and respect for the identity of wayúu communities.	<ul style="list-style-type: none"> Multimix: Food supplement prepared by the community and distributed to minors and pregnant mothers who suffer malnutrition. Shelters: Community spaces for training and dialogue, where the communities analyze problems and agree on solutions; school spaces where teachers teach; or community centers for child development, where the ICBF develops programs for the protection of childhood through operators. Results of the dialogue between authorities: Development of life plans, profiles of community projects, and applications to private and public entities so that their rights may be guaranteed. Through this dialogue authorities have achieved the following: i) Installation of three drilled wells; ii) Distribution of water in tank-cars; iii) Improvement in health services; iv) Establishment of crops with drip irrigation.

PRODUCTIVE WORK INITIATIVES FOR VULNERABLE POPULATIONS			
Vulnerable population	Initiative - Countries	Description	Results
INDIGENOUS POPULATION	Tri-national Initiative in Pilcomayo, Gran Chaco: Conservation and Development– Argentina, Paraguay, Bolivia	Build an alternative tri-national local development model that strengthens organizational, participation, and productive capacities, income generation and food safety in the intermediate basin of the Pilcomayo (Gran Chaco Americano).	<ul style="list-style-type: none"> Visualization of the Gran Chaco as a space of great importance for conservation and development, through events in the three countries. Definition of a map road for the creation of the Tri-National Biosphere Reserve of the Pilcomayo-Chaco. Advances in the definition of a strategy integrated at a tri-national scale for the sustainable development of the Gran Chaco Americano. Promotion of the inter-sectoral table for the management of water with participation of actors from the private and public sectors. Improvement of the life conditions of Indigenous and farming communities through access to quality waters and promotion of economic activities (handicrafts, apiculture, livestock farming, family gardens, and tourism): <ul style="list-style-type: none"> - Cisterns to capture rain water, bacteriological filters for the consumption of safe water, and training on the use and maintenance of cisterns and filters: 9 communities - 1,126 families. - Strengthening of honey production in 4 indigenous and non-indigenous communities: 250 families. - Productive training for minor crops –vegetable: 161 families. - 4 pilot fattening centers for beef cattle. - Improvement in the management of livestock of 80 small producers. - Organization, production, and marketing of handicrafts, Network of Women Artisans: 565 women benefitted. - Strengthening of ecotourism marketing of Bañado la Estrella.

PRODUCTIVE WORK INITIATIVES FOR VULNERABLE POPULATIONS			
Vulnerable population	Initiative - Countries	Description	Results
INCARCERATED POPULATION	Jailhouse programs in Paraguay, Peru, and Bolivia	Development of a social enterprise model inside jailhouses, away from the traditional maquila and based on a balance between productivity and well-being that offers a greater potential for the social reinsertion of said population.	<ul style="list-style-type: none"> In Peru and Paraguay: business models were designed to be implemented in the short term, based on a balance of productivity and well-being.
			<ul style="list-style-type: none"> In Bolivia: Consolidation of technical education and generation of income through knitting and bakery productive units, with the participation of more than 80% of the incarcerated population. These exceeded USD 21,000 in sales during their first years of functioning.
FAMILIES AND RURAL COMMUNITIES	Gastronomy for development – Venezuela and Bolivia	Gastronomy is used as a driver of local development. On the one hand, supporting informal gastronomic entrepreneurs for their incorporation to formal marketing chains; on the other hand, training in native cooking for indigenous youths at risk from Alto de La Paz.	<ul style="list-style-type: none"> 59 organized and active entrepreneurships. At least 200 people trained and working in associative schemes to strengthen quality gastronomic innovation. Opening of three dining places in El Alto, served by youths trained in the MANQ'A schools, offering local products with nutritional balance. Development of workshops and dialogue sessions with the participation of authorities from the local and national government and representatives of the private sector, to visualize the current employment situation of youths in El Alto and the potentials and weaknesses offered by the gastronomic sector.

PRODUCTIVE WORK INITIATIVES FOR VULNERABLE POPULATIONS			
Vulnerable population	Initiative - Countries	Description	Results
FAMILIAS Y COMUNIDADES RURALES	Competencies "Sentí que se puede" (Feel that you can) – Paraguay	Mobilize existing resources in the communities (social capital, their saving and debt capacities, skills), through contests to facilitate the access of the poorest to essential services.	<ul style="list-style-type: none"> The first contest took place, and two winners were selected. 701 families (close to 4,200 individuals) participated in the 2016 contest; 239 families improved their kitchens and bathrooms. The contest album in Facebook reached 110,502 individuals. Leverage of USD 67,000 was achieved, for a leverage ratio of USD 3.35 of CAF investment.
ESSENTIAL SERVICES INITIATIVES FOR THE MAJORITIES			
Services	Initiative - Countries	Description	Results
TELECOMMUNICATIONS AND HEALTH	Telecommunications and Health in Rio Napo – Peru	Provide access to telecommunications and health services in a sustainable manner up to the last mile	<ul style="list-style-type: none"> 3,000 inhabitants of the Rio Napa Basin have access to 3G internet services and telephony. Medical emergencies are reduced by 20%. The OIMR legal and business model is tested. A new technology to gain access to telecommunications in isolated areas is tested (femtocells with WiLD backhaul). A multi-actor enterprise-public sector-university alliance was established. The model is systematized.

ESSENTIAL SERVICES INITIATIVES FOR THE MAJORITIES																																																			
Services	Initiative - Countries	Description	Results																																																
EDUCATION AND FINANCIAL INCLUSION	Bankomunales: The other microfinance – Argentina, Bolivia, Colombia, Haiti, Dominican Republic, Peru	Develop a financial education program exclusively with resources from the community, through the creation of local investment and credit groups, with a sustainable approach, and aimed at popular sectors.	<table border="1"> <thead> <tr> <th>Countries</th> <th>Bankomunales</th> <th>Beneficiaries</th> <th>Savings (USD)</th> <th>Credits (USD)</th> <th>Insurance</th> </tr> </thead> <tbody> <tr> <td>Argentina</td> <td>26</td> <td>1.550</td> <td>17.529</td> <td>91.538</td> <td>Sin inicio</td> </tr> <tr> <td>Bolivia</td> <td>79</td> <td>6.040</td> <td>37.971</td> <td>265.765</td> <td>96</td> </tr> <tr> <td>Colombia</td> <td>195</td> <td>14.075</td> <td>183.834</td> <td>1.073.267</td> <td>892</td> </tr> <tr> <td>Haiti</td> <td>23</td> <td>2.555</td> <td>9.229</td> <td>15.001</td> <td>Sin inicio</td> </tr> <tr> <td>República Dominicana</td> <td>50</td> <td>2.785</td> <td>17.124</td> <td>77.505</td> <td>1.340</td> </tr> <tr> <td>Perú</td> <td>1</td> <td>90</td> <td>11.133</td> <td>97.884</td> <td>Sin inicio</td> </tr> <tr> <td>Total</td> <td>374</td> <td>27.095</td> <td>276.820</td> <td>1.620.960</td> <td>2.328</td> </tr> </tbody> </table>	Countries	Bankomunales	Beneficiaries	Savings (USD)	Credits (USD)	Insurance	Argentina	26	1.550	17.529	91.538	Sin inicio	Bolivia	79	6.040	37.971	265.765	96	Colombia	195	14.075	183.834	1.073.267	892	Haiti	23	2.555	9.229	15.001	Sin inicio	República Dominicana	50	2.785	17.124	77.505	1.340	Perú	1	90	11.133	97.884	Sin inicio	Total	374	27.095	276.820	1.620.960	2.328
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HOUSING	Use of trust to develop housing improvements in the Gran Buenos Aires – Argentina	Strengthening of organizational capacities of the community, and entry into operations of a trust that enables the creation of a bridge between supply and demand for the development of housing improvement projects in low income neighborhoods of the Gran Buenos Aires.	<ul style="list-style-type: none"> 14 socioeconomic and technical surveys of 13 families and their houses. Energy sustainability diagnoses of 12 houses. Work projects for seven houses, and preliminary design of five more. Work budgets agreed upon with two families who sign a contract agreeing with the project. 13 graduates from local technical schools are involved with the project through professional practices. 																																																

INICIATIVAS DE SERVICIOS ESENCIALES PARA LAS MAYORÍAS			
Services	Initiative - Countries	Description	Results
VIVIENDA	Intelligent homes for the Base of the Pyramid – Sustainability in Argentina, Chile, and Uruguay	Intelligent homes for the Base of the Pyramid – Sustainability in Argentina, Chile, and Uruguay	<ul style="list-style-type: none"> Construction of the support ecosystem for the respective projects in Argentina, Chile, and Uruguay. National officials trained in Uruguay (National Direction of Energy and Ministry of Housing) and in Argentina- Bariloche. Adaptation of manuals and protocols to the social and constructive contexts of each country. Selection of the homes to be intervened in Bariloche and Montevideo. Diagnoses of 100 homes in Bariloche. 47 houses intervened in Bariloche.
			AGUA

— LESSONS LEARNED

The Social Innovation Initiative has been implemented by CAF for two years. In this period, the activities carried out have been documented, and the improvement opportunities identified, obeying to the same dynamic of the social innovation approach:

LESSONS OF A STRATEGIC NATURE:

1

Social Innovation demands a practical and applied approach that requires dynamic and diverse ecosystems between actors from different sectors and disciplines where the social capital is critical. The short term may not be a condition for its development.

2

The social innovation cycle differs from the traditional social project cycle. Social Innovation evolves in a zigzag, with advances and setbacks, correcting the path as it advances, with unexpected results that open opportunities that were not initially conceived.

3

Risk is the trip companion of every innovation process. The main risk for social innovation is the failure of the attempts to find approaches and action and relationship procedures that have not been previously implemented in the specific context in which they will be applied.

4

It is essential to show the catalytic effect of resources and actors in Social Innovation operations, according to the FONDESHU Regulation. However, this factor cannot be viewed appropriately due to the multiple operational requirements demanded from all the actors of the ecosystem that participate in the operation.

5

New forms to measure and evaluate are necessary. The impact measurement of social interventions favors quantitative data without reflecting qualitative dimensions that are extremely relevant. Hence the learning achieved in alliance with OPHI in the missing dimensions of the measurements of poverty, as well as with the Fundación Paraguaya with the Semáforo de eliminación de Pobreza (Stoplight for the elimination of poverty).

LESSONS OF AN OPERATIONAL NATURE

1

With respect to “projects”: Not all the actions of the DIS translate into interventions or initiatives. There is a critical sphere of action at a level that is different from the territorial, where the same logic aimed at the construction of ecosystems and the establishment of strategic alliances cannot be applied.

2

With respect to territorial interventions: Territorial interventions are executed in specific contexts for which there are no general solutions, that require responses to needs that demand tailor-made solutions. In this respect, the synergy in the territory between all the actors involved is critical, mainly in the community, in addition to the participation of Governments to contribute to the construction and/or development of better public policies.

3

Logical framework: The use of the logical framework, fully valid for project formulation (under the logic of planning the management of social projects aimed at processes), becomes sort of a straightjacket when dealing with other types of initiatives, specially relating to social innovation.

4

With respect to the use of resources: The resources of FONDESHU must be used with administrative flexibility, agility, independence, and medium and long-term vision, according to the changing reality of the social innovation processes in order to favor the achievement of the Fund’s objectives. This does not mean that accuracy is sacrificed in the structuring and follow-up of the operations.



ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

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CLIMATE CHANGE

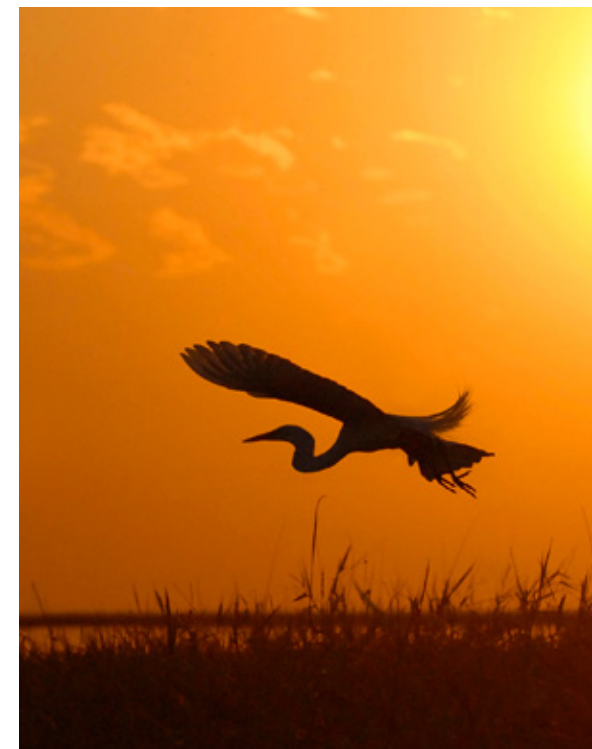
MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

CAF supports the promotion and consolidation of the environmental sector in the region through programs and actions aimed at improving productivity in its member countries, with environmental sustainability and conservation of their natural capital, to enable them to migrate toward low carbon economies which are resilient to climate change, complying with their determined national commitments (CND, for its acronym in Spanish) in the framework of the 2015 Paris Agreement and the ODS.

With respect to climate change, CAF is a strategic partner of the region, with excellent relationships with international actors that work actively in this area. In its strategic approach, CAF contributes to mobilize international green financing resources to support its member countries in the development of policies, strategies, climate projects, and mitigation actions for Greenhouse Gases (GHG), and measures to adapt to the impacts of climate change.

The Climate Change Unit (UCC, for its acronym in Spanish) provides cross-cutting support within CAF and, in member countries, to the migration toward economies that are low in emissions and resilient to climate:

CAF INCORPORATES ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE IN A CROSS-CUTTING MANNER THROUGHOUT ALL ITS AREAS, AS WELL AS CREDIT AND TECHNICAL COOPERATION OPERATIONS, AND THE MOBILIZATION OF INTERNATIONAL FINANCIAL RESOURCES TO PRODUCTIVE AND INFRASTRUCTURE INVESTMENTS THAT PROMOTE THE TRANSITION TOWARD ECONOMIES THAT ARE LOW IN EMISSIONS AND RESILIENT TO CLIMATE, THUS PROMOTING GREEN GROWTH FROM THE LOCAL LEVEL.



ADAPTATION TO CLIMATE CHANGE

- the UCC offers a series of proposals for change and specific actions **to promote and support the adaptation planning processes** at the level of strategies, policies, programs, and projects, based on the impact evaluations of climate change and social and physical vulnerability in the region.

- The UCC supports the countries of Latin America and the Caribbean in the development of **innovating and cost-effective measures** for the different economic sectors, with the objective of **reducing greenhouse gas emissions**, adjusting to the sustainable development objectives of the countries.

MITIGATION OF CLIMATE CHANGE

CHANGE

To comply with these purposes, the UCC has four strategic lines of action:

Provide a cross-cutting support to all CAF areas in the identification, conceptualization, origination, and technical structuring of green operations **with climate change components and criteria that may catalize green financing.**

Develop and manage **climate change projects and programs to be presented to international green funds**, such as the Green Climate Fund and the Adaptation Fund, among others.

Monitor and verify the compliance of **climate change criteria in the operations that catalyze international green financing.**

Promote the development of **knowledge products, policies, strategies, regulations, plans, programs, and projects** that help CAF's member countries to comply with their binding international commitments such as the Determined National Contributions (NDC) and the Sustainable Development Objectives.

Thus, during 2015 and 2016 CAF actively participated in working groups of the International Development Financial Club (IDFC)¹³ regarding subjects dealing with monitoring and reporting of green financing, mobilization of climate financing, and mainstreaming of climate change within financial institutions. CAF leads the climate change working group at the IDFC, and had a key participation in the IDFC Climate Finance Forum¹⁴. In addition, CAF was present and supported the development of important international fora regarding climate change such as:

- Sustainable Innovation Forum (Marrakech).
- Global Forum of Regional Centers for Collaboration (UNFCCC).
- United Nations Conference of the Parties on Climate Change (COP22/CMP12) in Morocco.
- Latin American and Caribbean Forum on Carbon and the Low Emission Development Strategies Latin America (LEDS-LAC) in Panama City.

Following is a detail of the specific activities carried out regarding adaptation and mitigation of climate change.

— ADAPTATION TO CLIMATE CHANGE

In its 2014 Quito Evaluation Report (AR5) regarding Climate Change the Intergovernmental Panel on Climate Change (IPCC) defined vulnerability as the propensity or predisposition to be negatively affected by climate threats that may cause loss of life, injuries or other negative effects on health, as well as damages and loss of property, infrastructure, subsistence means, provision of services, ecosystems, and environmental resources. Vulnerability includes a variety of concepts and elements that include sensitivity or susceptibility to the intrinsic damage of the exposed elements and the lack of response capacity and adaptation to them.

Latin American and the Caribbean (LAC) is one of the most vulnerable regions to climate change, with high levels of inequality while being the most urbanized in the developing world. The IPCC (2014) points out that cities are highly vulnerable in the face of climate change impacts, whether due to damages associated to the increased intensity of extreme climate events, such as torrential rains or heat waves, among others, or due

to the tensions that generate longer term phenomenon such as prolonged droughts or gradual increase of the sea level in urban coastal areas. The diverse impacts associated to climate change are an important challenge for the provision of urban services and its consequences may significantly affect the population, particularly poor or marginal groups.

The deficiency of infrastructure for connectivity, insufficient investment in technology, difficult access to financing, and low development of human capital, limit the productivity of the region. Being a region that is vulnerable to climate change makes Latin American and Caribbean countries less competitive at an international level due to the fact that governments must constantly invest, with increasing frequency, to resolve the losses caused by the impacts on productive, social and financial sectors, impeding the possibility of investing in innovation, education, and other sectors that promote the development of the countries.

Due to the aforementioned, it is necessary to consider the challenges for development derived from climate change to improve competitiveness and reduce the development gap with respect to other regions. Thus, the

¹⁵ The Intergovernmental Panel on Climate Change (IPCC) is the main international organization for the evaluation of climate change. It is a scientific organization sponsored by the United Nations (UN), which reviews and evaluates the most recent scientific, technical, and socio-economic information produced around the world, relevant to understand climate change. Thousands of scientists worldwide contribute to the tasks of the IPCC on a voluntary basis.

http://www.ipcc.ch/pdf/assessment-report/ar5/wg2/WGIIAR5-Chap19_FINAL.pdf

¹⁶ Statist: <https://www.statista.com/statistics/270860/urbanization-by-continent/>

¹³ <http://www.idfc.org/>

¹⁴ <http://www.wri.org/events/2015/03/idfc-climate-finance-forum-sharing-solutions-developing>

processes must consider long-term planning to be sustainable in environmental, social, and financial terms. Without adaptation strategies, the development progress of Latin America and the Caribbean will be threatened.

— **CAF'S STRATEGY FOR ADAPTATION TO CLIMATE CHANGE**

The impacts of climate change result from observed and foreseen phenomena such as increase of average and extreme temperatures, variations in precipitation patterns, elevation of the sea level, and increase in the number and intensity of extreme hydroclimatological phenomena such as hurricanes and tornados, among others.

The identification of geographic areas, economic sectors, infrastructures, and the most vulnerable populations facing climate change in the countries of Latin America and the Caribbean, have allowed CAF to originate projects, over which it focuses its strategies to increase resilience in the region.

ADAPTATION TO CLIMATE CHANGE REFERS TO CHANGES IN THE PROCESSES, PRACTICES, AND STRUCTURES, WHICH ARE NECESSARY TO MODERATE THE POTENTIAL DAMAGES OR ACHIEVE BENEFITS IN THE OPPORTUNITIES ASSOCIATED TO CLIMATE CHANGE. CAF RECOGNIZES THAT ADAPTATION TO CLIMATE CHANGE DIRECTLY CONTRIBUTES TO THE DEVELOPMENT OF A COUNTRY AS IT GUARANTEES THE **EFFECTIVE, EFFICIENT, AND EQUITABLE USE OF THE RESOURCES** TO BENEFIT THE POPULATION WITH A LONG-TERM VISION FOR THE REGION.

To promote this contribution, CAF originates green adaptation operations or with a component to adapt to climate change that generates resilience in the communities, the productive sectors, and the eco-systems of Latin American countries, to catalyze green financing for the international climate.

In addition, for the implementation of green adaptation operations, CAF catalyzes non-reimbursable resources with benefits for its clients, where it assumes the role of implementing entity, through international green funds that prioritize the development of adaptation strategies or strategies with adaptation components.

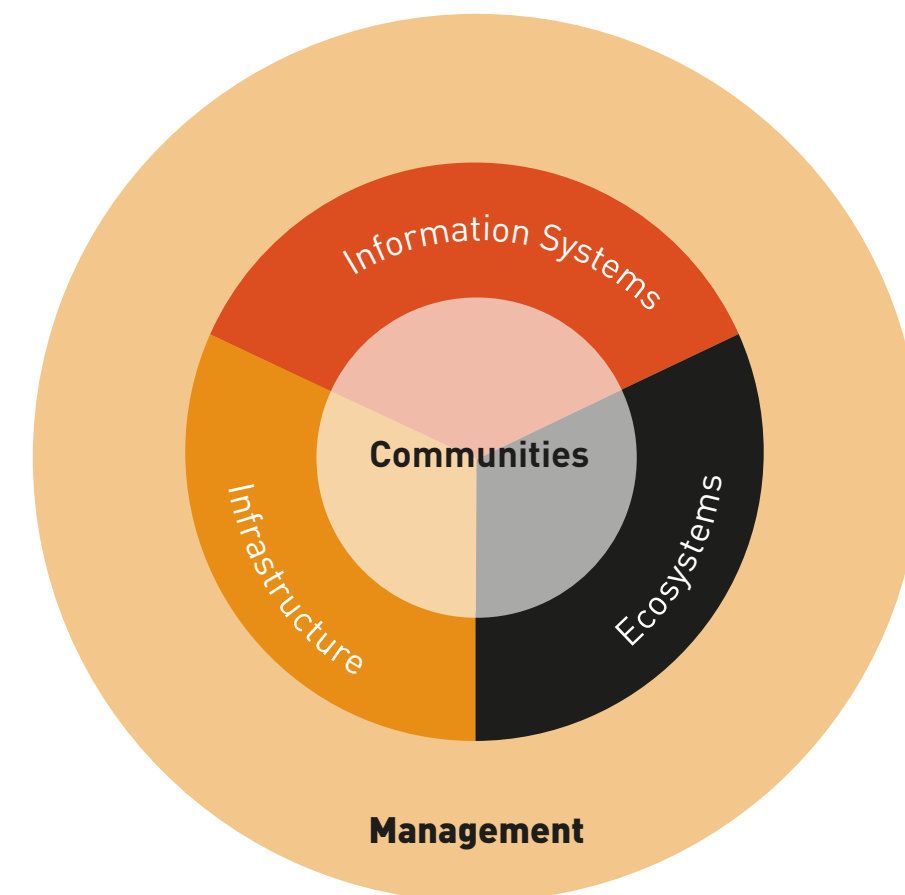
— **PROGRAM FOR THE ADAPTATION TO CLIMATE CHANGE**

Considering the environmental sustainability and climate change guidelines, CAF promotes the inclusion of adaptation and resilience in all its business operations in a cross-cutting manner. This involves strengthening the institutional capacity of the public and private sector and of the communities to carry out this process, both in the natural as well as the rural and urban sphere.

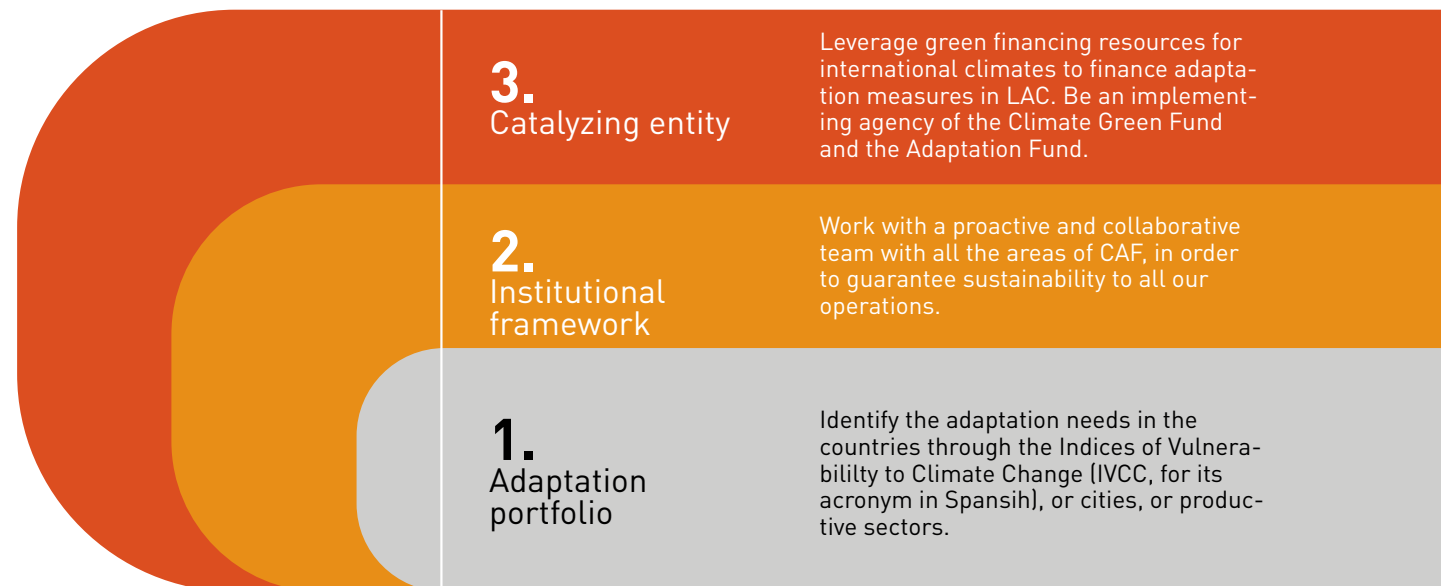
In this respect, CAF promotes applied research which includes comprehensive

analysis of the territories and sectors to establish their vulnerability (analysis of meteorological information, cost-benefit analysis, and analysis of policies and development plans, among others) and improvement opportunities through the structuring of a portfolio of adaptation measures: eco-systemic, infrastructure, information systems, communities, and management adaptation measures to establish an appropriate and cost-effective system of measurements.

ADAPTATION BASED ON....



In this respect, CAF seeks to implement adaptation projects through the development of the following actions:



Key actors such as public and private entities, academia in the countries, and vulnerable communities are connected to the development of these actions. The territorial information such as climate change scenarios and natural ecosystems is related. Management processes are evaluated, such as the Determined National Commitments (CND for its acronym in Spanish) with respect to their adherence to the Paris Agreements on Climate Change, and the LAC commitments to work in the framework of the 2030 Agenda for sustainable development objectives, CAF's commitment as a member of the IDFC to promote economies that are resilient to climate, with social inclusion, and national and territorial policies, among others.

Thus, CAF's management during 2015 and 2016 was aimed toward compliance of the following objectives and goals:

- Support CAF's business areas in the conceptualization, identification, technical structuring, and monitoring of adaptation operations to climate change.
- Support the mobilization and catalyzing of green financing resources for climate from different funds and concessional green refinancing lines.
- Promote the development of products regarding knowledge, policies, strategies, and plans that help CAF's clients to internalize climate considerations in their operations.
- Support the mainstreaming of the climate change policy guidelines to all CAF areas.

RESULTS OF THE 2015-2016 MANAGEMENT

Starting from CAF's accreditation as an implementing agency for international funds such as the Green Climate Fund (GFC), the Global Environment Facility (GEF), and the United Nation's Adaptation Fund during the reported period, the efforts concentrated in the identification, structuring of adaptation green operations or operations with adaptation components, and consolidation of a portfolio of green operations and technical cooperation projects that helps catalyze resources to increase the region's resilience.

In this respect, facing the **management of financing sources regarding climate change**, CAF maintained a continuous management before different funds.

UNITED NATIONS ADAPTATION FUND:



i) PERU

AYNINACUY - Strengthening of the means of subsistence and sources of income for the high-Andean vulnerable communities in the provinces of Arequipa, Caylloma, Condesuyos, Castilla and La Unión in the Region of Arequipa, Peru. Requested amount: USD 2,941,446. **This is the first project approved by CAF for the Adaptation Fund in 2017. This project is based on the implementation of ecosystemic measures and communities to preserve the subsistence of the indigenous population through the production of vicuñas and llamas.**

ii) ECUADOR

Increase of the adaptation capacity of local communities, ecosystems, and hydro-electric systems in the high basins of Rio Blanco (Toachi-Pilatón basin), with emphasis on the Adaptation to Ecosystems and the Community, and the Adaptive Comprehensive Management of Hydrographic Basins. Requested amount: USD 2,489,373. Status: Proposal Complete.



CHILE - ECUADOR

Reduction of climate vulnerability and risk of floods in urban and semi-urban coastal areas of cities in Latin America. Requested amount USD 13,910,400. This is the first regional project presented to the Adaptation Fund, using the regional window established by the Fund in 2015. Status: Proposal Completed.

LATIN AMERICAN INVESTMENT FACILITY (LAIF) WITH THE FRENCH DEVELOPMENT AGENCY (AFD, FOR ITS ACRONYM IN FRENCH):

At the end of July 2016, a new LAIF* initiative was signed with the French Development Agency (AFD, for its acronym in French), to promote the design and execution of urban projects that contribute to mitigation and adaptation to climate change. This new program has resources reaching 4.2 million Euros, aimed at technical assistance programs, to promote urban sustainable development in the region.

This initiative seeks to facilitate non-reimbursable resources according to the needs of the cities, for the development of applied

research, pre-investment, and investment studies that enable the removal of investment barriers in the medium term to facilitate the implementation of low carbon development actions and/or climate resilience at an urban level.

This new initiative will be developed in three fronts: (i) strengthening the CAF methodology facing climate change, as well as promoting its program "Ciudades con Futuro" (Cities with Future); (ii) increase sensitivity regarding adaptation to new climate conditions between local governments of Latin America, and strengthening their capacities and knowledge in the definition and implementation of development paths which are resistant to climate and have low carbon emissions; and (iii) identification of environmentally friendly urban projects in Latin America.

APPLIED RESEARCH REGARDING ADAPTATION AT THE UCC:

The Vulnerability to Climate Change Index (IVCC, for its acronym in Spanish) was carried out at an urban level in Metropolitan Arequipa (Per), the city of Guayaquil (Ecuador), and the Inter-Municipal Consortium of the Western Metropolitan Region of Sao Paulo (CIOESTE) with 8 municipalities.

Although these studies are being designed and edited for publishing, the gathered information enables the structuring of the Action Plan (for each one of the metropolitan areas under study), which is structured in three main action pillars:

GOVERNANCE

Aimed at improving knowledge and coordination at a governmental level to ensure an appropriate execution of the stated measures, and contribute to reduce the region's vulnerability to climate change.

ACTION

Focused on improving the region's infrastructure, focusing on those that are more sensitive to climate change or which are estimated to need reinforcement in the future, taking climate forecasts for the area into consideration.

DISSEMINATION

Aimed at improving public policies, to strengthen adaptation capacities.

Within these action pillars, there are measures aimed at different action areas, linked to the needs identified in the vulnerability index. These are:

- From the area of political governance, improve knowledge regarding vulnerability to climate change and its adaptation.
- Improve human settlements in the area, including associated infrastructures.
- Improve the health of the population.
- Improve the natural environment and ecosystemic services it offers.
- Improve the knowledge regarding adaptation to climate change in society.

2. At a sectoral level, advance was achieved in the Vulnerability Analysis of the Hydroelectric Complex Paute Integral and the Mazar Hydroelectric Project Doubts Facing the Effects of Climate Change. The IVCC has finalized, which includes the downscaling of climate change scenarios, hydrologic modeling, economic modeling, and modeling of the different adaptation measures according to the cost benefit of each or through their coordination in time. By obtaining such concrete results, it has been decided to formulate a Concept Note to be presented to the GCF in 2018.

With respect to the development of instruments for the generation of knowledge regarding adaptation, the "Guide to Identify the Adaptation to Climate Change Component" in different types of projects was concluded, and the course "Projects Adapted to Climate Change" was developed, and it will be available in the platform of CAF-UVCAF's virtual university in 2017.

In addition, a technical assistance was approved for USD \$30,000 to support the event NEXOS+1, a space for innovation and meeting with the Peruvian private sector to promote solutions to the problems generated by the impact of climate change and achieve entrepreneurial sustainability. The event included 282 participants from different sectors, with the special participation of the private sector, who must be involved in the investments for adaptation to climate change. In this space at least two potential projects were identified to apply for the climate financing funds.

— MITIGATION OF CLIMATE CHANGE

FROM A PRO-ACTIVE APPROACH, CAF'S **STRATEGIC PROGRAM FOR THE MITIGATION OF CLIMATE CHANGE** INCLUDES FIVE STRATEGIES, THREE SECTORAL AND TWO PROGRAMATIC, THROUGH WHICH IT LEVERAGES INTERNATIONAL FINANCIAL RESOURCES TO DESIGN AND IMPLEMENT PROJECTS THAT HELP ITS SHAREHOLDER COUNTRIES ACHIEVE A **DEVELOPMENT THAT IS LOW IN GREENHOUSE GAS EMISSIONS**.

CAF supports the development of innovative and promising activities that guarantee a low carbon development, in order to consolidate Latin America and the Caribbean as a region at the forefront of activities for the mitigation of climate change at a global level.

Thus, CAF has become one of the most dynamic actors in the field of climate change in the region, through the definition of strategies that have substantially contributed to the development of the first mitigation approaches, such as the Clean Development Mechanism (CDM), as well as the implementation of new mitigation schemes, such as the National Appropriate Mitigation Actions (NAMA), the Strategies for Development Based on the Reduction of Emissions (LEDS), and the Determined National Contributions (NDC) in the framework of the Paris Agreement.

— STRATEGIC PROGRAM FOR THE MITIGATION OF CLIMATE CHANGE

According to the corporate strategy defined by CAF, the Strategic Program for the Mitigation of Climate Change was defined to promote the development and implementation of projects and initiatives that reduce greenhouse gases and consolidate sustainable and diligent development options facing the effects of climate change. In this respect, the program is aimed at compliance of the following objectives:

- Contribute to sustainable social and economic development in CAF shareholder countries, promoting **development with low or no net carbon emissions**.
- Consolidate Latin America as an **example at a world level of best practices for the substantial and innovative best practices** of climate change.
- Use CAF's **funds for the mitigation of climate change** in the most efficient and effective manner.
- Help multiply the financing activities for mitigation in the region which come from **public and private sectors**.
- **Significantly reduce, and at a low cost**, greenhouse gasses in Latin American countries.
- Raise CAF's international brand as a **leading entity for the mitigation of climate change** in Latin America and the Caribbean.

To comply with these objectives, CAF's strategy for the mitigation of climate change is developed through sectoral and programmatic approaches, as described below:

SECTORAL STRATEGIES

ENERGY EFFICIENCY

- IMPROVING **ENERGY EFFICIENCY** INCREASES COMPETITIVENESS, GENERATES EMPLOYMENT, CONTRIBUTES TO REDUCE POVERTY AND INEQUALITIES, AND MITIGATES CLIMATE CHANGE.

NEW RENEWABLE ENERGIES

- INCREASE THE **PARTICIPATION OF NEW RENEWABLE ENERGIES** IN HIGH PRIORITY COUNTRIES WITH ALL THE AVAILABLE TECHNOLOGIES (AEOLIC, SOLAR, GEOTHERMAL, BIOMASS) WITH SELECTED PARTNERS, SUPPORTING THE PRIVATE SECTOR.

TRANSPORTATION

- GREATER SUPPORT FOR **TRANSPORTATION INITIATIVES**, WHICH INCLUDES THE PROMOTION OF HYBRID AND ELECTRIC VEHICLES, THE INTRODUCTION OF COMMISSIONS FOR CONGESTION, OPTIMIZATION OF CARGO TRANSPORTATION, NEW INFRASTRUCTURE, AND NAMA'S.

PROGRAMMATIC STRATEGIES

STRATEGIC ASSOCIATIONS

- STRENGTHENING OF EXISTING ASSOCIATIONS AND ESTABLISHMENT OF NEW ASSOCIATIONS TO TAKE ADVANTAGE OF OTHER SOURCES OF FINANCING AND CONTRIBUTE TO THE CONTINUITY AND GENERATION OF TRUST IN WORKING RELATIONS.

DEVELOPMENT OF NAMAS

- SUPPORT TO INITIATIVES LED BY COUNTRIES, ADAPTED TO THEIR SPECIFIC NEEDS IN TERMS OF RE, EE, TRANSPORTATION, AND MANAGEMENT OF RESIDUES. CAF WILL PROVIDE FUNDS FOR THE DESIGN, IMPLEMENTATION, AND INSTRUMENTATION OF NAMAS.

2015-2016 RESULTS

In the execution of this strategy during 2015 and 2016 the following results stand out:

STRATEGIC APPROACH	RESULTS
ENERGY EFFICIENCY	<ul style="list-style-type: none"> ■ The cement study in Mexico, Peru, and Ecuador concluded, carried out with resources from the European Union identifying energy efficiency and substitution of fossil fuel projects for a value of close to USD 210 million. ■ Conclusion of the study of perspectives of actions and projects that contribute to the protection of the environment and the mitigation of climate change through the use of co-generation systems in the industry of Colombia, Mexico, and Uruguay. As a result of the study, three mitigation measures for climate change were designed to promote co-generation, and 5 possible credit operations were pre-identified in Colombia, and 5 in Mexico. ■ Development of the Implementation Concepts for the Sectoral Mitigation Mechanisms of the co-generation sector at an industrial level in Mexico and the corresponding for the energy and energy efficiency sectors in Colombia. From these initiatives, a portfolio of 8 projects was identified in said sectors. ■ Instructions and manuals were developed for energy efficiency projects from the demand side for financial institutions of the region.
NEW RENEWABLE ENERGIES	<ul style="list-style-type: none"> ■ Support was provided for the development of the technical and economic feasibility study for the generation of energy using biogas in the sanitary filling of Santa Fe (Argentina). ■ The Implementation Concept of the Sectoral Mitigation Mechanism of the urban solid residues sector of Ecuador was developed, identifying 5 projects that will receive economic incentives, which will reduce approximately 500,000 tons of CO2 equivalent as of December 31, 2021.
TRANSPORTATION	<ul style="list-style-type: none"> ■ Support was provided to the Authority of the Panama Canal to develop a study to identify feasible actions that add value to the Canal's Green Route for the crossing of ships with a high environmental performance, as well as their carbon footprint.

STRATEGIC APPROACH	RESULTS
STRATEGIC ASSOCIATIONS	<ul style="list-style-type: none"> ■ Conclusion of the adjustment of the tool to calculate the carbon footprint of the AFD for the evaluation of projects in Latin America. ■ With respect to the identification and origination of projects for the GCF, advances were made in the following projects: <ul style="list-style-type: none"> - Sustainable low carbon urban mobility in intermediate cities (Colombia). - Sustainable Transportation (Mexico). - Management of the life systems of Mother Earth in the framework of the joint mitigation and adaptation to climate change (Bolivia). - Airmobile system of Canoas (Brazil). - Program for the Installation of Forest Plantations with Energy purposes (Paraguay). ■ The Regional Collaboration Center is a joint UNFCCC and CAF initiative, which achieved the following advances: <ul style="list-style-type: none"> - Technical support was provided to more than 50 MDL projects in the region. - Promotion of carbon market and renewable energy among actors of the region, such as: Voluntary Cancellation, CDM loan scheme, CER purchases programs of the Norwegian government, Amsterdam Capital Trading Group, First Climate, Swedish Energy Agency, Pilot Auction Facility of the World Bank, UNOPS call, NAMA facility, Zayed Energy Prize of the United Arab Emirates, and SBL Repository tool. - Analysis of the potential of CERs of the MDL portfolio for Colombia and Mexico. - Technical support provided for the development of standardized base lines for Colombia, Ecuador, Peru, and Honduras for the brick sector, residues (solid and liquid), and electric sector. - Dialogues were organized with non-governmental actors to discuss issues related to Article 6 of the Paris Agreement (carbon markets), to provide feedback to the inter-governmental process regarding the needs and expectations of the countries of Latin America.
DEVELOPMENT OF NAMAS	<ul style="list-style-type: none"> ■ Support was provided to the development of different mitigation schemes at a sectoral level in the biomass sector (Argentina) and home refrigeration (Colombia), which identified a portfolio of potential projects for financing of close to USD 65 million.

STRATEGIC APPROACH	RESULTS
<p>DEVELOPMENT OF NAMAS</p>	<ul style="list-style-type: none"> ■ Support was provided for the development of NAMAs in the following projects: <ul style="list-style-type: none"> - Sustainable Urban Mobility (Panama), identifying potential projects for a financing of close to USD 400 million on mobility with component for the GCF. - Promotion of energy derived from biomass (Argentina). - Green Transportation Area in Santiago (Chile). - Urban Solid Residues (Argentina).
<p>MOBILIZATION OF FINANCIAL RESOURCES</p>	<ul style="list-style-type: none"> ■ Approval of the first CAF project for the GCF, the Program for Climate Action and Development of Solar Energy in Tarapaca, Chile. The project is a solar park of 143MW, with a total investment of USD 265 million, of which USD 49 million were approved as co-financing by the GCF. The project has the potential of reducing 3.6 million tons of CO2 during the project's useful life (20 years). ■ Continued implementation of the Climate Financing Facility based on performance (PBC) with LAIF technical cooperation resources of the European Union, in association with the German bank KfW, whose main objective is to promote low carbon and sustainable development in the region, resulting from the implementation of two Sectoral Mitigation Mechanisms, focused on the energy and residues sectors. For this, there is a donation of EUR 10 million.

— EVALUATION MECHANISMS

To evaluate the performance of the aforementioned actions regarding climate change, there was an Internal Audit process for the analysis of diverse phases of the process within the management of the Latin American Carbon Program (PLAC for its acronym in Spanish) (as was the previous name of the current Climate Change Unit) for the years 2011 to 2016, considering the operational, administrative, and financial controls, together with the results obtained compared to the proposed objectives.

This process showed that the operational as well as financial and business procedures of the PLAC management must be optimized to strengthen the program's components. From these results, a series of specific actions were carried out to comply with the audit requirements, among which the following stand out:

- A report was developed with a detail of the activities, projects, indicators, and management analysis, together with the financial part of the PLAC, in order to be presented to CAF's High Management.
- Start of the financial, accounting, and operational activities that are necessary for the final closing of the PLAC Program (Currently Climate Change Unit) which is estimated for November, 2017. The goal is to culminate the allocation of resources and make the final presentation of results.
- A continuous review of the expenditures was carried out, with a request for the necessary adjustments or re-classifications to the corresponding area.
- The process started for the final closing of the CAF-Netherlands CDM Facility Fund (CNCF) that CAF had with the Government of Holland for the purchase of carbon credits, together with the development of the closing report, so that the results can be presented to all the parties involved.
- The process started for the final closing of the Fund with the Government of Spain, the Ibero-American Carbon Initiative (IIC, for its acronym in Spanish), so that the results obtained may be presented to all the parties involved.
- The historic directory of the PLAC was reviewed to complete the missing documentation of the CNCF/IIC Funds and their projects.



CONSERVATION OF NATURAL CAPITAL

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

ACCORDING TO THE UNITED NATIONS ENVIRONMENT PROGRAMME, THE LATIN AMERICAN AND CARIBBEAN REGION HAS **SIX OF THE SEVENTEEN COUNTRIES CALLED MEGA-DIVERSE**, WHICH JOINTLY HAVE CLOSE TO **40 PERCENT OF THE WORLD BIODIVERSITY WITH LESS THAN 15 PERCENT OF THE SURFACE OF THE EARTH.**

In this context, the conservation and development of the natural capital is important to CAF's management in support of its member countries, due to the threats faced by the biodiversity and forests of the region as a consequence of recurring situations that affect the integrity of the ecosystems, such as over-exploitation of wild species, excessive non-regulated consumption, introduction of invasive exotic species, transformation of land for agricultural production, and climate change, among others.

Facing this scenario, CAF supports its member countries to achieve the objectives established in the Agreement on Biological Diversity (CDB, for its acronym in Spanish), the goals of the AICHI, and the related Sustainable Development Objectives, by promoting interventions aimed at the conservation, sustainable use, and fair and equitable distribution of the benefits associated to biological resources, prioritizing key ecosystems

due to their abundant biodiversity, such as the Amazon, the tropical Andes, and the great marine ecosystem of the Caribbean.

— ACTION FRONTS

While the positive impacts that may be generated on the natural capital come through green operations with natural capital components that catalyze green environmental international financing for credit and technical cooperation, CAF provides advice and enables the access to economic resources for the execution of projects subject to compliance of the guidelines established for green businesses.

In this respect, the clients and organizations are in charge of executing specific actions for the conservation of the natural capital, while CAF's function is to provide advice and enable access to economic resources, subject to compliance with the Institution's guidelines and criteria with respect to green businesses.

This management is carried out by the Corporate Direction of Environment and Climate Change through its Green Businesses Unit (UNV, for its acronym in Spanish), from the guidelines established in the **Strategic Biodiversity Program** and the **Forests Program**, which are applied in the different lines of projects with financing, as well as in projects financed by the Global Environment Facility (GEF) and in related technical cooperation operations.

MANAGEMENT OF BIODIVERSITY AND FORESTS IN CAF'S OWN FINANCING

- Plans and/or programs that value biodiversity and forests in the direct area of influence of the project through ecosystemic services.
- Plans and/or programs of responsibility and/or local or community relationships which include green infrastructure works and/or ecosystemic services of the biodiversity and/or the forests.
- Certified calculations of the environmental footprint in the framework of the impact on or valuation of biodiversity and/or forests.

MANAGEMENT OF BIODIVERSITY AND FORESTS OF THE GEF PROJECTS

- Compliance of the safeguards established by the Global Environment Fund related to the conservation of biodiversity and forests.
- Specialized advice on biodiversity for the development and support of projects in the Global Environment Fund

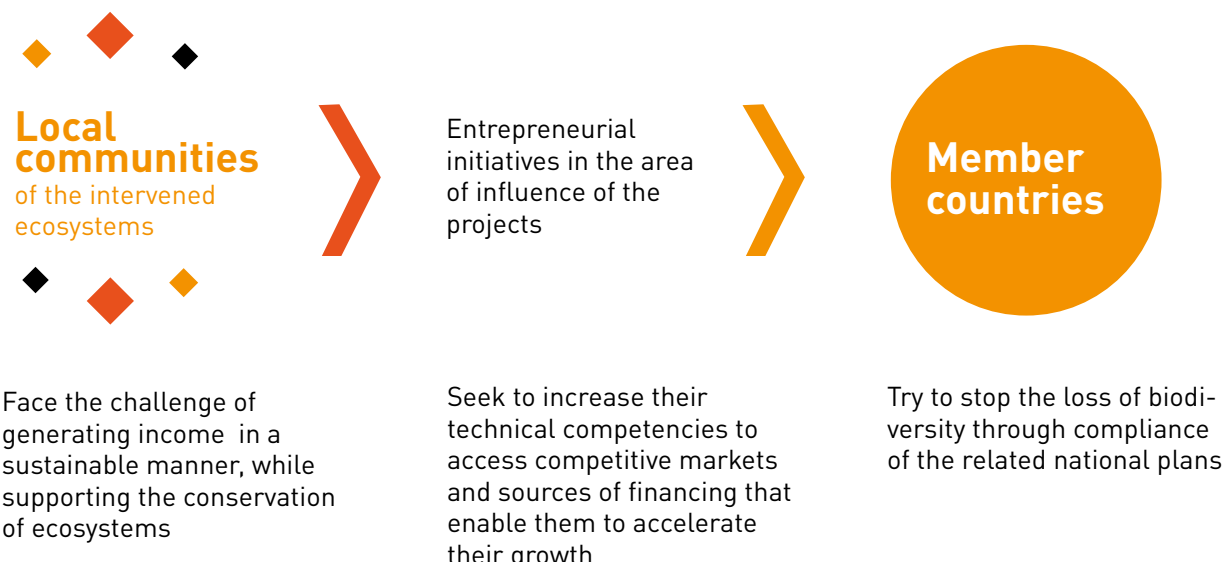
MANAGEMENT OF BIODIVERSITY AND FORESTS IN TECHNICAL COOPERATIONS

- Registry of species and areas that have been worked, as well as of benefitted individuals.

This is how the UNV manages matters related to biodiversity, forests, and ecosystemic services, through the following lines of action:

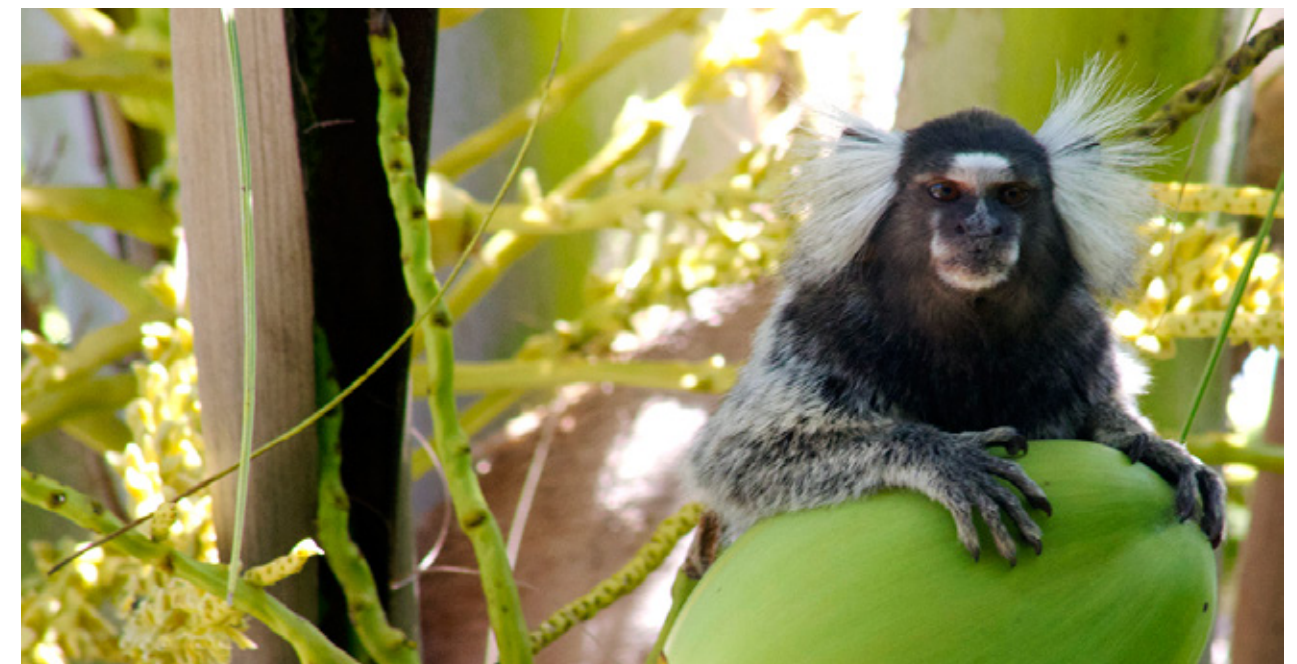
- Support CAF's business areas in the identification, conceptualization, and specialized structuring of green operations with natural capital components, with forest, biodiversity, and ecosystemic services criteria.
- Develop and manage green business projects based on the conservation of the natural capital, to be presented to international environmental funds such as the Global Environment Fund (GEF).
- Monitor and verify compliance with the green criteria of environmental sustainability and conservation of natural capital of the green credit operations that catalyzed green financing, and of the projects approved by the Funds.
- Develop and execute projects and programs related to the management of knowledge on biodiversity and forests, to support the design of green financial products and ecosystemic services that enables CAF's member countries to comply with the Aichi Goals.
- Coordinate and develop the natural capital component in cross-cutting institutional programs, such as "Cities with Future".

The initiatives and projects carried out are part of the expectations of different interested parties, as described below:



STRATEGIC BIODIVERSITY PROGRAM

CAF has developed a biodiversity strategy which defines the intervention actions to be developed between 2015 and 2020, with the objective of promoting conservation and valuation of biodiversity in Latin America, through the support and strengthening of innovating and inclusive sustainable development processes that promote this comparative advantage of the region as a competitive advantage.



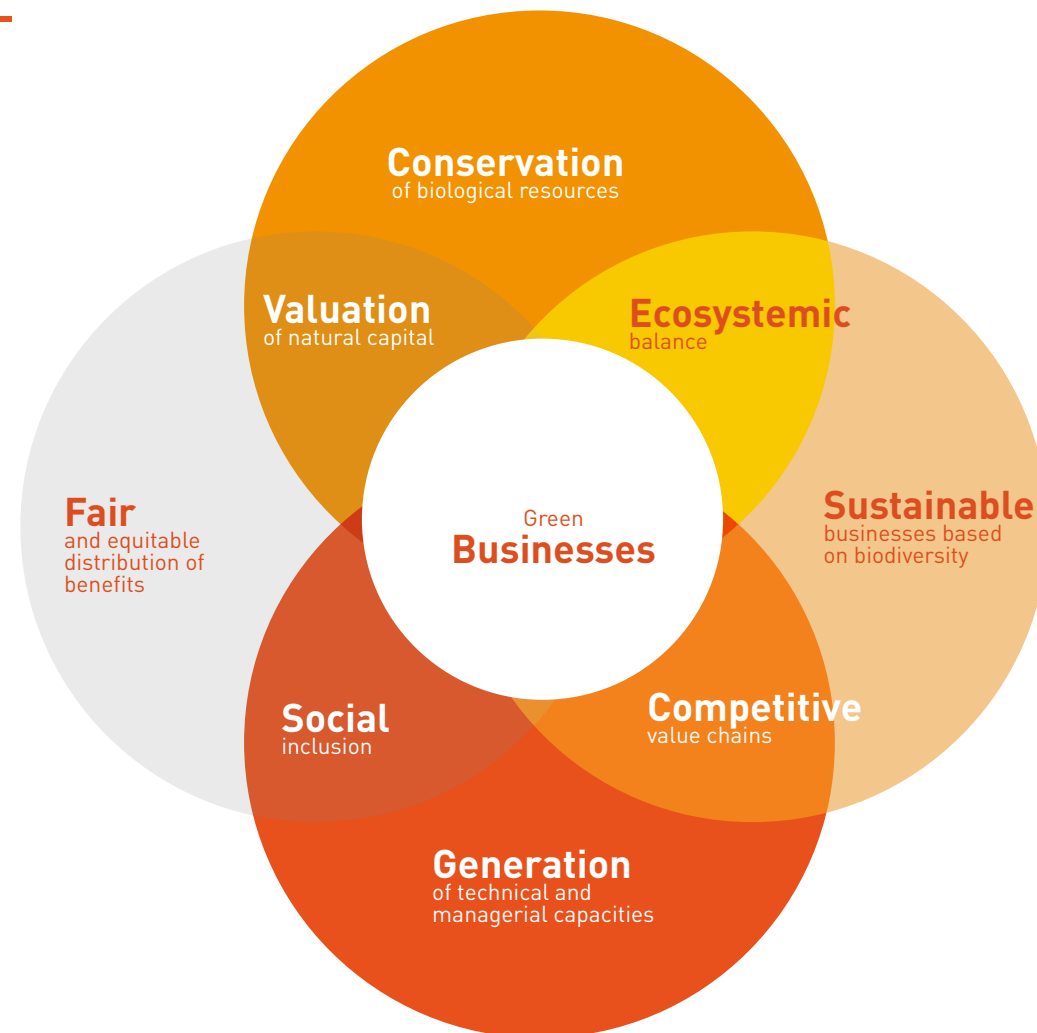
CAF'S PURPOSE IS TO ENABLE ITS MEMBER COUNTRIES TO

- Incorporate biodiversity within their **governmental and social spheres**
- Adopt specific measures in favor of **conservation, sustainable use, and equitable distribution** of the benefits derived from their biological resources
- Improve the situation of biodiversity in their territories and the region, contributing to the **vision of the Aichi goals**

INTERVENTION STRATEGY

- Advice on public policies and institutional development
- Mobilization of resources for conservation initiatives and the sustainable use of resources
- Promotion of work through value chains of products with a high conservation and social inclusion potential

ACTION PRIORITIES



Within the biodiversity program, there are different initiatives supported in 2016, such as:

— LATIN AMERICAN CACAO INITIATIVE

The objective of this initiative¹⁷ is to promote the development of fine and aromatic cacao as a sustainable economic activity and an integrating element of the people that have traditionally used it in Latin America, thus generating significant social and environmental impacts for the conservation of the biodiversity associated to cacao and the entry of this product to international markets that favors biotrade and quality supply.

In addition, the initiative has a comprehensive approach of the development of the value chain of fine and aromatic cacao, aimed at leveraging development opportunities and sustainable development in the regional industry.

During 2016 base studies were carried out in the countries, and the formal adhesion to the initiative of eight of CAF's member countries was achieved, providing consistency to it and generating the adequate context for CAF to assume the role of Secretary of the Regional Forum, by invitation of the countries.

— VALUE OF MARINE-COASTAL ECOSYSTEMIC SERVICES

Since September, 2015, CAF has been working on the development of a methodological approach¹⁸ to evaluate the benefits provided by part of the marine and coastal habitats of the most important areas in terms of marine biodiversity in the Latin

American territory. With these results, CAF will seek to support decisions for investment in natural infrastructures, the promotion of green businesses, and the adoption of biotrade practices that contribute to the mitigation of climate change and sustainable use of biodiversity.

Thus, a regional study was carried out, published in the sphere of the World Forum on the Economy of the Oceans (UNCTAD) which allowed for the structuring of a pilot project in Peru, to be executed during 2017.

— FOREST PROGRAM

The region of Latin America and the Caribbean has an estimated 891 million hectares of forests, corresponding to 22 percent of the total area of forests in the world. Of these, 75 percent are primary forests that are mostly located in inaccessible or protected areas, whose ecosystemic services are significant for the region's sustainability.

These characteristics show the comparative and multifunctional advantages of the region due to the existence of the forestry resources. These advantages may be transformed into competitive through the use of strategies aimed at promoting supply chains of forestry products, and to strengthen the provision of ecosystemic services that enable the management of carbon, regulation of climate, quality of water, provision of energy, and ecotourism, among others.

¹⁷ <http://biocomercioandino.org/iniciativas/iniciativa-latinoamericana-del-cacao/>

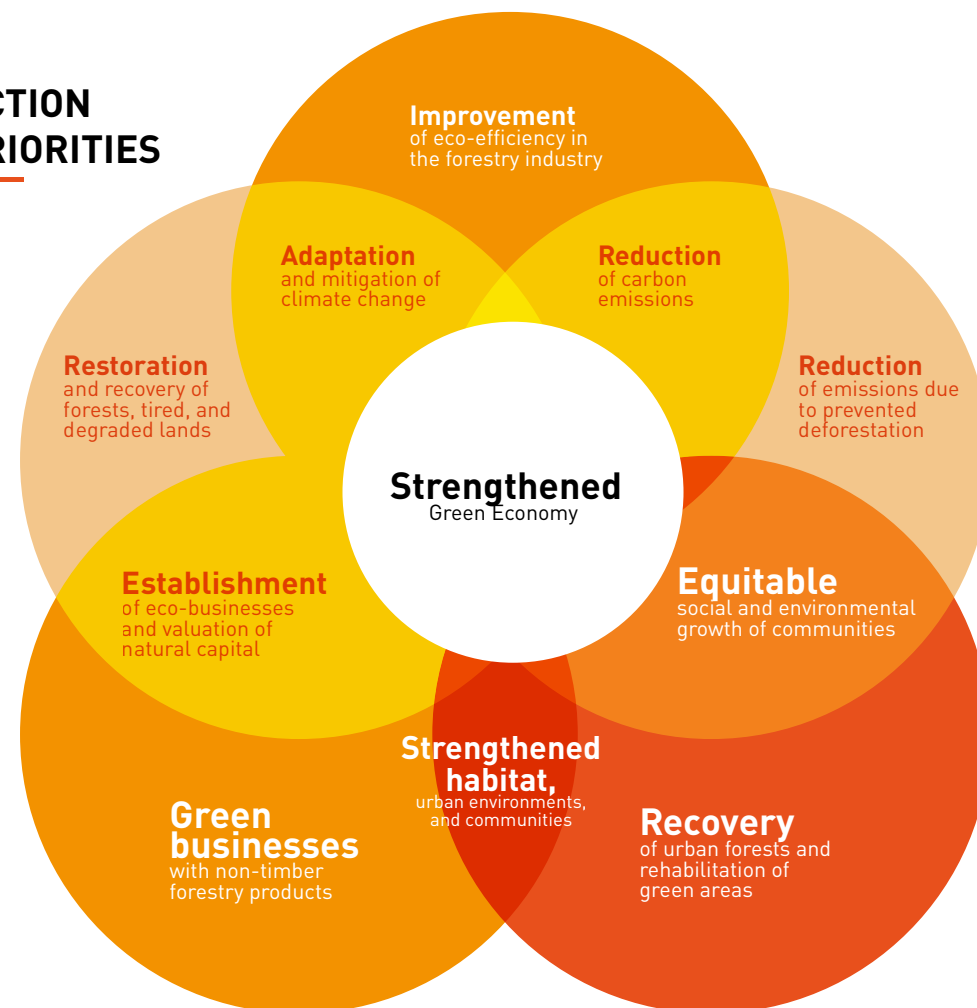
¹⁸ <http://biocomercioandino.org/iniciativas/servicios-ecosistemicos-marinos/>

For this reason, CAF has designed a Forest Program that starts from the recognition of the forestry resources as an essential and strategic pillar for the development of a green economy in the countries of the region.

STRATEGIC OBJECTIVE

- Fortalecer el desarrollo del sector forestal y la conservación de los bosques a través de la implementación de la economía verde, que permita migrar a los países miembros hacia economías bajas en carbono y resilientes al cambio climático con inclusión social

ACTION PRIORITIES



1

The forest strategy implemented by CAF is structured from the development of the following objectives:

2

Consolidate the regional initiative of **Reducing Emissions from Deforestation and Forest Degradation (REDD++, for its acronym in Spanish)** through the South-South cooperation .

3

Promote **Green Businesses with Non-Timber Forest Products** (PFNM, for its acronym in Spanish) as an economic alternative for the communities that conserve the forests and use PFNM as a source of income.

4

Incorporate degraded lands from the rural sphere to productivity, as well as improve the productivity of the agricultural lands of the region.

5

Directly and indirectly rehabilitate and restore **urban forests (protective, in hillsides, and mangroves) and green areas.**

6

Improve the **eco-efficiency of the forestry industry** as a mechanism to reduce CO2 emissions and reduce the pressure on natural forests.

CAF-AMAZON VISION INITIATIVE

In 2016, work was carried out to structure the proposal of the CAF-Amazon Vision Initiative,¹⁹ whose objective is to position the Amazon region as a macro region with a valuable natural capital, provider of goods and services based on the conservation and sustainable use of resources and on its ecological dynamics.

Thus, the initiative intends to convert the comparative advantage represented by the Amazon wealth into a competitive advantage that integrates Latin America, favoring the consolidation of green businesses and influencing the development of subjects of institutional interest such as conservation of biological resources, sustainable use of resources, fair and equitable distribution of benefits, and generation of technical and managerial capacities.

For this, a strategy for action has been defined, focused on the promotion of sustainable value chains, management of knowledge, and green financing, as well as the promotion of initiatives to strengthen ecosystemic services and the consolidation of activities that enable a reduction of the emissions generated by deforestation and degradation of forests.

URBAN FORESTS AND GREEN AREAS INITIATIVE

In 2016 work was carried out to design the proposal for urban forests and green areas initiative, which seeks to address cities in a comprehensive manner, and influence the increase of the surface and quality of urban forests and green areas in the region.

The purpose of the above is to:

- Increase the surface of green areas and urban forests in the cities of the region.
- Improve the quality of the landscape, accessibility, and citizen inclusion.
- Ensure the availability of green areas and urban forests in the cities of the region.

ANDEAN BIOTRADE PROJECT

The Andean Biotrade Project has a CAF-UNEP (United Nations Environment Programme) agreement that specifies objectives, goals, indicators, budgets, and administration, governance, and results indicators mechanisms. The UNEP is the implementing agency and CAF is the executing agency.

GRI 304-2

STRATEGIC OBJECTIVE

- Contribute to the **conservation and sustainable use of biodiversity** of the Andean Region through the **provision of an alternative sustenance based on biotrade for local and marginal communities.**

¹⁹ <http://biocomercioandino.org/iniciativas/proyecto-vision-amazonia/>

The purpose of this project, executed between 2010 and 2015 simultaneously in Colombia, Ecuador, and Peru, was to support and strengthen biotrade in the local, national, and regional sphere as a strategy for the conservation and sustainable use of biodiversity, based on the following components:



As a result of the actions executed under this project during its four year of execution, the following stands out:

ENVIRONMENTAL IMPACTS

282.569 HECTARES

MANAGED WITH SUSTAINABILITY CRITERIA

USD 310 MILLION

IN BIODIVERSITY CAPITAL GENERATED FOR THE GREEN ECONOMY


SOCIAL IMPACTS

- More than 29,600 individuals improved their working conditions and quality of life
- More than 1,300 individuals trained in public management and bio-trade entrepreneurial development
- 100 professionals trained to collaborate with the project's scalability

ECONOMIC IMPACTS

- 65% average increase in the sale of initiatives supported in three years
- 46% of the co-financing goal achieved
- More than 137 companies with access to financial services

THESE RESULTS WERE ACHIEVED WITH THE SUPPORT TO **216 PILOT PROJECTS OF COMPANIES IN COLOMBIA, ECUADOR, AND PERU**, WHICH WERE DEVELOPED IN DIFFERENT SECTORS SUCH AS NATIVE FOODS, SUSTAINABLE TOURISM, AND PHARMACEUTICAL AND COSMETIC PRODUCTS, AMONG OTHERS.



The support given to these projects was aimed at the implementation of activities related to the components of the Andean Biotrade project, in order to strengthen the competitiveness of the entrepreneurial initiatives that use the resources of the native biodiversity of the countries. This helps achieve a management of the provisioning areas (crops, wilderness gathering, etc.) under Biotrade principles that include conservation and sustainable use of resources.

During the execution period of the project, the companies supported experienced an average growth of 65 percent in their sales, which allows to deduce the positive continuity of the impacts on the ecosystem managed under sustainability standards.

- The activities carried out contributed to the conservation of 282,569 hectares of different species of biodiversity, among which the following stand out:



UNCARIA TORMENTOSA
UÑA DE GATO



THEOBROMO CACAO
CACAO



EUTERPE OLERACEA
ASAÍ



PLUKENETIA VOLUBILIS
SACHA INCHI



CARLUDOVICA PALMATA
JIPIJAPA



CHENOPODIUM QUINOA
QUINUA



OENOCARPUS BATUA
PALMA DE SEJE



BURSERA GRAVEOLENS
PALO SANTO



PHYSALIS PERUVIANA
UCHUVA / AGUYAMANTO / UVILLA

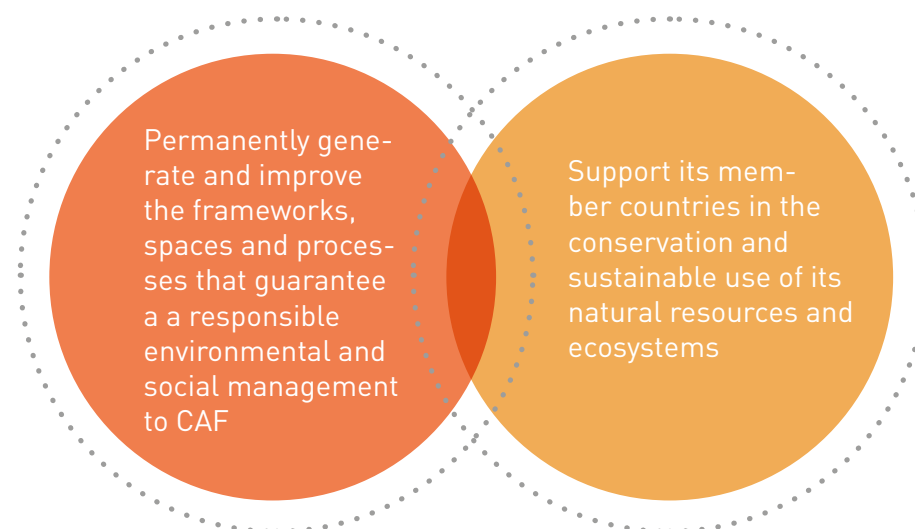
For detailed information regarding the methodology, results, and impacts of this project, consult the Memoria de Sistematización del Proyecto de Biocomercio Andino in the web page: <http://biocomercioandino.org/wp-content/uploads/2015/08/Memoriavirtual-Biocomercio-Andino-CAF-Espanol.pdf>

EVALUATION AND FOLLOW-UP OF ENVIRONMENTAL, SOCIAL, AND CLIMATE RISKS OF THE OPERATIONS

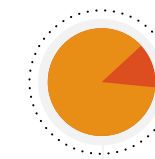
GRI 103-1, 103-2, 103-3

As part of its guidelines for environmental sustainability and climate change, CAF's Strategy for Environmental Sustainability and Climate Change is to facilitate access to financial resources to its member countries to comply with the 2030 Agenda for Sustainable Development Objectives, generate and disseminate knowledge for the achievement of these objectives, and strengthen the institutional capacities to access green financing.

As part of this task, CAF verifies that all credit operations it finances must be developed under strict compliance with the local norms of the countries, and with high standards of environmental and social management through compliance of a group of **Environmental and Social Safeguards** that translate the principles of the Bank regarding these matters. Thus, the established strategy is aimed at compliance of two essential objectives:



CAF recognizes that the credit operations it finances have the potential to generate a series of environmental and social impacts; therefore, from the early stages of their execution, processes are carried out to identify and evaluate the impacts that may affect any natural component (air, water, soil, flora, fauna, ecological relationships) or social component (social, economic, cultural, and institutional). For this process, and recognizing that the quality of the results of the evaluation depends to a great extent on access to basic information, three actions are carried out:



INITIAL INFORMATION REQUEST REGARDING THE BORROWER



EVALUATION MISSION

To verify the environmental and social characteristics of the area in which the operation develops, when there is a high or moderate risk



DEVELOPMENT OF THE ENVIRONMENTAL AND SOCIAL REPORT (IAS) IN WHICH

- **Risks and impacts are identified.**
- **The adequacy of the foreseen measures** is verified.
- Additional measures are proposed for **risk situations or critical situations that have not been addressed.**
- The environmental and social conditions of the operation are established, and **incorporated to the credit contract.**

In addition, to offset situations related to the lack of information regarding the characteristics of the environment in which the operations will develop, the Guide for the Management of Environmental and Social Management of Infrastructure Projects has been developed, covering ten sectors: roadways, power lines, small hydroelectric power plants, potable water, sanitary sewage, solid residues, irrigation, ports, airports, and wind-powered generation. This guide includes the technical guidelines for the treatment of the environmental and social subjects which are specific to the sector, and also incorporates CAF's information requirements that are necessary to facilitate the evaluation and follow-up tasks in each phase of the credit process.

THIS EVALUATION IS CARRIED OUT BASED ON THE **ENVIRONMENTAL AND SOCIAL SAFEGUARDS** DEFINED BY CAF WITH THE PURPOSE OF ENSURING THAT THE OPERATIONS CONTRIBUTE TO SUSTAINABLE DEVELOPMENT, INCREASE COMPETITIVENESS, REDUCE SOCIAL LAGS, STOP ENVIRONMENTAL DETERIORATION, SUPPORT ECONOMIC GROWTH, IMPROVE LIFE CONDITIONS OF THE REGION'S INHABITANTS, AND SUPPORT MITIGATION AND ADAPTATION TO CLIMATE CHANGE.

To ensure this purpose, the credit contracts subscribed with the public sector are given the status of State Law, or validated through a high standing document with mandatory compliance. Thus, the environmental and social conditions become a legal obligation, which must be complied by all the actors even if these conditions exceed or modify part of the current norms in the country.

In the case of credits granted to private clients (non-sovereign), the terms of the contract are established between the parties, which makes environmental and social management somewhat more complex throughout the process. However, the States assume an important role demanding compliance to the current environmental and social regulations from the private sector, ensuring an adequate and proactive management regarding these aspects.

— ENVIRONMENTAL AND SOCIAL SAFEGUARDS

The established Environmental and Social Safeguards translate CAF's principles regarding environmental sustainability and climate change, to ensure compliance of the following purposes in its credit operations:

- Prevent, mitigate and/or compensate adverse impacts for the population and the environment
- Consider climate risk at a project level, across all operations
- Promote the participation of interested parties
- Preserve biological diversity and natural habitats
- Promote the sustainable use of natural resources and ecosystemic services
- Prevent and minimize negative impacts on the health of people, biodiversity, and ecosystems
- Recognize, protect, and value the cultural heritage of the region
- Ensure compliance of the international commitments with respect to the rights of indigenous peoples and other minorities and vulnerable groups
- Safeguard compliance of the norms relative to working conditions

Thus, CAF has designed environmental and social safeguards that apply in all its credit operations as a preventive and strengthening measure of its comprehensive development agenda:

**EVALUATION AND
MANAGEMENT OF
ENVIRONMENTAL
AND SOCIAL IMPACTS**

**SUSTAINABLE
USE OF RE-
NEWABLE RE-
SOURCES**

**CONSERVATION
OF BIOLOGICAL
DIVERSITY**

**PREVENTION AND
MANAGEMENT OF
CONTAMINATION**

**CULTURAL
HERITAGE**

**ETHNIC GROUPS
AND CULTURAL
DIVERSITY**

**RESETTLEMENT
OF POPULATION**

**WORKING
CONDITIONS AND
TRAINING**

**GENDER
EQUITY**

PROGRAM FOR THE EVALUATION OF ENVIRONMENTAL AND SOCIAL FOLLOW-UP OF OPERATIONS

PURPOSE Guarantee the physical, environmental, social, and gender equity sustainability of the operations financed by CAF

In a cross-cutting manner, this program integrates all the technical, human, technological, and financial resources available within each phase of the credit process, providing tools and criteria to support decision making processes related to the feasibility and subsequent environmental and social management of the operations, through the application of a manual and three procedures supported by 22 forms that help identify and evaluate the associated risks and impacts.

This, with the objective of preventing the occurrence of negative impacts on the natural and social components connected to the operations, from the origination to the formalization phase, through the evaluation, and incorporating the follow-up of the measures foreseen in their administration phase.

ORIGINATION STAGE

The environmental and social risk of the operation is defined (high, moderate, or low) and specific recommendations are carried out in relation to the amount and quality of information that will be necessary during the evaluation stage, as well as other considerations that the case may require.

FORMALIZATION STAGE

Verification process to ensure that the credit contract incorporates all the environmental and social conditions established in the evaluation stage.

EVALUATION STAGE

When the documentation is reviewed, the evaluation mission is carried out to learn the particulars of the operation and its relationship with the environment, the Environmental and Social Report is prompted, and measures are laid out for the prevention, mitigation, restoration, and compensation for the identified impacts, and the environmental and social conditions of the credit are established.

ADMINISTRATION STAGE

The follow-up of the operation is carried out, ensuring a proactive management that first verifies the application of the measures established in the evaluation stage, as well as the identification of situations that may result in risks and impacts, in order to state the necessary measures to prevent their occurrence or control them in case they have appeared.

In general terms, the impacts of the operations financed by CAF may affect different actors as follows:

- **CAF**, due to the exposure represented by granting a credit to the operation when it does not comply with the current national regulation and its own standards.
- The **borrower**, for the investment in a project that does not comply with the current national regulation or generates severe impacts on the environment or society.
- **National and sub-national entities of the region** in which the operation develops, and which constitute themselves as competent environmental authorities, who make the regulations and supervise compliance with the norm.
- **The contractors of the borrower**, who are the main source of impacts.
- The **civil society**, located in the site of the operations that are financed or are part of the borrower's group of clients, who may directly receive said impacts.

At the same time, in the framework of the works carried out in the evaluation stage, it must be verified that each operation has citizen participation mechanisms and communications that incorporate the necessary measures to address claims and suggestions made by the different actors involved, in addition to guaranteeing a continuous, accurate, and timely information to those who request it.

If such a situation is not identified in a particular operation, the pertinent recommendations are made to have these mechanisms that guarantee participation of the population in general, and the attention to any recommendation or complaint in the framework of the subject matter of this situation.

THE MECHANISMS TO ADDRESS COMPLAINTS AND SUGGESTIONS PROMOTED IN THE INFRASTRUCTURE AND INDUSTRY OPERATIONS FINANCED BY CAF ARE AIMED AT LEARNING THE GENERAL OPINION REGARDING THEM, ADDRESSING ANY COMPLAINT AS EFFICIENTLY AS POSSIBLE TO PREVENT THE DIFFICULTIES FACED BY THE POPULATION TO IMPACT THE WORKS AND AFFECT THE CONTINUITY OF THE PROJECTS AND, CONSEQUENTLY, THE IMAGE OF THE BORROWER AND OF CAF.

The environmental and social management both of the operations as well as at an internal level is the responsibility of the Corporate Direction of Environment and Climate Change (DACC, for its acronym in Spanish) through the Institutional Environmental Management Unit (UCC, for its acronym in Spanish) and Green Businesses Unit (UNV, for its acronym in Spanish) located in the offices in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Panama, Peru, Uruguay, and Venezuela.

These professionals are highly trained in environmental and social management, with a vast experience on this subject, who also have ample knowledge regarding the characteristics of the countries where they work, as well as of the operations that CAF finances in the country. For this reason, the expert criteria that they issue in each phase of the credit process incorporates technical capacity and knowledge of the problem.

In addition, the development of the activities of the program requires the collaboration of the Borrowers through the timely provision of information, of the Executing Entities to coordinate the field tasks (evaluation and follow-up missions), of the Borrower's contractors to get primary information regarding these field tasks, and the expert criteria of the consultants hired by the Borrower.

— HOW IS THIS MANAGEMENT EVALUATED?

The activities carried out in the framework of the environmental and social management of CAF's credit operations are evaluated internally through quality control carried out by the Coordination of the UGAI, as well as internal audits carried out by CAF's Audit Department.

In addition, an annual satisfaction survey of the internal clients of the DACC is carried out through the systems established by CAF, with the objective of measuring client satisfaction with respect to the performance of the Direction regarding its tasks, particularly those related to the credit process.

At the same time, with the application of the internal regulation that guides these activities, continuous feedback processes are carried out between the Executives of the Country DACC and the Unit's Coordination to identify aspects that may be improved as part of the process.

CONSIDERING THAT THE PROGRAM FOR THE ENVIRONMENTAL EVALUATION AND FOLLOW-UP OF OPERATIONS HAS REACHED A CONSIDERABLE LEVEL OF DEVELOPMENT, WORK IS BEING DONE FOR ITS MIGRATION TOWARD A **SYSTEM FOR THE EVALUATION AND FOLLOW-UP OF ENVIRONMENTAL, SOCIAL, AND CLIMATE RISKS OF THE OPERATIONS**. FOR THIS, WORK HAS BEGUN TO IDENTIFY IMPROVEMENT OPPORTUNITIES TO LATER CAPITALIZE SAID OPPORTUNITIES THROUGH THE GENERATION OF NEW DOCUMENTS AND CLARIFICATION OF ACTIVITIES, ROLES, AND ACTORS FOR ITS EXECUTION.

ENVIRONMENTAL AND SOCIAL MANAGEMENT PROGRAM FOR FINANCIAL INSTITUTIONS

The banking system of Latin America and the Caribbean has an important challenge facing the internalization of the concepts of sustainability and the management of environmental and social risks, therefore, CAF has assumed a role aimed at promoting the sustainability of the financial institutions of the region, as a mechanism to link this sector in the compliance if its objectives regarding this matter, and strengthen the value chain in its operations with the financial sector.

Thus, since 2012 CAF has consolidated its Environmental and Social Management Program for Financial Institutions (PGASIF, for its acronym in Spanish), as its main platform to support the internalization of the environmental and social management in the Latin American financial sector, as well as transfer knowledge and best practices that strengthen the banking system from a social and environmental sustainability approach.

OBJECTIVE

Promote the internalization of the **principles and practices of environmental and social management in the financial sectors of the region**, as a strategy to enforce the compliance of CAF's environmental and social principles and safeguards by the financial sector and the Bank's clients.



TRAINING

Apply a dissemination and continuous training strategy with respect to the identification, evaluation, and management of environmental and social risks within the credit process and the institutional environmental management, and support the design and implementation of the Systems to Manage Environmental and Social Risks.

REGULATION

Work with the financial regulators and banking associations, in order to promote the interiorization of the basic concepts regarding identification, evaluation, and adequate management of environmental and social risks associated to the projects and investments of the financial sector.

ENVIRONMENTAL BUSINESSES

Support and facilitate the identification and promotion of business opportunities for financial institutions in emerging environmental markets, particularly in the implementation of projects in the framework of the different carbon markets and energy efficiency.

— MAIN RESULTS OF THE PROGRAM

In the development of this program since 2012, we have achieved the following results:

1.378 individuals trained in virtual courses and meetings

Incorporation of environmental practices in **6 Financial Institutions**

3 diagnoses on the Status of Sustainability in the Banking System (Ecuador, Argentina, and Chile)

2 editions of the Award to Sustainable Finances in Latin America

Support for the creation of **2 National Green Protocols** (Ecuador and Chile)

Green Financial Products in **6 Financial Institutions**

Update of the on-line course "**Climate Change, Risks and Opportunities for Financial Institutions**"

DURING 2015 AND 2016, DIFFERENT COURSES AND EVENTS TOOK PLACE IN THE FRAMEWORK OF THE PGASIF, WHICH INCLUDED THE PARTICIPATION OF 1,037 INDIVIDUALS WHO REPRESENTED INSTITUTIONS OF THE FINANCIAL SECTOR OF THE REGION.

2015-2016 ACTIVITIES	PARTICIPANTS
Virtual and classroom courses on sustainable finances, UNEP FI (United Nations Environment Programme Finance Initiative)	162
Master Lectures Sustainable Finances in Green Latin America Awards (PLV, for its acronym in Spanish) 2015	300
ARAS classroom course Chile	32
Forum "Promoting Sustainable Finances in the Southern Cone"	65
Pre-Forum Event "Sustainable Finances, A Business Opportunity"	141
Event "Building Sustainable Financial Agreements"	67
Course "Financing Green Housing"	18
Course ARAS Virtual Course	98
Course "Climate Change: Risks and Opportunities for the Financial Sector"	32
Forum "Financing of Sustainable Communities", annual event ECOBANKING-INCAE Phase II	56
Awards "Green Latin America", Category "Sustainable Finances"	66

— SUCCESSFUL CASES

— SYSTEM FOR THE ENVIRONMENTAL EVALUATION OF THE SUSTAINABLE CONSTRUCTION OF HOUSING

During 2015, CAF supported the consolidation and promotion of the tool “Environmental Evaluation System (SEA²⁰, for its acronym in Spanish) of the Sustainable Construction of Housing”, as well as the development of green credit products linked to this tool for Mutualista Pichincha in Ecuador.

Through this pilot project, two credit products were developed, focused on real estate projects rated by the Environmental Evaluation System of the Financial Institution, with the objective of promoting environmentally sustainable construction in the country:

1. Reduction of interest rates based on the environmental rating of the builders.
2. SEA housing mortgage with preferential conditions for the debtor.

The projects evaluated by the SEA are verified by KPMG auditing company.

— STRENGTHENING OF THE BANCO BOLIVARIANO – ECUADOR

CAF supported the Banco Bolivariano of Ecuador through the PGASIF for the development of the following activities:

1. Definition of the financial product **Credimax Crédito Verde**, (Credimax Green Credit) that finances the purchase of high energy efficiency equipment and alternative energy generation for the home.
2. Development of the **online simulator that enables the calculation of the savings (economic and CO2 emissions)** generated by the replacement of traditional air conditioning systems by more energy efficient systems, as well as due to the implementation of solar panels for the residential sector.
3. Incorporation of the Environmental Management Policy in the Bank’s operations, and of a System for the Analysis of Environmental and Social Risks.
4. Implementation of an environmental certification system for housing in compliance with energy efficiency.
5. Design and publication of a Manual for Entrepreneurs which describes the regulations and permits that are necessary to comply with the environmental law of Ecuador.

²²The SEA is an on-line system that may be used by any natural or legal person who wants to evaluate the environmental sustainability of a real estate project.

— STRENGTHENING OF THE ENVIRONMENTAL MANAGEMENT OF THE CORPORACIÓN FINANCIERA NACIONAL – ECUADOR

Through a line of credit of USD 120 million, and a Technical Cooperation for USD 4 million, CAF, through the PGASIF, supported the strengthening of the environmental management of the Corporación Financiera Nacional in the framework of the PROGRESAR Program, with the following results:

1. Achievement of the Ecuadorean Environmental Recognition “**Punto Verde**” (Green Point).
2. **Incorporation of a System for the Analysis of Environmental and Social Risks** within the first-tier credit process (direct credit).
3. Support for the **program to generate capacities regarding environmental subjects**, aimed at staff, potential clients, and first-tier credit clients at a national level.
4. Development of capacities in the institution and its clients for the **monitoring and reporting of the contributions in energy savings and reduction of CO2 emissions** of the projects financed by PROGRESAR.

For more information regarding that strategic framework and the activities developed within the Program, consult the web page: <http://www.pgasif.com/>

GREEN OPERATIONS APPROVED BY CAF

Material subject. GRI 103-1, 103-2, 103-3

To measure and report financing with green components, CAF uses the green financing mapping methodology developed by the International Development Financial Club – IDFC), which was developed by consensus of all the members of the IDFC and standardized with the methodology of Multilateral Development Banks under the Common Principles for the Mapping of Climate Financing²².

²¹<http://www.idfc.org/>

²²Principios Comunes para Mapeo de Financiamiento para Mitigación and Principios Comunes para Mapeo de Financiamiento para Adaptación

The methodology consists of a two-step exercise based on: 1) a global definition of what mitigation of greenhouse gases, adaptation to climate change, and other environmental projects involves, and 2) a list of categories of projects which is accepted by the members of the IDFC as projects that typically contribute to address climate change and environmental management. This list may be found in Annex C of the Report on the Mapping of Green Financing of the IDFC for 2014.²³

Since 2011, CAF has led the IDFC working team on climate change, where this measuring methodology was implemented, contributing at the same time with data from its own approvals for financing with green component. For the measurement of the financing for environmental management projects, CAF generated a list of additional criteria that enables the categorization of the operations with equal accuracy. These guidelines apply to the operations approved of all the financial services provided by CAF periodically throughout the year.

To comply with its strategic objectives, CAF supports its member countries in strengthening their capacities, and establishing regulations, policies, and institutional environments to promote economies with low emissions of greenhouse gasses and resilient to climate change.

Thus, the green financing strategies are articulated with CAF's mission objective as they promote the sustainable development of Latin American countries while at the same time promoting compliance of the determined national commitments (CND, for its acronym in Spanish) which the countries have adopted before the United Nations Framework Convention on Climate Change through the Paris Agreement that they subscribed.

From this concept, CAF advances actions with the objective of increasing its credit operations and technical cooperations with an environmental and climate change component, as a strategy that will promote a regional economy that is sustainable, productive, and competitive, that is capable of managing the impacts associated to the environment and climate change.

GREEN FINANCING IS THE ONE WHOSE ACTIVITIES CAUSE A BENEFICIAL IMPACT ON THE ENVIRONMENT AND/OR CLIMATE. IN THIS RESPECT, CAF'S GREEN FINANCING INITIATIVES ARE AIMED AT THE INCREASE OF RESOURCES ALLOCATED TO THESE TYPES OF ACTIVITIES, SUPPORTING ITS MEMBER COUNTRIES IN THE ACHIEVEMENT OF TRANSITION PROCESSES TOWARD A CLEAN ECONOMY, RESILIENT TO CLIMATE CHANGE.

As part of its efforts, CAF has incorporated actions to promote environmental aspects that are important for the region, such as:

Sustainable use of natural resources

Efficient use of energy

Promotion of renewable, clean, and alternative energies

Promotion of low carbon economies and resilient to climate change

Support for a sustainability culture in the financial sector

Promotion of responsible practices for environmental and social management

²³ Report of the IDFC Green Financing Mapping for 2014



In the development of this strategy, CAF supports and finances credit operations and technical cooperations related to the following aspects:

Mitigation:

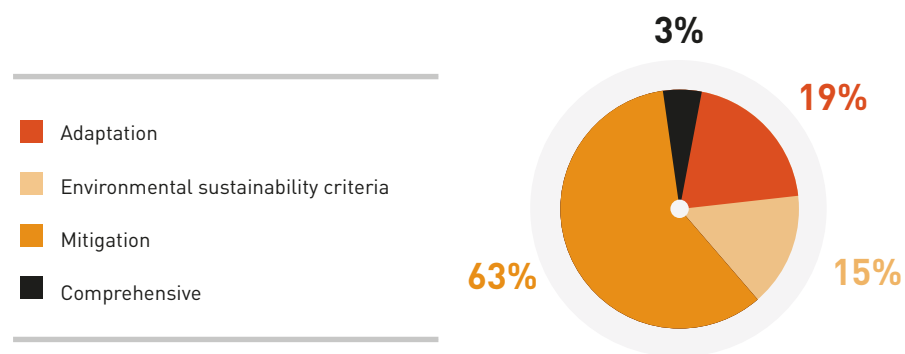
- Renewable energies
- Generation of energy efficiency with low carbon emissions
- Energy efficiency from the demand and supply sides
- Solid residues and residual waters
- Transportation
- Industry
- Reforestation, forestation, and ecoefficiency in the forestry industry

Adaptation:

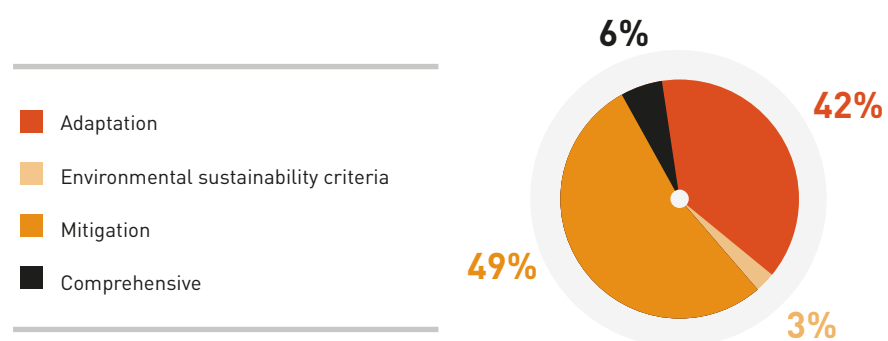
- Conservation of water
- Agriculture, biodiversity, conservation of forests, and adaptation based on ecosystems
- Coastal protection and marine coastal management
- Reduction of the risk of disasters due to extreme climate events

THUS, DURING 2015 24 PERCENT OF THE TOTAL AMOUNT APPROVED INCLUDED GREEN CRITERIA. IN ADDITION, DURING 2016 THE QUANTIFICATION OF THE OPERATIONS OF ALL THE FINANCIAL SERVICES PROVIDED BY CAF WITH IDENTIFIED GREEN CRITERIA, REACHED 26 PERCENT OF THE TOTAL AMOUNT OF APPROVALS IN THE PERIOD.

DISTRIBUTION OF GREEN OPERATIONS APPROVED IN 2015



DISTRIBUTION OF OPERATIONS APPROVED IN 2016



The projects with mitigation components were mainly developed in the categories of renewable energy, energy efficiency, residues, and residual waters, among others. In the adaptation category, they focused on water conservation, agriculture, natural resources (biodiversity and forests), ecosystemic services, and reduction of risk of disasters due to extreme climate events.

MITIGATION PROJECTS

- Enable to mitigate the emission of greenhouse gasses and mitigate climate change
- **Objective:** Reduce the emissions of greenhouse gasses
- Projects related to industrial, transportation, forestry, and energy sectors
- **Total value 2016:** USD 1.396.310 billion/ 49% of total green financing
- **Total value 2015:** USD 1.852.956 billion/ 63% of total green financing

ADAPTATION PROJECTS

- Enable the reduction of the vulnerability of ecosystems and increase their resilience to climate change
- **Objective:** Reduce the vulnerability of human or natural systems to the impacts of climate change, maintaining the adaptation capacity and resilience
- To benefit vulnerable communities and populations
- **Total value 2016:** USD 1.085.250 billion / 42% of total green financing
- **Total value 2015:** USD 558.828.000 / 19 % of total green financing

PROJECTS WITH GREEN CRITERIA

- Aimed at promoting ecosystemic services of biodiversity and forests
- Activities related to the marketing of goods that start with the use of natural capital referring to biodiversity or forests (through timber and non-timber products), under environmental, social, and economic sustainability schemes.
- To benefit populations associated to the use of the natural capital
- **Total value 2016:** USD 79,500,000 / 6% of total green financing
- **Total value 2015:** USD 441,180,000 / 15% of total green financing

CAF's guide for the categorization of green operations takes the criteria and definitions for mitigation and adaptation to climate change described in the IDFC's methodology. Likewise, for environmental sustainability subjects a list was generated of additional criteria that enable the categorization of operations with the same accuracy. These guides apply to the approved operations of all the financial services provided by CAF periodically throughout the year.

CAF AS AN IMPLEMENTING AGENCY OF ENVIRONMENTAL AND GREEN FUNDS

Between 2014 and October 2015 a technical coordination was carried out to obtain CAF's accreditation as an implementing agency of projects financed by the Global Environmental Facility (GEF).

The management of the cycle of GEF projects in alliance with executing agencies, national government agencies, and social organizations in focal areas of biodiversity, waters and oceans, climate change, chemical contaminants, degradation of soils, and comprehensive approaches enable the construction of a solid investment agenda to support the countries in complying with national, regional, and global commitments.

In addition, In July of 2015, CAF achieved the accreditation before the Green Climate Fund as an implementing agency of the fund, with access to the management of donations resources, concessional credit, guarantees, and equity investments, which may be allocated to adaptation projects or projects with adaptation components.

— GREEN CLIMATE FUND

The Green Climate Fund (GCF), was adopted as a financial mechanisms of the United Nations Framework Convention on Climate Change (UNFCCC) at the end of 2011. Its purpose is to help the international community achieve the mitigation and adaptation to climate change objectives. The Fund is a global initiative and was established by 196 sovereign governments to limit or reduce the emission of greenhouse gasses in developing countries, and to help vulnerable societies to adapt to the impacts of climate change. The main objective of the Fund is to make a significant contribution in the fight against climate change through the promotion of a change in paradigm toward a development that is low in emissions and resilient to climate.

The GCF, is governed by a Board of 24 members distributed equitably between developed and developing countries, and is responsible before the Conference of the Parties of the UNFCCC. It has a Secretariat, headed by an Executi-

ve Director, and a group of professionals who manage the Fund's daily operations. The World Bank currently performs as an interim fiduciary agent to manage the Fund's financial assets.

CAF's member countries may access the GCF's resources only through Accredited Entities. To obtain such accreditation, the entities must pass an exhaustive accreditation process and show that they comply with the fiduciary norms and management established by the GCF.

CAF was accredited as a GCF Agency in July 2015, one of the 20 first Agencies to get this accreditation at a world level, together with the IDB, AfD, BEI, and World Bank. CAF is now authorized to present financing proposals as well as channel technical cooperation resources toward countries of the region. It may also act as Implementing Agency of projects and programs that comply with the GCF's investment criteria, using diverse financial instruments such as concessional credits, guarantees, equity investments, or donations.

As an accredited entity, CAF may carry out as series of activities such as develop and present financing proposals for projects and programs; supervise the management and execution of projects and programs; implement a series of financial instruments within its respective capacities; and mobilize private sector capital. In addition, CAF will play the role of partner to support its member countries to access the resources that are approved for each country.

The GCF classifies its projects according to the total cost of the project/activity. Large activities exceed USD 250 million, mid-size range from USD 50 million to USD 250 million, small-size range from USD 10 million to 50 million, and micro activities are less than 10 million. CAF was accredited to present projects in all ranges, that is, that broadest type of accreditation considered by the GCF.

In addition, in the framework of the COP22, in November 2016 in Marrakech, CAF became the first multilateral development bank to sign the Framework Accreditation Agreement with the GCF²⁴.

THE DEVELOPMENT BANK OF LATIN AMERICA (CAF) BECAME THE FIRST MULTILATERAL DEVELOPMENT BANK TO SIGN A FRAMEWORK ACCREDITATION AGREEMENT (AMA, FOR ITS ACRONYM IN SPANISH) WITH THE GREEN CLIMATE FUND (GCF), GRANTING ITS APPROVAL TO ASSOCIATE IN DEVELOPMENT PROJECTS WITH LOW EMISSIONS AND RESILIENCE TO CLIMATE IN LATIN AMERICA.

²⁴<http://www.greenclimate.fund/-/caf-becomes-first-multi-lateral-development-bank-to-sign-agreement-with-gcf>

CLIMATE ACTION AND SOLAR DEVELOPMENT PROGRAM IN THE REGION OF TARAPACA (CHILE)

In July 2016, the GCF's Board approved CAF's first proposal, the Climate Action and Development of Solar Energy Program in the Region of Tarapaca, in the north of Chile. The decision was announced by the GCF's Board during its thirteenth meeting, which took place in Seoul between June 28th and 30th of 2016. Said project was the first renewable energy project in Latin America, and the first structured financing approved by the GCF.

The approval by the GCF for USD 49 million, added to the USD 50 million committed by CAF, will help finance part of a total investment of USD 265 million for the construction of a solar photovoltaic plant in Tarapaca, with an estimated installed capacity of 143 MW.

This plant will enable a reduction of greenhouse gasses by close to 200 thousand tons of CO2 per year. In September of 2015, Chile presented before the United Nations, its goal for the reduction of greenhouse gasses for 2030. In that opportunity, the country committed to reduce the intensity of its emissions (CO2 emissions per GDP unit) by 30 percent with respect to the level reached in 2007, if international financing can be obtained via donations aimed at the implementation of mitigation projects.

According to the country's inventory of greenhouse gasses, the main source of emissions of global contaminants is the energy sector, which represents 75 percent of the country's total emissions. Electricity generation represents 30 percent of total emissions.

— UNITED NATIONS ADAPTATION FUND

The United Nations Adaptation Fund (AF) was created with the main objective of helping the most vulnerable developing countries, in order to "face the costs of adaptation and finance specific adaptation projects and programs that are promoted by said countries". For this, the countries must first determine their own priorities for adaptation on the basis of the guiding criteria agreed upon by the Parties in the Kyoto Protocol, as well as guarantee the coherence of the adaptation strategies with the national sustainable development strategies, those for the reduction of poverty, and the fight against climate change, among others.

All the countries in the Latin American region may access the Adaptation Fund as follows:

- I. Direct access of developing countries through a national legal entity that obtains accreditation as a National Implementation Entity.
- II. Access through a Multilateral Implementation Agency (EIM, for its acronym in Spanish). These are multilateral institutions and regional development banks invited by the Board that comply with the fiduciary regulations approved by it.
- III. Access through the Regional Implementation Entity (EIR, for its acronym in Spanish), or Sub-regional Implementation Agency (EISR, for its acronym in Spanish). They must be accredited by the Board (CAF's case).

To obtain said accreditation, the entities must go through a process and show that they comply with the fiduciary and management regulations established by the Fund's Board. Those regulations, which are part of the operational policies and guidelines regarding the access by the Parties to the Adaptation Fund's resources, include integrity and financial management, institutional capacity and transparency, and internal research powers.

In addition, said accreditation recognizes CAF's capacity to comply with the following responsibility, which are inherent to this role:

CAF WAS ACCREDITED BY THE UNITED NATIONS ADAPTATION FUND ON MARCH 24, 2014, AS A REGIONAL IMPLEMENTATION ENTITY, ENABLING IT TO RECEIVE RESOURCES DIRECTLY FROM THE AF IN ORDER TO CARRY OUT ADAPTATION PROGRAMS AND PROJECTS THROUGH THE EXECUTING ENTITIES.

- I. Comply with the fiduciary regulations associated to integrity and financial management, institutional capacity and transparency, and internal research powers.
- II. Supervise the executing entities which prepare the adaptation projects and programs on the field, financial, follow-up, and report presentation responsibilities.
- III. Complete responsibility regarding the general management of the projects and programs financed by the Adaptation Fund in the respective developing countries, which includes
 - Financial responsibilities
 - Follow-up responsibility
 - Responsibility to present reports.

AYNINACUY - STRENGTHENING OF THE SUBSISTENCE MEANS AND SOURCES OF INCOME FOR THE VULNERABLE HIGH ANDEAN COMMUNITIES IN THE PROVINCES OF AREQUIPA, CAYLLOMA, CONDESUYOS, CASTILLA, AND LA UNIÓN IN THE REGION OF AREQUIPA, PERU

The objective of the projects is to develop a comprehensive strategy to strengthen the Alpaca raising activity for fiber production in the high Andean vulnerable communities of the Arequipa Region.

The need for this project is based on the fact that Alpaca raising activities have been severely affected by climate change.

Within the problems that must be faced by the communities, the following stand out:

- Atypical recurrent frosts and inadequate housing and sheds affect the health of people and animals.
- Vulnerability to frosts: exposure of pregnant Alpacas to intense cold, added to the lack of pastures for adequate feeding, impacts their health and result in seasonal mortality of the herds.
- Decrease in the availability of water increases desertification of the soil, reducing the areas available for pasture.
- The above forces human consumption of inadequate sources of water, affecting the health of the population.
- The new conditions of the frost critically increase the frequency of illnesses: respiratory (IRA's, for its acronym in Spanish), and diarrheal (EDA's, for its acronym in Spanish), particularly in the infant population.

The measures proposed by the project are:

- Introduce the use of highland forage crops to complement and improve the nutrition of Alpacas, thus making them more resistant to cold waves.
- Build 36 earth dams to store the melting waters and water from the short periods of rain.
- Install 72 pressure irrigation modules that will enable the increase of the availability of pasture areas and the expansion of marshlands.
- Install 5 systems for water purification in 5 critical districts.
- Introduce the use of species of pastures that are resistant to cold (Rye Grass, Dactilis) to guarantee large enough pasture areas.
- Install an early warning system (SAT, for its acronym in Spanish) in each one of these 36 communities.
- Implement preventive animal health campaigns to protect Alpacas from the effects of frosts resulting from climate change.
- Develop two units of healthy housing in each one of the 36 communities involved in the project, so that each community may have a model for future experiences. These housing units will include a heating system with solar walls (Trombe walls), electricity through an autonomous photovoltaic system, an improved stove, and composting latrines.

APPROVED FUNDS	
Priority actions	USD 2.140.300
Education and training	USD 330.061
Execution costs	USD 253.200
Subtotal	USD 2.723.561
Fee (8%)	USD 217.885
Total	USD 2.941.446

The project was presented during the first quarter of 2015 by the Government of Arequipa to CAF, seeking financing. Due to the characteristics of the project, in April 2015 the Climate Change Unit of CAF's Corporate Direction of Environment and Climate Change identified an opportunity to present it for the approval of the United Nations Adaptation Fund (AF).

In the first quarter of 2015, Peru had an available balance of USD 3,000,000 in its national quota of the AF. Under that premise, work started to structure the project following the regulations established by the AF.

The main actors involved in the project are:

- Alpaca herder leaders and their families whose subsistence is based on raising camelids in the Arequipa mountains.
- Ministry of the Environment of Peru (MINAM, for its acronym in Spanish): Focal point before the AF.
- Cooperation with the process of Arequipa's Sustainable Self-Development (COPASA, for its acronym in Spanish): Decentralized regional government agency, plays the role of an executing agency.
- Development Bank of Latin America: Regional Implementing Agency of the AF.



REGIONAL CHILE-ECUADOR PROJECT. REDUCTION OF THE VULNERABILITY TO CLIMATE AND THE RISK OF FLOOD IN COASTAL URBAN AND SEMI-URBAN AREAS OF CITIES IN LATIN AMERICA.

The objective of the project is to reduce the vulnerability of three coastal cities in Latin America: Antofagasta and Taltal in Chile and Esmeraldas in Ecuador, under an approach based on the reduction of risks for adaptation, development of co-laboration networks, and the development of a culture of adaptation. More than 500.000 people will be directly benefitted with the implementation of this project.

The three coastal cities selected, as others in the region, face the common challenge of protecting their population and assets from the impacts of extreme meteorological phenomena. In the short term, the main risks are the flows of mud in Antofagasta and Taltal, and the floods and landslides in Esmeraldas. These risks are common in other coastal cities of the two countries and the region, therefore, the lessons from this project could be useful for all the countries of Latin America and the Caribbean

The main aspects that influence the vulnerability of the selected cities are:

- In Antofagasta and Taltal there are a large number (more than 2,300) families in informal neighborhoods called camps, located mainly in areas of risk such as hillsides. The camps are illegal settlements with no planning, in public lands, with poor infrastructure and services, houses built very closely to each other. Both cities in Chile are located in the Atacama desert; however, all the region has been affected by intense flows of mud caused by sudden floods generated by torrential unusual torrential rains.
- The main climate risks in Esmeraldas are related to floods resulting from overflowing of the Esmeraldas and Teatone rivers and landslides of unstable hillsides. The exposure is compounded considering the level of informality and illegal possession of lands along the riverbanks, sedimentary islands, and hillsides²⁶.

Project actions to address the main barriers that limit the adaptation capacity in Antofagasta, Taltal, and Esmeraldas:

²⁵Between January and April 2016, the city flooded 20 times, and close to 16,000 people were evacuated.
²⁶As of 2007, 60 percent of the population lived in areas of high or medium risk of flooding or landslides.
²⁷Incorporating the climate change variable.

IDENTIFIED BARRIERS	ACTIONS SUGGESTED TO REDUCE VULNERABILITY
Protection works do not incorporate the climate change variable.	<ul style="list-style-type: none"> ■ Update the plan for the management of rain waters in Antofagasta²⁷. ■ Guide future investments to face the foreseeable stronger and more frequent coastal storms. ■ Prepare a green infrastructure plan for Esmeraldas. ■ Update the designs and construction of protective infrastructure in the Bonilla gorge (Chile) and Gatazo hill (Ecuador)³.
The early warning systems have limited information to alert people at risk in case of evacuation	<ul style="list-style-type: none"> ■ Install meteorological radars and stations in Antofagasta and Esmeraldas. ■ Expand the public warning systems in Antofagasta and Taltal ■ Prepare and implement a pilot flood warning system based on the community in the island of Luis Vargas Torre (Esmeralda). ■ Prepare flood and landslide risk maps adjusted to the climate of the city and point out evacuation routes and safe areas.
Limited capacity to address informal settlement of lands in high risk areas	<ul style="list-style-type: none"> ■ Sensitize the local population about the danger of settling in high risk areas through the application of communication and education strategies ■ Develop an initiative to stimulate the cultural memory.
Local technical personnel with limited capacities to integrate the adaptation to climate change and the reduction of disaster risks	<ul style="list-style-type: none"> ■ Develop and implement an online course regarding adaptation based on risk in coastal areas for the public officials of local governments.
The local population is not fully aware of the risks related to climate	<ul style="list-style-type: none"> ■ Develop and implement communication and education strategies and an initiative to stimulate the cultural memory.

REQUIRED FUNDS	
Priority actions	USD 9.632.043
Education and training	USD 1.252.011
TICS and regional collaboration	USD 1.030.874
Execution costs	USD 965.074
Subtotal	USD 12.880.000
Fee (8%)	USD 1.030.400
Total	USD 13.910.400

In 2015, The Ministry of the Environment of Ecuador and the Ministry of the Environment of Chile agreed to present a regional project to the Adaptation Fund. CAF, as a selected implementing agency, sent the project as a pre-concept, and during the first quarter of 2016 the Adaptation Fund approved it.

Once the project was presented as a complete proposal, the Secretary of the Fund recommended to CAF to strengthen it, issuing several commentaries which are being solved with the support of a multidisciplinary team at CAF, and a consultant hired for the project. From that review, an improved proposal will be presented for review by the Fund in 2017.

INCREASE IN THE ADAPTATION CAPACITY OF THE LOCAL COMMUNITIES, ECOSYSTEMS, AND HYDROELECTRIC SYSTEMS IN THE TOACHI - PILATÓN BASIN, WITH AN EMPHASIS ON ADAPTATION TO ECOSYSTEMS AND THE COMMUNITY, AND COMPREHENSIVE ADAPTATION MANAGEMENT OF THE BASINS, IN ECUADOR.

This project is focused on the Toachi – Pilatón water system, which is a 2,154.42 km² hydrographic basin, where 74,000 people live. In the lower part of the Toachi - Pilatón system a hydroelectric plant is being built (HIDROTOAPI), with a total energy production estimated at 254.4 MW which will start operations in 2017.

The main aspects that affect the vulnerability of the area under study are:

- The population suffers from high levels of poverty resulting from unsatisfied basic needs. Local communities depend mainly on extensive cattle ranching and subsistence agriculture
- According to the climate change scenarios presented by the Ministry of the Environment (MAE, for its acronym in Spanish) a reduction of the provision of water is foreseen for human consumption, agricultural production, and hydroelectric energy production.
- In the lower part of the drainage system, it is frequent to have landslides during the rainy season. The area along the Pilatón river presents a high risk both of landslides as well as flooding²⁹.

The proposed actions to address the main barriers that limit adaptation in the lower basin of the Toachi – Pilatón water system are:

IDENTIFIED BARRIERS	ACTIONS SUGGESTED TO REDUCE THE VULNERABILITY
The local population is not fully aware of the impacts related to climate change	<ul style="list-style-type: none"> ■ Implement a public and educational communication plan in the five parishes of the lower basin of the Toachi - Pilatón water system
Local development plans do not incorporate adaptation measures	<ul style="list-style-type: none"> ■ Work with the parish councils to incorporate adaptation to climate change to the parish development plans
Local production based on extensive agricultural practices	<ul style="list-style-type: none"> ■ Work with local farmers to introduce best practices to reduce deforestation and degradation of the land. Implement sustainable agricultural demonstration pilots (250 hectares of grass and 250 hectares of crops) ■ Build small sediment retention systems to capture the eroded soil that flows into the rivers
Forestry areas are not protected	<ul style="list-style-type: none"> ■ Strengthen the means to conserve the forest and vegetation in the basin (work with local farm owners to promote the conservation of 1,000 hectares and strengthen the means to conserve the vegetation of the two existing protected forests (230,000 hectares in total))
Limited information regarding climate.	<ul style="list-style-type: none"> ■ Generate and disseminate hydro-meteorological information, strengthening and expanding the hydro-meteorological network of the INAMHI.

²⁸ In 2010, four parishes located in the upper part of the Toachi unit had poverty levels exceeding 98%.

²⁹ In April 2015, the road was closed for 20 days and completely isolated the locality of Tandapi. Only in April 2016, there were close to 25 landslides. During that time, the Damas river flooded the locality of Alluriquin, and 4 people were killed and 80 houses were damaged (15 destroyed).

REQUIRED FUNDS	
Conservation of the vegetation cover	USD 950.000
Adapt agricultural practices to new climate conditions	USD 900.000
Strengthening of local capacities	USD 340.000
Execution costs	USD 180.000
Subtotal	USD 2.370.000
Fee (8%)	USD 119.373
Total	USD 2.489.373

At the request of the Ministry of the Environment, during the second quarter of 2015 CAF sent the project's pre-concept for review by the Adaptation Fund. During the twenty-ninth meeting, the Fund's Secretariat approved the pre-concept. To date, a consulting team has been working on the development of the complete proposal to present it to the Fund in the last quarter of 2017.

INTERNAL ENVIRONMENTAL MANAGEMENT

MATERIAL SUBJECT. GRI 103-1, 103-2, 103-3

With the objective of promoting sustainability in CAF's facilities, an Institutional Program for Environmental Management (PIGA, for its acronym in Spanish) has been structured, to develop plans and projects aimed at improving CAF's environmental performance, to reduce the carbon footprint, improve efficiency in the use of resources, improve internal environmental conditions, and promote an environmental culture among all its collaborators.

Thus, the activities carried out have been guided through the following action lines:

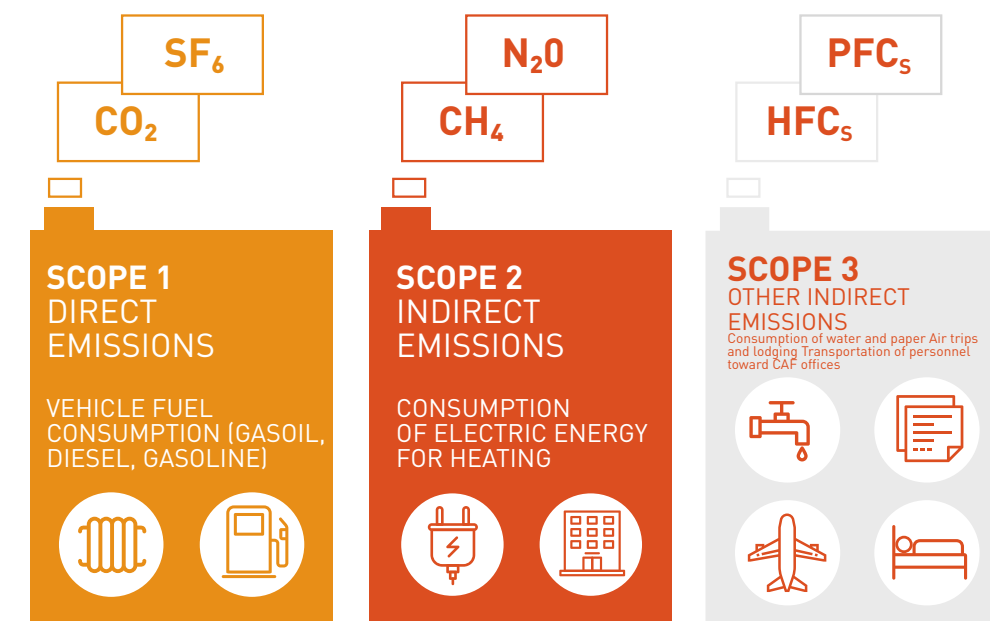


CARBON FOOTPRINT

GRI 305-1, 305-2, 305-3

At CAF, the commitment to improve environmental performance starts with the implementation of best management practices, so one of the actions that have been implemented is the measurement of the carbon footprint generated by the Institution's internal activities.

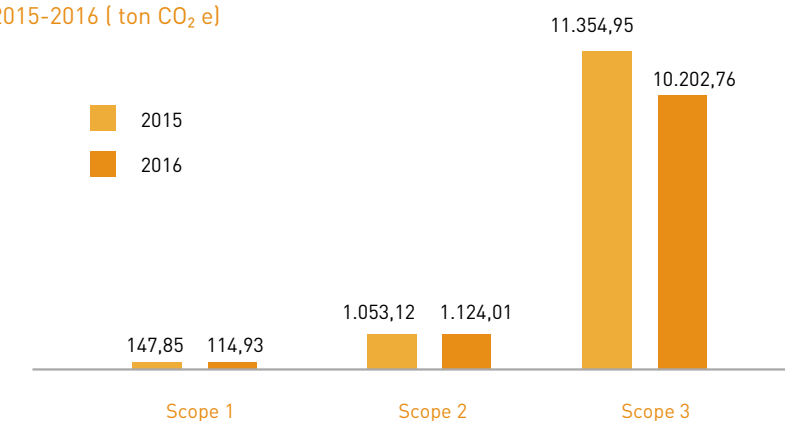
CAF's carbon footprint is calculated at a corporate level, including all its offices in the 13 countries where they are located. Since 2016, this measurement is carried out through a software in the cloud that facilitates information registries and the traceability of the data.



Components of CAF's carbon footprint

During 2015 CAF's carbon footprint reached 12,555.92 tons of CO₂, and during 2016 it reached 11,441.71 tons, which represents a reduction of 8.87 percent of the emissions generated between those years.

Huella de carbono 2015-2016 (ton CO₂ e)



The calculation of direct emissions (scope 1) includes those generated by the consumption of gasoline, natural gas, and diesel, as follows:

	2015	2016	Variation
Gasoline (liters)	22.091,17	19.800,55	-10,36%
Natural Gas (m ³)	22.826,73	26.604,92	16,55%
Diesel (liters)	18.541,2	5.960,96	-67,85%

The calculation of indirect emissions (scope 2) includes the consumption of electric energy in CAF's offices, which corresponds to 4,204,641 kwh during 2015 and 4,431,476 kwh during 2016, with an inter-annual increase of 5.39%.

— COMPREHENSIVE MANAGEMENT OF WASTE

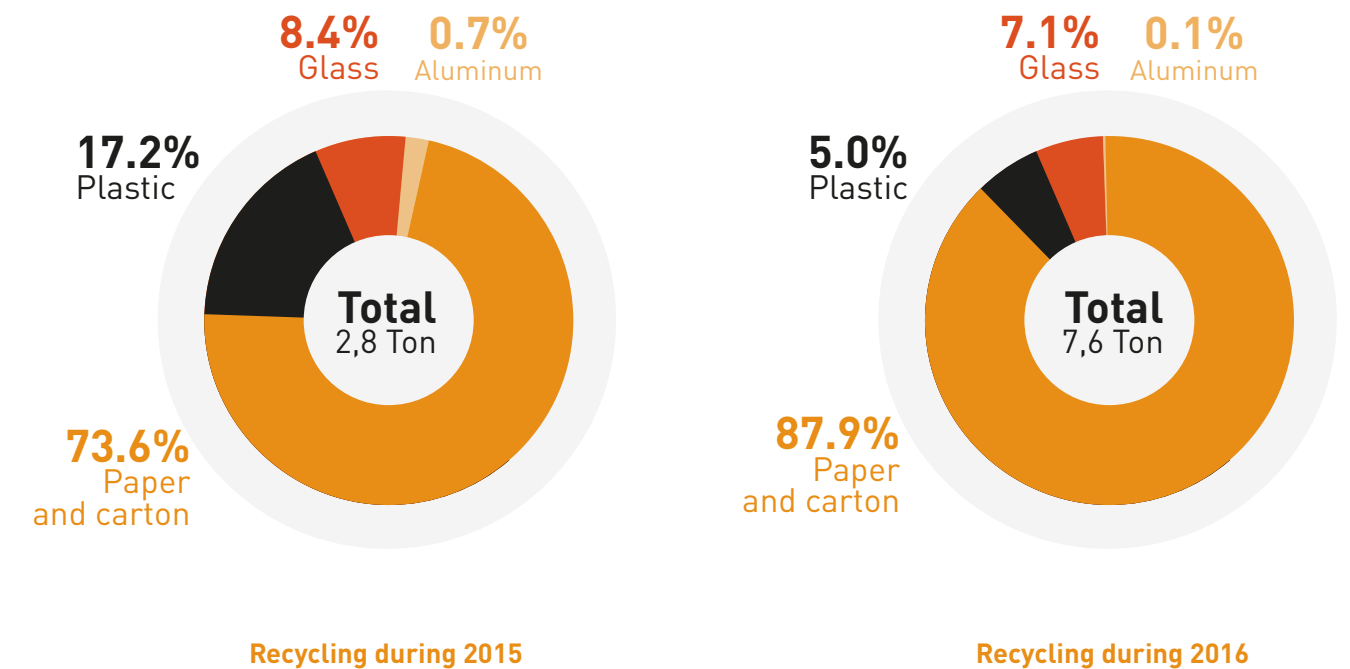
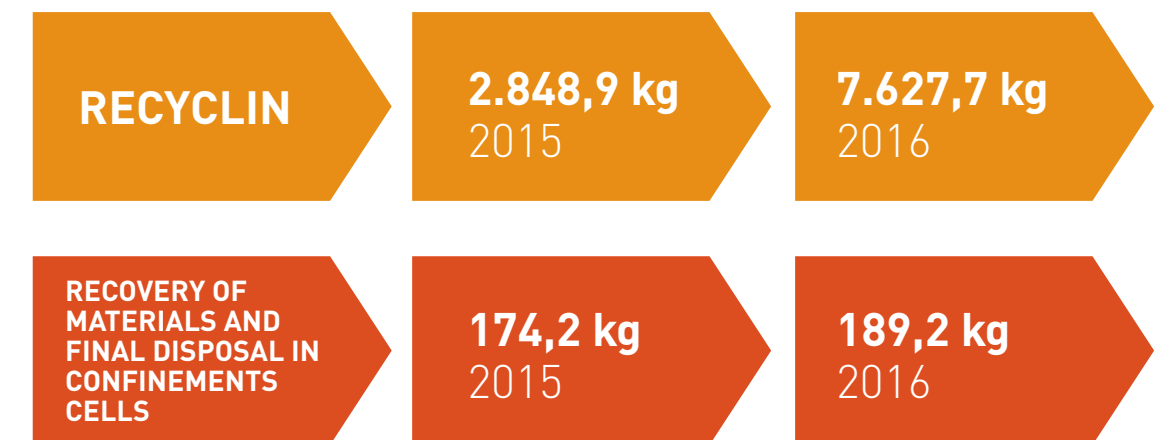
GRI 306-2

PIGA's strategy promotes a culture of recycling and correct disposal of waste generated within CAF's facilities, with the objective of reducing the impacts associated to contamination and promote the collection and recycling processes of the collaborators.

Thus, during 2015 3,023,02 kg of dangerous and non-dangerous residues were collected, of which 94% were recycled and 6% were placed in confinement cells, while in 2016 this number climbed to 7,816.85 kg, of which 98% were recycled and the remaining 2% was placed in confinement cells.

COLLECTED WASTE (KG)		
Type of waste	2015	2016
Paper and carton	2.098	6.703,5
Plastic	490,8	379,4
Glass	240,0	540,0
Aluminum	20,1	4,8
Electronic waste	12	86,8
Used fluorescents	162,2	102,4

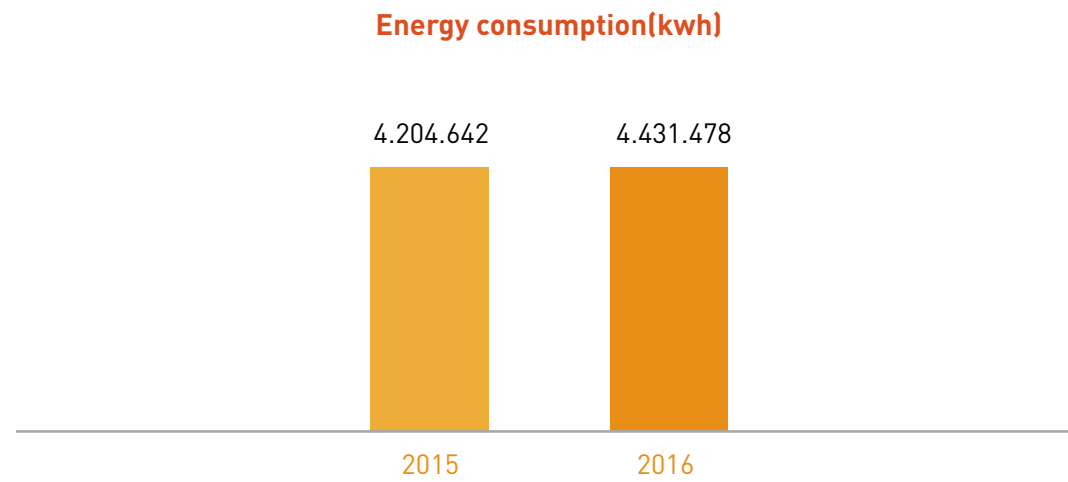
DISPOSAL OF COLLECTED WASTE



ENERGY CONSUMPTION EFFICIENCY

GRI 302-1

During 2016 the electric energy consumption at CAF facilities reached 4,431,478.1 kwh, 5.4% more than the consumption of the previous year. Despite this increase, the energy efficiency indicator showed an inter-annual reduction of 4.2 percent, from a consumption of 5,922.03 kwh per collaborator in 2015, to 5,674.11 kwh in 2016.³⁰ This is part of the initiatives developed to reduce energy consumption through the replacement of traditional lights to LED technology.

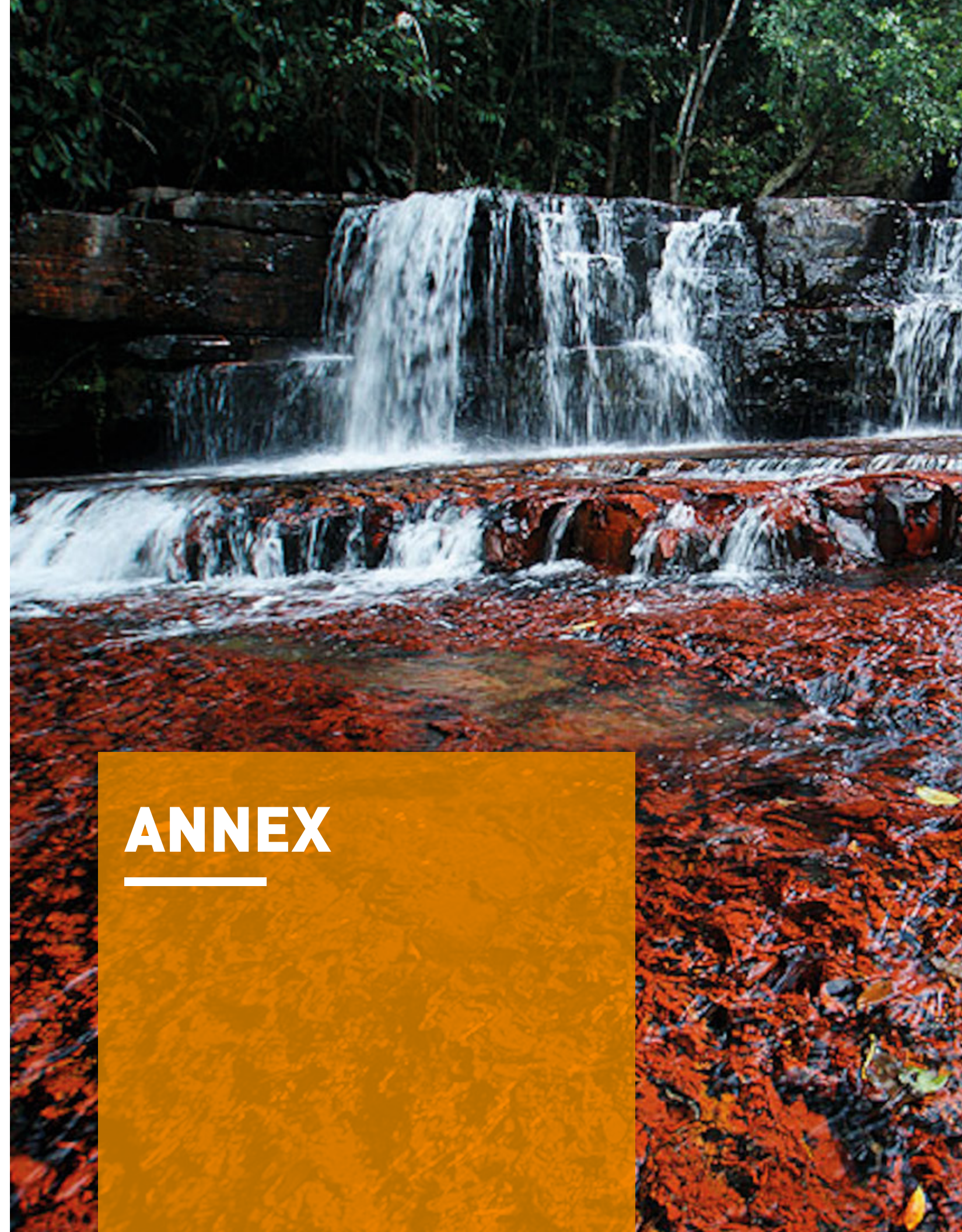


ENERGY EFFICIENCY (CONSUMPTION OF ENERGY BY COLLABORATOR)

5.922,02
kwh/collaborator
2015

5.674,11
kwh/collaborator
2016

³⁰The number of employees during 2015 was 710, and in 2016 the number rose to 781, including interns, third parties, and permanent staff.



ANNEX

GENERAL DISCLOSURES

GRI DISCLOSURES	DESCRIPTION	LOCATION
PERFIL DE LA ORGANIZACIÓN		
102-1	Name of the organization	p. 12
102-2	Activities, brands, products, and services	p. 15, 16, 17
102-3	Location of headquarters	p. 18, 19
102-4	Location of operations	p. 18, 19
102-5	Ownership and legal form	p. 20, 21
102-6	Markets served	p. 12
102-7	Scale of the organization	p. 24, 25
102-8	Information on employees and other workers	p. 96, 97, 98
102-9	Supply chain	p. 144
102-10	Significant changes to the organization and its supply chain	p. 21
102-11	Precautionary Principle or approach	p. 64, 312 - 315
102-12	External initiatives	p. 33
102-13	Membership of associations	p. 34 - 37
STRATEGY		
102-14	Statement from senior decision-maker	p. 34 - 37
ETHICS AND INTEGRITY		
102-16	Values, principles, standards, and norms of behavior	p. 59 - 61
GOVERNANCE		
102-18	Governance structure	p. 50 - 55

GRI DISCLOSURES	DESCRIPTION	LOCATION
STAKEHOLDER ENGAGEMENT		
102-40	List of stakeholder groups	p. 38 - 43
102-41	Collective bargaining agreements	p. 97
102-42	Identifying and selecting stakeholders	p. 38
102-43	Approach to stakeholder engagement	p. 38 - 43
102-44	Key topics and concerns raised	p. 38 - 43
REPORTING PRACTICE		
102-45	Entities included in the consolidated financial statements	CAF - Development Bank of Latin America
102-46	Defining report content and topic Boundaries	p. 44, 45, 46
102-47	List of material topics	p. 46, 47
102-48	Restatements of information	There was no place to restate information in subsequent reports
102-49	Changes in reporting	Este reporte representa la transición a los Estándares GRI
102-50	Reporting period	p. 9
102-51	Date of most recent report	p. 9
102-52	Reporting cycle	p. 9
102-53	Contact point for questions regarding the report	p. 9
102-54	Claims of reporting in accordance with the GRI Standards	p. 9
102-55	GRI content index	p. 346
102-56	External assurance	El Informe no fue objeto de verificación externa

TOPIC-SPECIFIC DISCLOSURES

GRI DISCLOSURES	DESCRIPTION	LOCATION
MATERIAL TOPIC: ENERGY INFRASTRUCTURE		
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103-2	The management approach and its components	p. 184 - 189
103-3	Evaluation of the management approach	p. 190
MATERIAL TOPIC: LOGISTIC AND TELECOMMUNICATIONS INFRASTRUCTURE		
103-1	Explanation of the material topic and its Boundary	p. 166, 167
103-2	The management approach and its components	p. 168 - 180
103-3	Evaluation of the management approach	p. 181, 182
MATERIAL TOPIC: SOCIAL INFRASTRUCTURE		
103-1	Explanation of the material topic and its Boundary	p. 190, 191
103-2	The management approach and its components	p. 192 - 196
103-3	Evaluation of the management approach	p. 197 - 198
MATERIAL TOPIC: MITIGATION AND ADAPTATION TO CLIMATE CHANGE		
103-1	Explanation of the material topic and its Boundary	p. 280 - 282
103-2	The management approach and its components	p. 283 - 296
103-3	Evaluation of the management approach	p. 296, 297
MATERIAL TOPIC: ENVIRONMENTAL AND SOCIAL EVALUATION AND FOLLOW-UP OF OPERATIONS		
103-1	Explanation of the material topic and its Boundary	p. 312, 313
103-2	The management approach and its components	p. 314 - 318
103-3	Evaluation of the management approach	p. 318

GRI DISCLOSURES	DESCRIPTION	LOCATION
MATERIAL TOPIC: RISK MANAGEMENT		
103-1	Explanation of the material topic and its Boundary	p. 64
103-2	The management approach and its components	p. 64 - 72
103-3	Evaluation of the management approach	p. 73
MATERIAL TOPIC: PREVENTION OF MONEY-LAUNDERING		
103-1	Explanation of the material topic and its Boundary	p. 73
103-2	The management approach and its components	p. 74 - 76
103-3	Evaluation of the management approach	p. 76
MATERIAL TOPIC: CATALYTIC ROLE		
103-1	Explanation of the material topic and its Boundary	p. 112, 113
103-2	The management approach and its components	p. 114 - 143
103-3	Evaluation of the management approach	p. 132 - 134
201-1	Direct economic value generated and distributed	p. 131 - 134
MATERIAL TOPIC: REGIONAL INTEGRATION AND STRENGTHENING OF GOVERNANCE		
103-1	Explanation of the material topic and its Boundary	p. 220 - 222
103-2	The management approach and its components	p. 223 - 238
103-3	Evaluation of the management approach	p. 239
MATERIAL TOPIC: IMPACT EVALUATION AND MANAGEMENT OF KNOWLEDGE		
103-1	Explanation of the material topic and its Boundary	p. 240, 241
103-2	The management approach and its components	p. 242 - 253
103-3	Evaluation of the management approach	p. 253
MATERIAL TOPIC: INCLUSION AND SOCIAL INNOVATION		
103-1	Explanation of the material topic and its Boundary	p. 199, 200
103-2	The management approach and its components	p. 201 - 210

GRI DISCLOSURES	DESCRIPTION	LOCATION
MATERIAL TOPIC: INCLUSION AND SOCIAL INNOVATION		
103-3	Evaluation of the management approach	p. 211, 212
413-1	Operations with local community engagement, impact assessments, and development programs	p. 265 - 273
MATERIAL TOPIC: INTERNAL ENVIRONMENTAL MANAGEMENT		
103-1	Explanation of the material topic and its Boundary	p. 340
103-2	The management approach and its components	p. 341 - 344
103-3	Evaluation of the management approach	p. 341 - 344
305-1	Direct (Scope 1) GHG emissions	p. 341
305-2	Energy indirect (Scope 2) GHG emissions	p. 341
305-3	Other indirect (Scope 3) GHG emissions	p. 341
306-2	Waste by type and disposal method	p. 342, 343
302-1	Energy consumption within the organization	p. 344
MATERIAL TOPIC: GREEN OPERATIONS		
103-1	Explanation of the material topic and its Boundary	p. 323, 324
103-2	The management approach and its components	p. 325 - 339
103-3	Evaluation of the management approach	p. 334 - 339
MATERIAL TOPIC: PROMOTION OF CONSUMPTION AND SUSTAINABLE PRODUCTION		
103-1	Explanation of the material topic and its Boundary	p. 145
103-2	The management approach and its components	p. 146 - 160
103-3	Evaluation of the management approach	p. 161
MATERIAL TOPIC: ATTRACTION, WELLBEING, AND DEVELOPMENT OF HUMAN TALENT		
103-1	Explanation of the material topic and its Boundary	p. 94
103-2	The management approach and its components	p. 95

GRI DISCLOSURES	DESCRIPTION	LOCATION
MATERIAL TOPIC: ATTRACTION, WELLBEING, AND DEVELOPMENT OF HUMAN TALENT		
103-3	Evaluation of the management approach	p. 95
401-1	New employee hires and employee turnover	p. 99 - 101
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	p. 102,103
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