



SUSTAINABILITY
REPORT,
2017
-
2018





2017 - 2018

CAF serves the public and private sectors, providing multiple products and services to a broad portfolio of clients constituted by shareholder states, private companies and financial institutions. In its management policies, it integrates social and environmental variables, and includes eco-efficiency and sustainability criteria in all its operations. As a financial intermediary, it mobilizes resources from international markets to Latin America, promoting investments and business opportunities.



SUSTAINABILITY REPORT, 2017-2018

CAF DEVELOPMENT BANK
OF LATIN AMERICA

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'01

**Message to
our stakeholders**



The dynamics of globalization, of markets, and of the means of production change trends, transform obstacles into possibilities, and generate new challenges that demand alternatives adjusted to the specific characteristics of each region.

For the countries of Latin America and the Caribbean, CAF has considered their specific economic, social, and environmental conditions, as well as their structural challenges to define an action framework for the 2017-2022 period, incorporating the efficiency and productivity of the economic sectors; equality in access to basic quality goods and services; social, environmental, and economic sustainability of productive processes; strengthening of institutions and of public management; and a pragmatic integration of the Latin American countries.

This action framework details the terms of our comprehensive vision of development. This new edition of the Sustainability Report presents the activities implemented in each of the mentioned themes, as well as the specific advances achieved during the 2017-2018 period, emphasizing the contribution to comply with national, regional, and global objectives in the economic, social, and environmental areas.

During this period, our activities have been focused on the identification of the existing interactions or “transmission belts” between economic, social, and political aspects that leverage development, in order to enhance the impact and sustainability of the activities that we execute through the mobilization of financial resources for development, as well as the utilization of useful knowledge to strengthen the capacities of public policy makers.

We also focus on strengthening the productivity of Latin American economies through operations that seek to close the existing gaps in infrastructure and regional connectivity while promoting the development of productive clusters, thus contributing to integration in the region with initiatives that improve the quality of life of the population.

In its almost fifty years of activity, CAF has accumulated extensive knowledge regarding the potential and strengths of Latin American countries, in a process of permanent transformation that connects local problems with global actions based on sustainable development.

I invite you to discover first-hand the efforts that we undertake to achieve our objectives, having in mind that everything we do is always aimed at the wellbeing of our peoples.



► **Luis Carranza Ugarte**
Executive President CAF





'02

**CAF - Development
Bank of
Latin America**

About us

► GRI 102-1

CAF is a development bank, constituted in 1970 by 19 shareholder countries; 17 from Latin America and the Caribbean, in addition to Spain and Portugal, and thirteen regional private banks.

As a multilateral banking institution, CAF promotes a sustainable development and regional integration model based on the generation of opportunities for the growth of Latin American countries, and the improvement of the quality of life of the people in places where equitable development is necessary.

CAF offers assistance and support to its shareholder countries while it generates knowledge in order to strengthen public policies and improve the quality and impact of the projects in the region. To promote investments and business opportunities that boost sustainability in Latin American countries, it mobilizes resources from international markets.

All this is carried out through the offer of credit operations, non-reimbursable resources, and support for technical and financial structuring of projects for the public and private sectors of Latin America.



For more information on
CAF, visit our website:

www.caf.com/es/sobre-caf

What we do

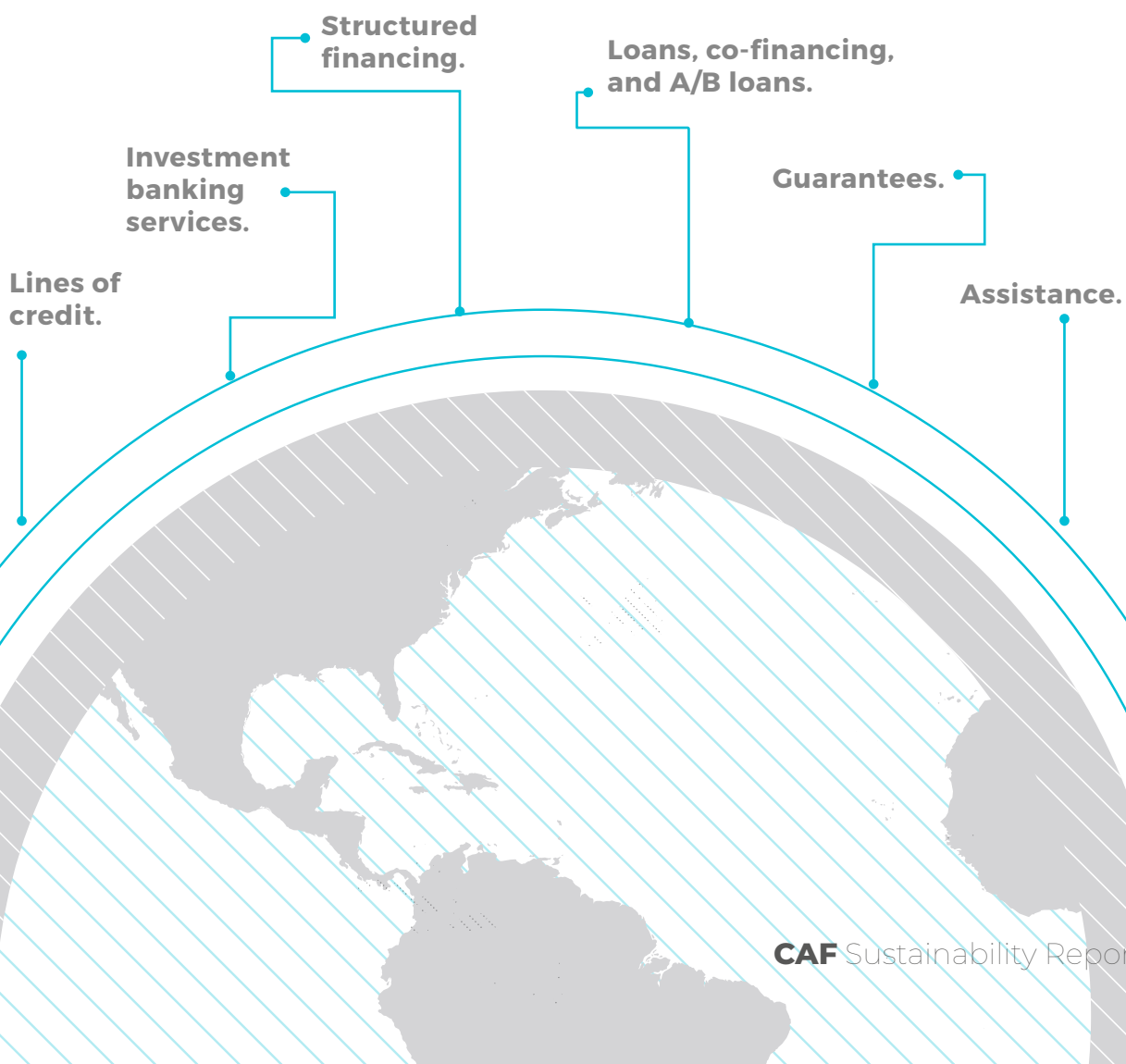
► GRI 102-2, 102-6

CAF offers products and services to promote development and integration in the region:



Figure 2.1 Offer of products and services

For more information regarding CAF's products and services, visit: www.caf.com/es/sobre-caf/que-hacemos/



Our location

► GRI 102-3, 102-4

CAF is present in its 19 shareholder countries, and has twelve country offices in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Spain, Trinidad & Tobago, Uruguay, and Venezuela.

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



CAF is a development bank constituted in 1970 by 19 countries, and 13 private Banks of the region



From the recognition of the diverse characteristics of the countries where it is present, CAF develops its activities taking into consideration the different scenarios and economic, social, political, and environmental challenges they face, with the purpose of transforming adversities into development opportunities, according to the reality of each country.

Figure 2.2 Shareholder countries and country offices

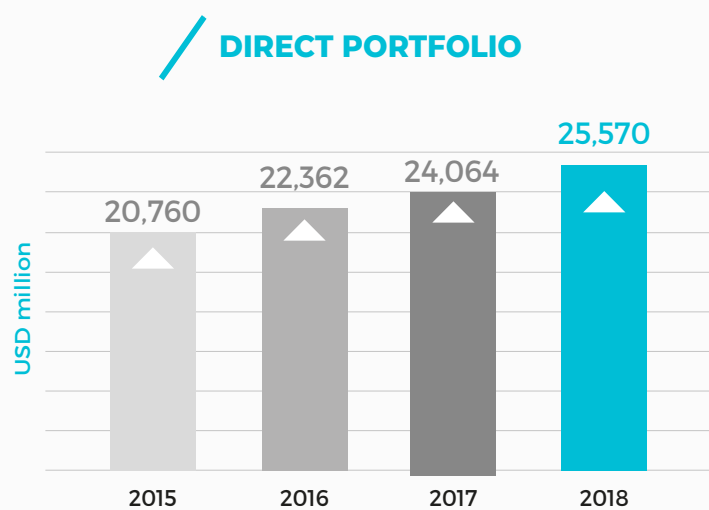
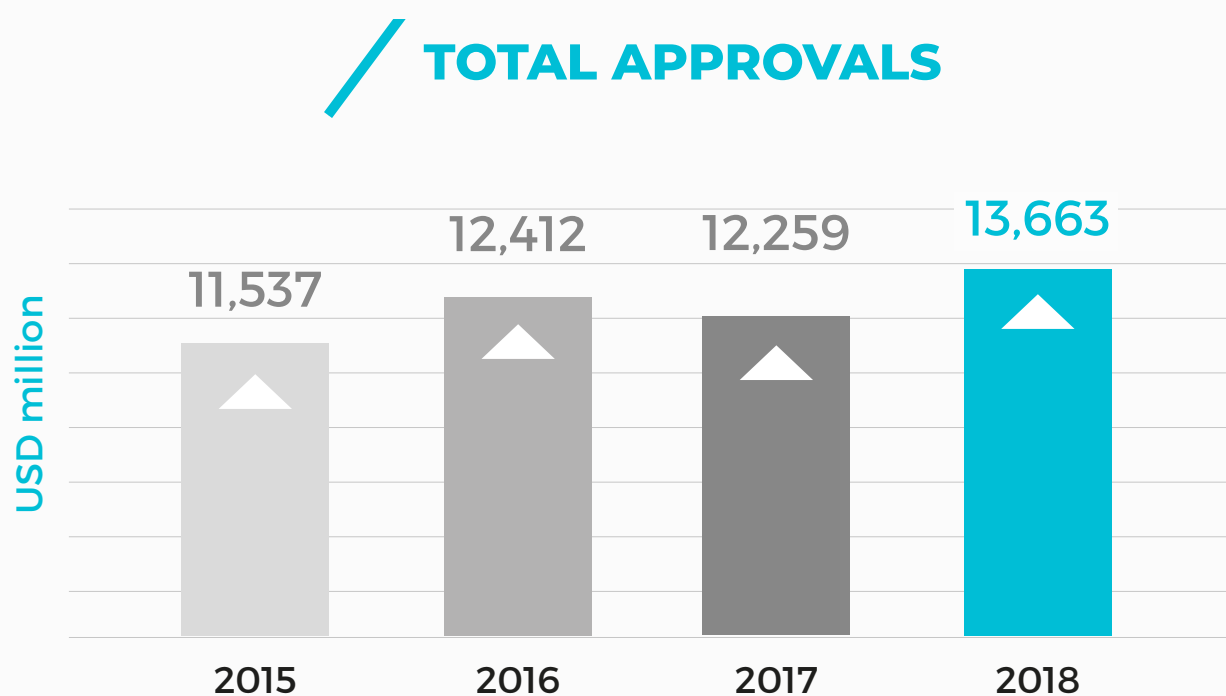
For more information on CAF's institutional presence in the world, visit: www.caf.com/es/sobre-caf/donde-estamos/



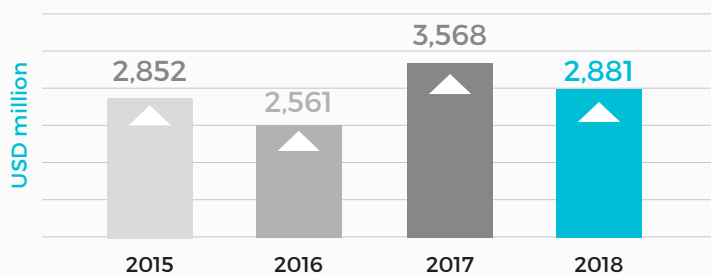
Main dimensions

▶ GRI 102-7

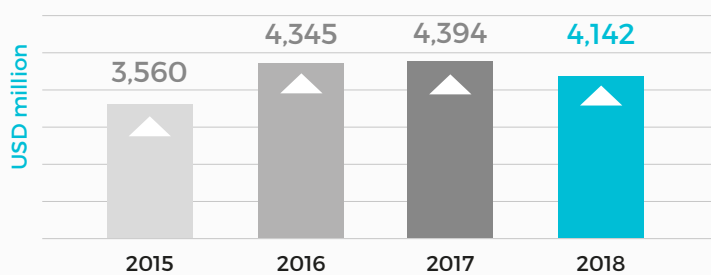
Figure 2.3. Operational indicators



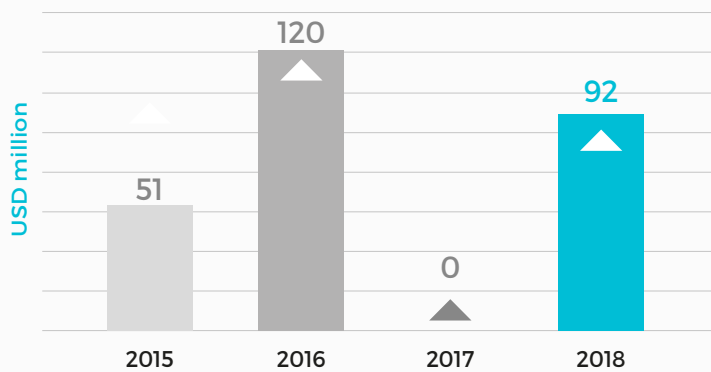
GREEN APPROVALS



MEDIUM AND LONG-TERM APPROVALS



CATALYTIC APPROVALS



Approvals by country

Argentina

2017: USD 996 million ▶ 8.1 %

2018: USD 1,626 million ▶ 11.9 %

Brazil

2017: USD 1,253 million ▶ 10.2 %

2018: USD 1,476 million ▶ 10.8 %

Ecuador

2017: USD 755 million ▶ 6.2 %

2018: USD 754 million ▶ 5.5 %

Panama

2017: USD 650 million ▶ 5.3 %

2018: USD 694 million ▶ 5.1 %

Trinidad & Tobago

2017: -

2018: USD 300 million ▶ 2.2 %

Venezuela

2017:
USD 501 million ▶ 4.1 %

2018:
USD 600 million ▶ 4.4 %

Peru

2017:
USD 2,306 million ▶ 18.8 %

2018:
USD 2,551 million ▶ 18.7 %

Bolivia

2017:
USD 489 million ▶ **4 %**
 2018:
USD 532 million ▶ **3.9 %**

Colombia

2017:
USD 1,791 million ▶ **14.6 %**
 2018:
USD 1,544 million ▶ **11.3 %**

Mexico

2017: **USD 1,007 million** ▶ **8.2 %**
 2018: **USD 656 million** ▶ **4.8 %**

Paraguay

2017: **USD 497 million** ▶ **4.1 %**
 2018: **USD 476 million** ▶ **3.5 %**

Dominican Republic

2017: **USD 20 million** ▶ **0.2 %**
 2018: **USD 135 million** ▶ **1 %**

Uruguay

2017: **USD 661 million** ▶ **5.4 %**
 2018: **USD 890 million** ▶ **6.5 %**

Other countries

2017: **USD 1,334 million** ▶ **10.9 %**
 2018: **USD 1,429 million** ▶ **10.5 %**

Approvals by economic sector



Commercial banks

2017: USD 4,848 million →
39.5 %
2018: USD 6,036 million →
44.2 %



Macro stability and reforms

2017: USD 2,420 million →
19.7 %
2018: USD 3,410 million →
25 %



Energy

2017: USD 374 million →
3.1 %
2018: USD 500 million →
3.7 %



Water

2017: USD 1,240 million →
10.1 %
2018: USD 1,125 million →
8.2 %



Education

2017: --
2018: USD 152 million →
1.1 %

From the total portfolio in 2017, 18.9 percent (USD 4,542 million), and in 2018 15.9 percent (USD 4,065 million) correspond to projects for regional integration.

Table 2.1. Portfolio distribution, 2017-2018

2017

REGION	PORTFOLIO	%
Northern Region	USD 14,174 million	58.9%
Southern Region	USD 9,618 million	40%
Multinational Operations	USD 272 million	1.1%
TOTAL	USD 24,064 million	



Development banks

2017: USD 1,287 million →
10.5 %
2018: USD 778 million →
5.7 %



Social services and health

2017: USD 224 million
→ 1.8 %
2018: USD 266 million
→ 1.9 %



Productive

2017: USD 76 million →
0.6 %
2018: USD 25 million →
0.2 %



Transportation

2017: USD 1,527 million →
12.5 %
2018: USD 1,207 million →
8.8 %



Telecommunications

2017: USD 175 million
→ 1.4 %
2018: USD 143 million
→ 1 %



Others

2017: USD 88 million
→ 0.7 %
2018: USD 23 million
→ 0.2 %

2018

PORTFOLIO	%
USD 15,438 million	60.4%
USD 9,771 million	38.2%
USD 361 million	1.4%

USD 25,570 million



For more information on CAF's operating management, consult the annual reports at:
scioteca.caf.com/handle/123456789/2





'03

**Our stake for
sustainable
development**

CAF's actions are part of its Agenda for Sustainable Development, which is aimed at improving the efficiency, equity, sustainability, institutional framework, and integration in Latin American countries.

Comprehensive Agenda for Sustainable Development

The Comprehensive Agenda for Sustainable Development is the reference framework used by CAF to support member countries achieve their development objectives, focusing the activities around the structural challenges faced by Latin America in the present and in the near future.

The execution of this agenda has been possible because of the Institution's capacity to make an impact, its historical specialization in the development of infrastructure, its relationship with the financial sector as a multiplier lever for development, its ability to convene, its pragmatic integrationist role, its capacity to innovate in products and services, its deep knowledge of the region, and its close relationship with member countries and economic policy makers.





In the framework of the Institution's strategic planning, during the reported period the comprehensive development vision was reformulated in order to assume the new concepts and challenges of sustainable development, based on:

- ▶ The interaction between economic, social, and political dimensions in the development process.
- ▶ CAF's role in the face of the magnitude and sustainability of the impacts on the development of the region generated by its activities.
- ▶ The boost to the productivity of Latin American economies.
- ▶ The implementation of pragmatic regional integration initiatives.

Thus, CAF's Comprehensive Agenda for Sustainable Development for the 2017-2018 period sought to materialize significant impacts according to the following strategic areas and objectives.

/ Efficiency

- ▶ **Promote** the efficiency of the regional infrastructure and its logistic processes.
- ▶ **Promote** the efficiency of Latin America's energy capital.
- ▶ **Improve** the productivity of the region's economic sectors.

/ Equity

- ▶ Ensure equity in the access to quality goods and services.
- ▶ Offer equitable opportunities for the progress of women and reduction of gender gaps.
- ▶ Leverage the improvement of the quality of life of vulnerable populations in Latin American countries.

/ Sustainability

- ▶ **Promote economies** with low emissions and resilient to climate change.
- ▶ **Encourage the demand** for goods and services based on the conservation of human capital and sustainable use of resources.
- ▶ **Mobilize the financial resources** that are necessary for the development of the Institution's operations.

/ Institutional Framework

- ▶ Strengthen the efficiency of **public** management in Latin American countries.
- ▶ **Modernize** the State and promote transparency and accountability.
- ▶ **Build more agile**, open, and innovating governments, promoting digital innovation and data intelligence.

/ Integration

- ▶ **Leverage the strengthening** of regional integration spheres related to infrastructure, the institutional framework, and the private sector of the Latin American countries.





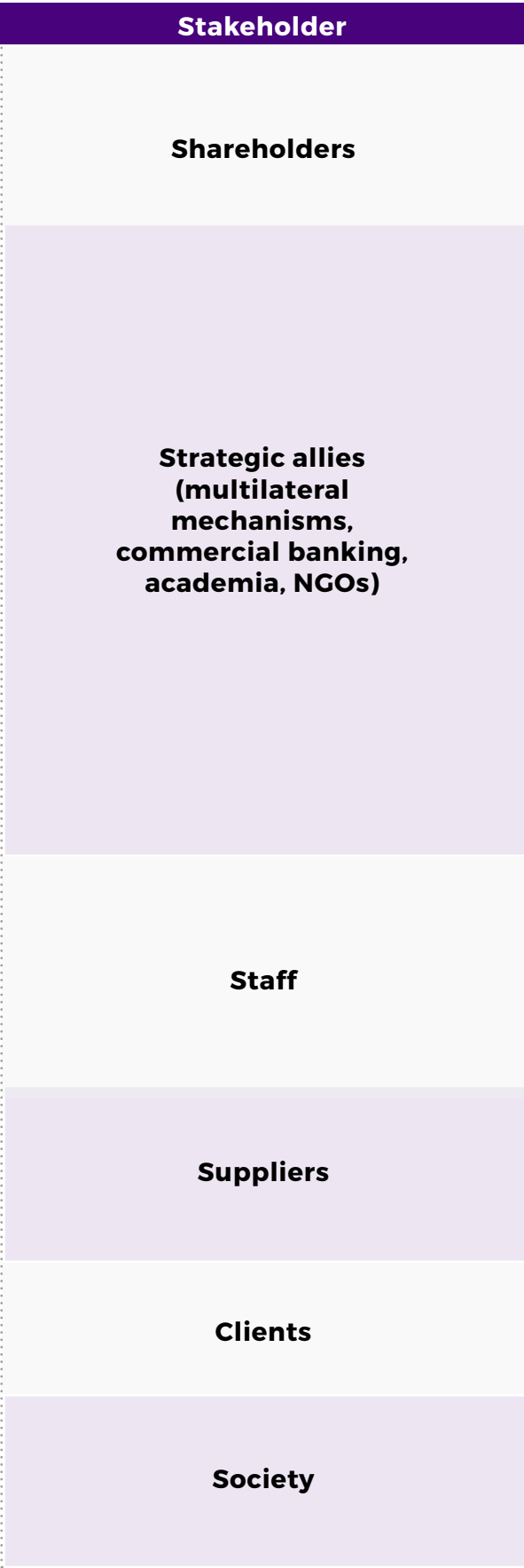
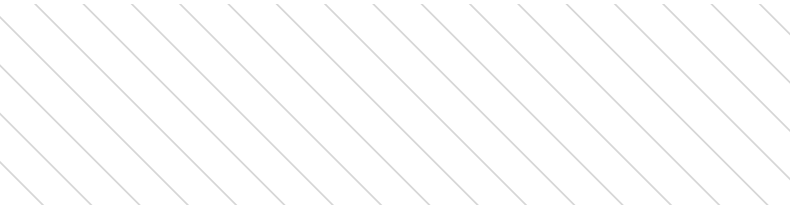
These five spheres of impact are developed through specific agendas that seek to transform the region. This Sustainability Report is organized in the same order, with a detail of the specific actions of each agenda throughout the report.

Participation of stakeholders

► GRI 102-40, 102-42, 102-43, 102-44

The Institution’s actions have consequences for the societies of Latin America and the Caribbean. For this reason, and in order to create an effective communication that helps increase the possibilities of achieving CAF’s strategic objectives, the Direction of External Relations channels the relationships with shareholder countries and institutions, as well as with the organizations that contribute financial, human, or technical resources. These channels include:

Table 3.1. Communication channels with stakeholders



Stakeholder

Shareholders

**Strategic allies
(multilateral mechanisms,
commercial banking,
academia, NGOs)**

Staff

Suppliers

Clients

Society

Communication channels	Frequency
<ul style="list-style-type: none"> - Meetings of the Shareholders' Assembly. 	Annual.
<ul style="list-style-type: none"> - Board Meeting. 	Triennial.
<ul style="list-style-type: none"> - Meeting of the Audit Committee. 	Biannual.
<ul style="list-style-type: none"> - Meeting of the Committee to Follow-Up on the Digital Transformation Project 	Annual.
<ul style="list-style-type: none"> - Permanent Observer at the United Nations, Organization of American States (OAS), Ibero- American Conference, CELAC-EU Summit, and CELAC-China Mechanism. 	Annual, biannual or triennial, as applicable.
<ul style="list-style-type: none"> - Participation in meetings of the OECD, World Bank, IMF, IDB, Asian Development Bank and Caribbean Development Bank, 	Annual.
<ul style="list-style-type: none"> - Participation in coordination fora at the Finance Club (IDFC), the Latin American Association of Financial Institutions for Development (ALIDE for its acronym in Spanish), and the Latin American Banking Federation (FELABAN for its acronym in Spanish). 	As applicable.
<ul style="list-style-type: none"> - CAF's academic networks, jointly with working programs for the development of events and studies with its main academic allies. 	As applicable.
<ul style="list-style-type: none"> - Cooperation relationships with foundations, think tanks, and other non-profit associations, through collaboration framework agreements, public debate fora, and joint work programs 	As applicable.
<ul style="list-style-type: none"> - Electronic mails - Tudei (intranet) - Internal communication strategies by projects - Committee for the Administration of Human Capital (formalized in 2018) - Internal structures for the valuation of positions, promotions, and performance evaluations 	Permanent and/or when required
<ul style="list-style-type: none"> - Offer requests. - Information requests (SDI), private contests (SDP). - Public contests. Mails, specialized pages, and search engines are used for the execution of selection processes. 	The frequency of these channels depends on the requests of the soliciting units, availability, and budget execution.
<ul style="list-style-type: none"> - CAF's web page. - Other digital media (social networks). - Electronic mails. - Fora. Congresses. 	Permanent and/or when requested
<ul style="list-style-type: none"> - CAF's web page and other digital media (social networks). - Electronic bulletins aimed at segmented data bases - Information published in communications media. 	Permanent and/or when requested

Alliances for sustainable development

► GRI 102-12, 102-13

Given the commitment to improve the quality of life of individuals by means of opportunities that promote the development of Latin America, CAF has established institutional alliances that enable the mobilization of resources and knowledge to the region

Institutional alliances of CAF

► Financial Institutions for Development Club

► Organization of American States

► Global Environment Facility (GEF)

► United Nations Organization

► ILAS (Institute of Latin American Studies)

► Green Climate Fund (GCF)

► London School of Economics

► Brookings Institutions

► Adaptation Fund (FA)

► CAF - KFW Strategic Alliance

► World Economic Forum

► The Smithsonian Institution

Americas Society/ Council
of the Americas

Inter-American
Dialogue

University of
Oxford

Sciences Po

Latin American
Banking Federation
(FELABAN)

Institute of
International Finance
(IIF)

Latin American Association
of Financial Institutions for
Development (ALIDE)

Canning House -
Hispanic and Luso
Brazilian Council

Center for Latin
American Migratory
Studies (CEMLA)

Organization for Economic
Cooperation and
Development (OECD)

Royal Elcano
Institute

Euro-American
Foundation

Association of Certified
Anti-Money Laundering
Specialists (ACAMS)

Entrepreneurial
Ibero-American
Foundation (FIE)

House of
America

Enterprise
Institute

Carolina
Foundation

Materiality

▶ GRI 102-46, 102-47

To define the contents of this report, an updating process was carried out of the materiality exercise, considering the current dynamics of globalization, market, and production, in order to identify the trends, opportunities, and challenges that the regional context demands from the Organization according to the compliance of its mission and the development of its Sustainable Development Agenda.

To identify the subjects to include in the materiality process, inputs from internal and external sources were analyzed. These provide a general vision regarding the main subjects that are part of CAF's strategy, of its context of sustainability, and the expectations of the different stakeholders during the reported years:

- ▶ Materiality exercise carried out for the 2015-2016 Sustainability Report.
- ▶ Strategic subjects and actions included in the document Programas de actividades y presupuesto (PAP) (Activities programs and budget) of 2017 and 2018.
- ▶ Material subjects included by the multilateral banking and financial sector organizations in their sustainability reports (sectoral benchmark).
- ▶ Sustainable Development agendas promoted in the 2017 and 2018 periods.
- ▶ Spheres of impact on sustainable development defined by the institution.
- ▶ CAF's strategic vision, 2017-2022.
- ▶ Strategy and model for the sustainability report.

As a result of this analysis, a decision was made to guide materiality toward the **spheres of impact** on sustainable development as defined by the institution in its strategic direction for the 2017-2022 period, that is: **efficiency, equity, sustainability, institutional framework, and integration**.

The material topics are presented as those that have the greatest impact on compliance with the objectives suggested in each one of these impact spheres. Thus, the review detailed eight material subjects with their respective contents:



Material subjects	Contents
Infrastructure	<ul style="list-style-type: none"> - Transportation, logistic, and communications infrastructure. - Road infrastructure. - Urban transportation and mobility. - Ports and airports. - Communications and ICT. - Digital infrastructure. - Digital logistic corridors.
Energy and energy efficiency	<ul style="list-style-type: none"> - Energy infrastructure. - Renewable and clean energy. - Energy efficiency.
Productivity improvement	<ul style="list-style-type: none"> - Financial and productive sectors. - Agroindustry sector. - Patentable technological innovation.
Environmental and climate change sustainability	<ul style="list-style-type: none"> - Conservation and sustainable use of natural capital. - Mitigation and adaptation to climate change. - Mobilization of resources for Green operations. - Development of capacities in financial entities for their environmental and social management, and for the management of climate risk. - Internal system for environmental management.
Equity and social development	<ul style="list-style-type: none"> - Integrated water management. - Health. - Quality education. - Comprehensive urban development. - Inclusion and gender equity. - Social innovation.
Institutional development	<ul style="list-style-type: none"> - Improvement of public management. - Improvement of institutional capacities. - Contribution to public policies. - Improvement of public planning. - Transparency and digital government.
Economic and financial sustainability	<ul style="list-style-type: none"> - Fundraising and management of financial resources. - Co-financing. - Cooperation for development. - Management of third-party resources.
Regional integration	<ul style="list-style-type: none"> - Economic and productive integration. - Energy integration. - Social and environmental integration. - Institutional integration and cross-border cooperation.

Table 3.2. Material topics and their contents

To prioritize these subjects, a survey was developed and shared with CAF's vice-presidencies. They were requested to evaluate the relevance or priority of each subject in relation to compliance with CAF's mission, its strategic vision, and its Sustainable Development Agenda.

The result was the following matrix, which includes the eight subjects identified and their strategic priority for the Sustainable Development Agenda promoted by the Institution.

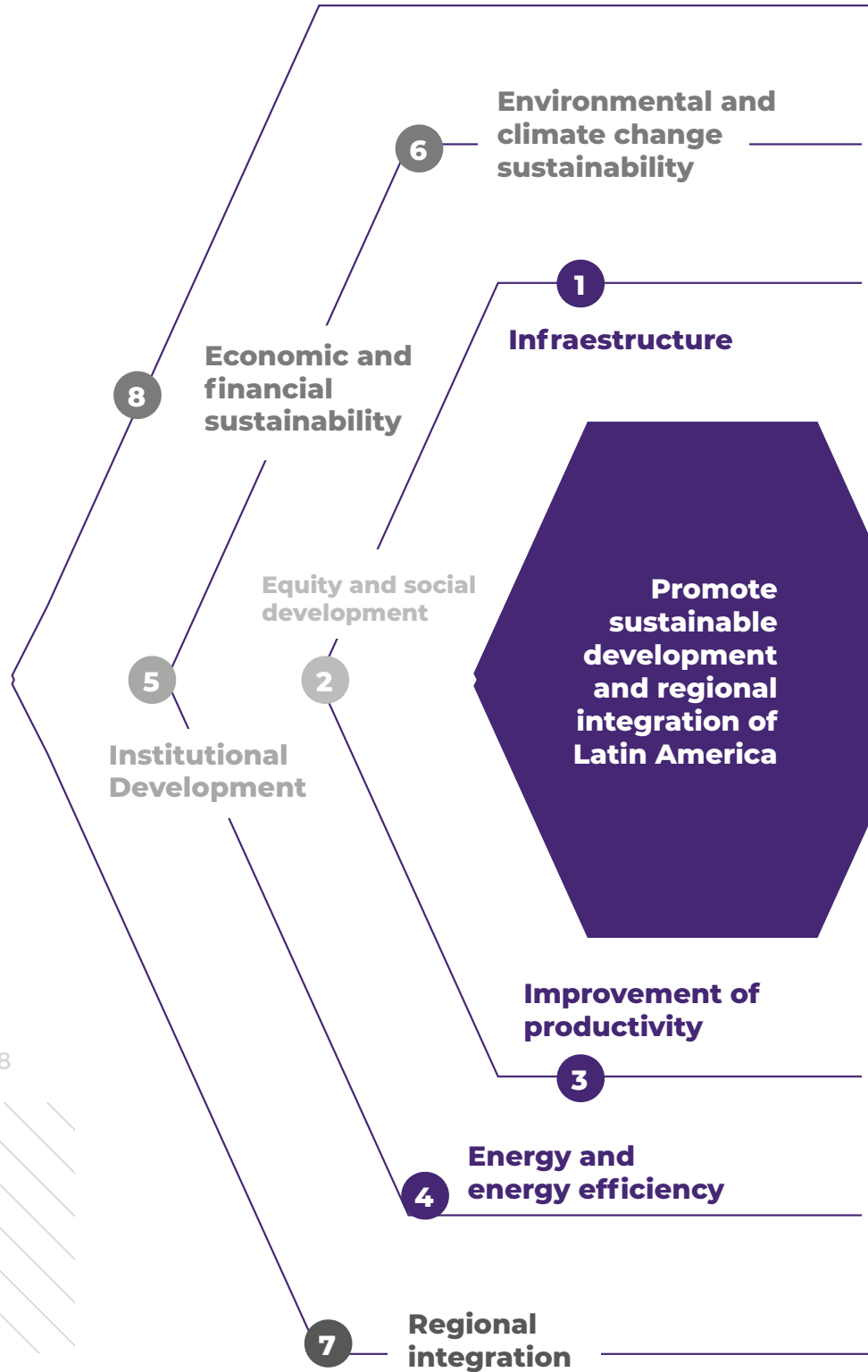


Figure 3.1. Materiality Matrix, 2017-2018



The Sustainability Report gives an account of CAF's advances in management and performance regarding each material subject it has identified and prioritized with respect to its sustainability strategy. Thus, the contents were developed according to the strategic spheres and material subjects included in each of them.

- **Efficiency**
- **Equity**
- **Institutional framework**
- **Sustainability**
- **Integration**







04

Efficiency



Infrastructure

► Material subject

CAF's Comprehensive Agenda for Sustainable Development is the instrument that guides CAF toward compliance with its mission. It is also the reference framework that guides the design and implementation of all the actions carried out in member countries, on the basis of sustainable development and regional integration.

The design of this agenda is aimed at achieving quality sustained growth through the management of six pillars: macroeconomic stability, productive transformation, microeconomic efficiency, environmental balance, equity and social inclusion, and institutional strengthening.

To achieve productive transformation and microeconomic efficiency, CAF has given priority to its action in the areas of transportation, logistic, and technology infrastructure, because of the positive impacts that investments on these sectors have on the wellbeing of the countries of the region.

Strategic framework

In line with its corporate strategy, CAF's action in the area of infrastructure seeks to contribute to sustainable development and regional integration by achieving the following objectives:



/ Facilitate productive transformation and diversification in the region

- ▶ Through the development of economic infrastructure, specially transportation and information technologies, with high technical quality proposals to finance projects that have proven social impact, effectiveness, efficiency, and sustainability.

/ Support integration in the countries of the region and their insertion in global markets

- ▶ Through support to physical integration initiatives and the associated logistic processes.



/ Promote excellency, efficiency, productivity, flexibility, and competitiveness of corporate management and its permanent adaptation to the environment

- ▶ Providing timely identification and mitigation of business, operational, and reputational risks that could affect CAF.

/ Strengthen CAF's Latin American dimension

- ▶ Strengthening the Institution's role in the generation of ideas, and in the discussion and promotion of consensus regarding subjects of Latin American Development.



/ Strengthen CAF's catalytic role

- ▶ Attracting and mobilizing external resources to finance investments.

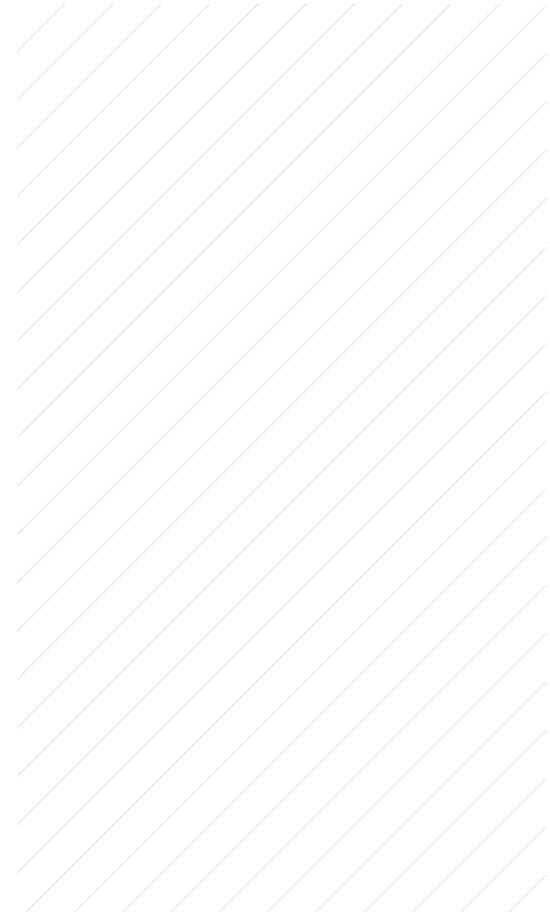
/ Promote the exchange of knowledge and experience in member countries

- ▶ Including associations with other multilateral institutions

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

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

- ▶ The initiative for Sustainable Transportation and Road Safety of the Multilateral Development Banks.
- ▶ The Sustainable Low in Carbon Transportation Foundation (SLoCaT).
- ▶ The Transformative Urban Mobility Initiative (TUMI), promoted by the German Federal Ministry for Cooperation and Economic Development.



Infrastructure projects

Between 2017 and 2018 CAF's infrastructure agenda continued to be geared toward the articulation and physical and economic connection of the region, by financing important projects to leverage compliance with the development objectives of the countries, as well as toward the promotion of studies that contribute to sectorial knowledge, and tools that are necessary to consider new and better development scenarios.

Financing operations

Financing of projects with a high economic and social impact that:

Reduce the existing infrastructure gap in the region.

Improve the provision of infrastructure by means of:

Improve the provision of services associated to the use of infrastructure to boost their social and economic impacts

→ Improvements in the current physical conditions and quality of service.

→ Expansion of their capacity to address the demand of the population and the productive apparatus

→ Construction of new facilities to promote and boost development (example, in remote and isolated areas).

→ Activities that guarantee its maintenance to preserve investments.

In 2017 and 2018 CAF approved a total of 33 operations to finance infrastructure projects in nine countries of the region. The aggregate amount reaches USD 2,438.7 million.



Promotion of the catalytic role in the region

Continuity was given to the funds to finance infrastructure in Colombia and Uruguay, where CAF participates through CAF Asset Manager, and which provides different long-term investment options for institutional investors with little experience in project evaluation. In addition, the VEFIB was approved. This is a contribution in funds for infrastructure investments in Brazil.

Comprehensive urban interventions

During past years, Brazil, Ecuador, and Colombia have positioned themselves with urban operations of a comprehensive and multi-sectoral action in municipalities, improving the quality of life of many inhabitants, especially in the more marginal areas of the intervention cities.

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

- Integrated Mobility System of Contagem.
- Integration, Urban, Social, and Environmental Development Program of the Municipality of Camacari.
- Sustainable Niteroi Program.
- Program for the Urban Reclassification of Salvador, Brazil.
- Aldeia da Praia Program. Fortaleza City with a Future.
- Structuring of the sustainable transportation program in the Colombian cities of Valledupar, Montería, Pereira, and Pasto.
- Metro de Quito, Massive Transportation Program, in Ecuador.
- Road Works and Urban Transportation Program in Densely Populated Areas of Guayaquil, Ecuador.





Logistic interventions

The development of cargo and passenger mobility (logistic), recognized as one of the aspects that directly impacts the competitiveness of the countries and the region, has been promoted through operations such as:

- Belgrano Sur Phase II Railroad in Argentina, whose objective is to improve the mobility and connectivity of transportation services in the Metropolitan Region of Buenos Aires (RMBA, for its acronym in Spanish) toward the central area of the city.
- Non-sovereign financing to carry out pre-investment studies for airports in Peru.

Transportation

Development of emblematic regional integration and connectivity projects, such as:

- The Sena-Peña Amarilla-el Chorro or Santa Cruz-Las Cruces-Buena Vista Highways in Bolivia, which will promote connectivity and national competitiveness, support integration corridors between the country and Brazil and Peru, and ease heavy traffic between the eastern and southern regions of Bolivia with the markets in the western side of the country, by improving the conditions of the road infrastructure. Both are a part of the fundamental Bolivian road network, with CAF financing more than 5,800 Km.
- In Paraguay, the Renewal and Maintenance project of Route 9 and Accesses, which seeks to improve the productivity and competitiveness of the farming sector and the economic and social integration of the country, particularly the Chaco Region.
- In Ecuador, a Program for Road Maintenance and Conservation by Results was approved, whose objective is to preserve the existing road assets to make sure that user traffic of the intervened corridors remains continuous, comfortable, and safe.



Project management

In addition to the operations approved during 2017 and 2018, the VIN management includes accompaniment for approved operations and those that have disbursements from previous years, through which support is given to the executing agencies/clients for the implementation of projects, identifying critical points and making recommendations for solutions.

During the report period, follow-up and accompaniment was provided to 55 operations, with a total portfolio of 148 operations.

Technical assistance and dissemination of knowledge

Technical assistance

- ▶ **Technical assistance to support the financed projects** at their different stages.
- ▶ **Specialized technical support** through Country Offices, for the definition of strategies, and specific actions regarding impacts on countries and technical cooperations.

Dissemination of knowledge

- ▶ **Generation of knowledge** through research, analysis, development of diagnostics and studies for a better understanding of the infrastructure needs of the region, identify gaps, and define challenges.
- ▶ **Active participation in knowledge networks** and stakeholder grupos to build strategic alliances that complement CAF's action.

In this line of action, the following advances stand out during 2017 and 2018, with approved resources that reached USD 4,57 million:

- Dissemination of the study carried out for the **identification of priority investments by 2040 in the port and airport sectors**, aiming at improving logistic activities and services.
- Implementation of the **Program for the Creation of the Latin American and Caribbean Digital and Collaborative Ports Network**, which seeks to promote best practices in collaborative and digital management in the port logistic chains.
- Development of a strategy on **Sustainable and Safe Urban Logistic** that will allow CAF to have a leading regional role regarding logistics and urban distribution of merchandise.
- Follow-up of the **ICT Comprehensive Development Observatory** to analyze the degree of development of the sector in CAF's shareholder countries, and identify future investment needs that promote the integration and international competitiveness of Latin America.
- Analysis of the elements (regional networks, regulation, on-line contracts, taxes, safety, data protection, piracy, geolocation, and interoperability) and the barriers that must be taken into consideration in light of the Latin American and Caribbean reality, to move toward the **configuration of a Digital Single Market (DSM), following the European experience**.
- Update of the **Andean norms regarding interconnection and user protection** to contribute to strengthen the region in the telecommunications area.
- Promote the **Regional Program for the Development of South American Waterways**, seeking the operational improvement of navigability, ports, logistics, and connectivity.
- Creation of a network of experts, in the framework of the **Latin American Network for Infrastructure Cities and Risks, GeoPOLIS, phase III**, available to generate knowledge and advice governments regarding the adverse effects of earthquakes and climate change, to contribute in the design and construction of more resilient infrastructure and cities and in the incorporation of disaster risk management in the planning processes of infrastructure.

- **Update of the GEOSUR Geoportal on the 10th anniversary of the GEOSUR Program.** New digital components were included in the applications section, such as thematic visualizers that show integrated regional digital maps free of charge for the public. These maps include the Integrated North Andean Digital Map, (MIAN, for its acronym in Spanish), the Integrated Map of Central America (MIAC, for its acronym in Spanish), and the Integrated Map of the South (MIAS, for its acronym in Spanish). These advances were achieved jointly with national geographic institutes in the countries of the region, and the technical advice provided through the Centro Nacional de Información Geográfica de España (National Geographic Information Center of Spain), with CAF's support.

- Development of the **Latin American Metadata Profile, version two (LAMPv2)**, contributing to facilitate and standardize geographic and services metadata in the region, with the support of the Pan American Institute of History and Geography (IPGH, for its acronym in Spanish).

- Publication of the serial document **Ideal 2017, Infrastructure in the Comprehensive Development of Latin America**, seeking to generate and disseminate knowledge on infrastructure in the region for decision making and policy building.

- Development of the **iCity-South Program**, in association with the University of Toronto Transportation Research Institute (UTTRI),

aiming to promote the generation and dissemination of knowledge applied to sustainable urban mobility in the region, to help decision making processes. The program helped: 1) develop a methodology in Montevideo to gather data with innovating instruments; 2) develop a long-term planning and modeling transportation program, based on gathering data regarding stable and permanent urban mobility.

- **Road Safety Program**, supporting the transfer of best practices between countries of the region, and between these and third countries, with an emphasis on materializing programs and projects that reduce road accidents and their consequences

- Execution of **third-party funds in urban transportation and road safety**, allowing CAF to support the generation of new projects and the existing portfolio.

- Promote the exchange of experiences in events such as:

- Annual workshop of the Urban Mobility Observatory (UMO).

- International Transport Forum (ITF) (Leipzig, Germany).

- Fourth Latin American Telecommunications Congress (CLT, for its acronym in Spanish).

- Salón Internacional de la Logística (SIL) (International Logistics Salon) (Barcelona, Spain).

- Waterways Workshops.

- Training on Road Safety Audits.

Evaluation and monitoring of operations

The follow-up of the execution of projects and programs is carried out in coordination with Country Offices, mainly supporting compliance with the technical, environmental, social, and other conditions contained in the loan contracts as mitigating factors of the risks identified during the evaluation stage, follow-up visits, and meetings with counterparts.

As a tool for the follow-up scheme, a Rating System for Operations is carried out annually (CALIOPE), which evaluates the evolution of the main critical aspects in the execution of projects or programs. The result is an input in the review of the portfolio, and provides information to give feedback to internal management to ensure the achievement of the stated objectives.

When finalizing the execution of an operation, a closing report is prepared, summarizing the results and main lessons learned as feedback for the teams. In the case of technical assistance and activities related to the dissemination of knowledge, closing reports are also prepared summarizing the main results achieved.

Some examples of support to the follow-up of operations carried out in 2017 and 2018 are:

Argentina



A **Comprehensive Transportation Program** was developed with components of sector policy at a national level, including the shared use of vehicles and the preparation of road safety plans for motocyclists in the cities of Buenos Aires, Corrientes, and Resistencia.

Bolivia



With resources of the Global Facility for Road Safety, a **Comprehensive Road Safety Program** was developed at a national level and in the cities of Tarija, Santa Cruz, La Paz, and El Alto.

At the same time, a study was carried out for the modal selection of mass transportation of Santa Cruz, the Business Plan for the Bus Rapid Transit (BRT) for Cochabamba, and an analysis for the Comprehensive Integrated Public Transportation System of Tarija.

Brazil



Mobility Plans were developed for the cities of Niteroi, Caxias do Sul, and Teresina.

Panama



Development of a **Comprehensive Sustainable Urban Mobility Pan** for the city of David, and studies regarding the feasibility of the transportation system for the center of Panama City and the second metro line.

Ecuador



The **Comprehensive Sustainable Urban Mobility Plan of Loja** was developed, in addition to urban integration studies of the Cuenca tram.

Mexico



Development of the **Study of Strategies for Demand and Gender Management** for Sustainable Mobility.

Colombia



Technical assistance was provided for the operation of the **Public Transportation System (STP, for its acronym in Spanish) in the city of Monteria**.

In addition, support was provided for the structuring of transportation zonal equipment of the Transmilenio system and of real estate businesses around the first line of Bogota's Metro.

In addition, resources from the Climate Green Fund finance the structuring of the project Sustainable Transportation for Intermediate Cities.

Peru



Development of the **Comprehensive Plan for Sustainable Mobility in Piura**, and work is being done to develop the corridor for Rapid Transit Buses (BRT, for its acronym in Spanish) in Trujillo.

Uruguay



The **OMU was developed for the Intendency of Montevideo**, and technical assistance was provided to substitute the transportation fleet for more sustainable technologies.

Venezuela



Development of the **Mobility Plan for the Metropolitan Area of Caracas**, and the reorganization of the Petare traffic circle.

In addition:

- In **Ecuador and Brazil**, specific training was provided on safety and road audits.
- Support is provided to countries such as **Dominican Republic, Ecuador, Panama, Paraguay, and Uruguay** to define technical cooperation for training and institutional strengthening, including the development of its regulatory framework regarding public-private alliances.
- Workshops were carried out with the provincial governments of **Ecuador and Argentina**, to strengthen their capacities regarding public-private alliances.
- Development of a “PPA Guide for subnational and municipal governments”, and launching of CAF’s first on-line course “Introduction to the Management of PPA Contracts”.
- The **Digital Ecosystem Training Program CE-Digital** continued. It was developed by CAF, eLAC, GSMA, and the IBEI-CEPAL-CAF Summer School, regarding development and innovation in Latin America.



Energy and energy efficiency

► Material topic

The transformation, transportation, and distribution of energy is essential for human life and the development of societies. Economic growth and the progress of countries are boosted to a great extent by the availability of energy at the appropriate time, amount, and quality.

Access to reliable and safe energy sources directly impact on the quality of life of people, as it facilitates daily social dynamics such as eating, refrigeration, and urban transportation, among others, while at the same time providing constant water distribution services, provision of health, and quality education, thus becoming one of the determinant elements of productive transformation and the efficiency of countries.

Currently, the energy sector is undergoing a change of paradigm motivated, among other things, by the incorporation of new technologies in the generation and storage of energy, and advance of computing capacities that enable the management of a large amount of information simultaneously. The result has been a change from an industry with big players in the generation and other processes of the

energy value chain, to a market dynamic with multiple players of different sizes that interact simultaneously in the development of these activities.

This change presents important challenges for the existing networks and regulatory frameworks. In addition, it is accompanied by the need to maintain and increase the incorporation of technologies that contribute to the reduction of greenhouse gas emissions, that promote the use of renewable sources for energy generation, and that optimize the energy efficiency of the countries and industries.

Facing this scenario, there is evidence of an important increase in the rhythm of investment in the sector, aimed at improving the solidity of the existing networks, as well as in the incorporation of assets that are able to adapt to the new already described demands.

Strategic framework

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

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

Strengthen **energy safety** and promote diversified and clean matrices.



Promote **adequate transmission and distribution networks** as well as measures that encourage the **energy efficiency of the countries.**





Support **regional energy integration**: region with energy surplus.

Participate in the **cycle of energy projects**: pre-investment, investment, supervision, and strengthening of the O&M, regulation.

Support the necessary **public participation** and develop mechanisms that incentivate **private participation**.

During 2017, operations framed in compliance with CAF's energy agenda were approved, for USD 474 million, corresponding to 3.8 percent of total approvals for that year. In 2018, energy operations were approved for USD 500 million, 5 % of the 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 for energy infrastructure projects. In addition, it promotes the development of public policies and business strategies aimed at expanding the networks and reducing inefficiencies of the energy services in the countries of the region.

In the framework of this commitment, during 2017 and 2018 the following actions were carried out:

Argentina

Between 2017 and 2018 a total of **USD 210 million** were approved in four projects, three non-sovereign risk, and one sovereign risk:

- ▶ YPF S.A: partial financing of the Company's gas midstream investment plan.
- ▶ Genneia Vientos del Sur S.A.: Villaloga and Chubut Norte wind-powered parks, with a capacity of 81 MW.
- ▶ Province of Buenos Aires; Fieldfare Argentina, S.R.L.: Cafayate solar plant, with a capacity of 81.25 MW.

Chile

In 2017, a structured non-sovereign loan was approved for **USD 79 million**, to Atacama Solar S.A. for the development of the Solar Project in the region of Atacama, with a capacity of 144 MW.

Ecuador

In 2017, a broad approach sectoral loan in electricity III was approved for **USD 150 million**, seeking to support the public investments of the Republic of Ecuador in the framework of its National Strategy for the Change of the Energy Matrix, which includes works in the electric sector (generation, transmission, and distribution). Its objectives include the reduction of imports of oil derivatives and the substitution of subsidies.

Peru

Between 2017 and 2018, non-sovereign risk loans were approved for Peru, for **USD 290 million**, intended for:

- ▶ Petroperú S.A.: line of credit to finance crude imports and energy security.
- ▶ Refinería La Pampilla: line of credit to finance the purchase of crude and loans to partially finance the installation of a Monobuoy in the port of Ventanilla, in order to improve the availability of the loading and unloading of crude in the area, strengthening the country's energy security.
- ▶ Sociedades GR Taruca and GR Paino de Grenergy Renovables: partial financing for the wind power projects of Duna and Huambos, with a capacity of 36.75 MW.

Paraguay

In 2018, a loan was approved for **USD 170 million** to the Administración Nacional de Electricidad (ANDE) (National Electricity Administration), which consisted of a Program to Strengthen Transmission in the National Interconnected System and Rural Electricity Distribution, to strengthen the country's distribution and transmission networks.

Dominican Republic

In 2018, a loan was approved for **USD 75 million** to the Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE) (Dominican Corporation of State Owned Electric Companies), for the development of a Rehabilitation Program for the Electricity Distribution Networks and Reduction of Losses, to strengthen and improve the quality of the electricity service in ten circuits of the country.

Integration and energy efficiency

CAF promotes cooperation in energy matters between the countries of Latin America, by **financing energy integration projects and the creation of regional networks** that help generate knowledge, exchange experiences, and coordinate a regional energy policy that achieves a balance in the relationship between institutions and public and private companies.

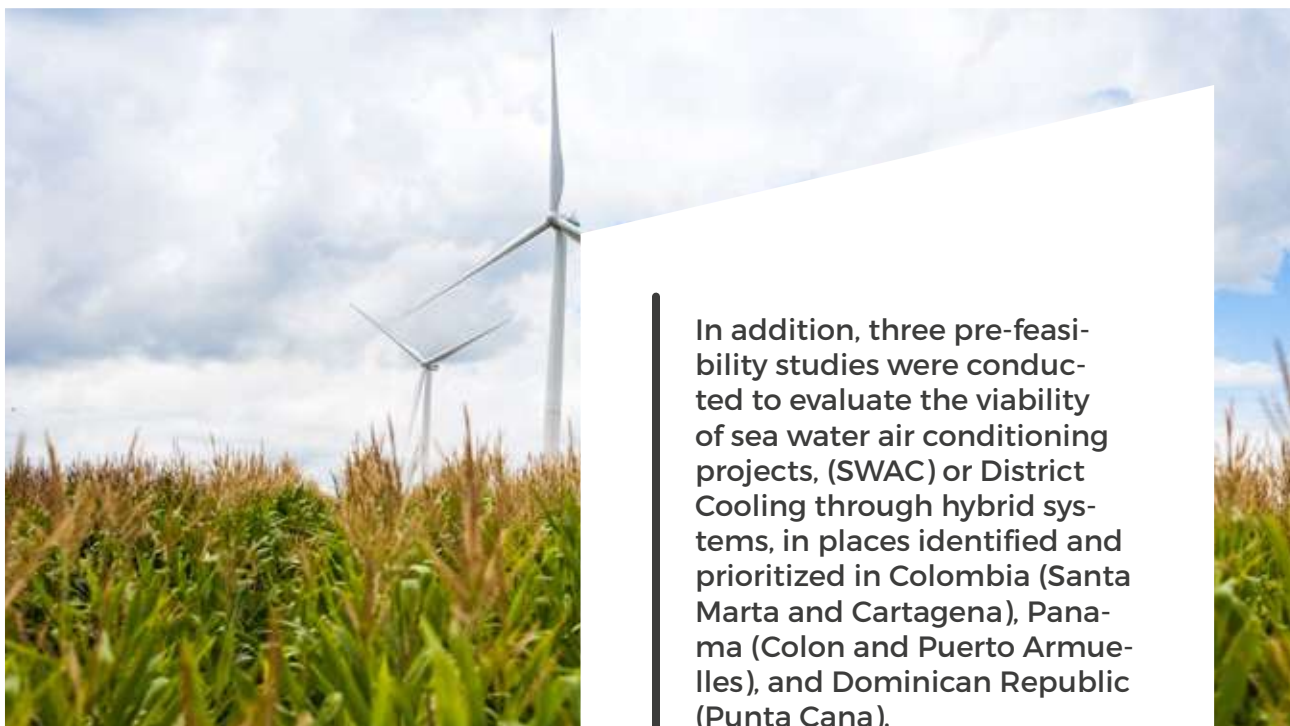
During 2017 and 2018, through the **Regional Energy Efficiency Program**, pre-feasibility and feasibility studies were carried out in Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela, in order to identify improvement opportunities in each market.

Renewable and clean energy

CAF promotes the **development of clean energy matrices in Latin America**, through financing for programs, studies, and projects related to renewable energies and energy efficiency in the region.

During the reported period, several programs were carried out to promote generation by means of renewable sources, through the development of projects in CAF's member countries. Among these programs, the following stand out:

- **Hydropower Potential in Bolivia**, which reviewed and valued existing information, determining the country's usable technical potential. One hundred hydraulic generation projects were identified, of which 10, with a capacity of over 100 MW were chosen, and their respective technical files were completed.



In addition, three pre-feasibility studies were conducted to evaluate the viability of sea water air conditioning projects, (SWAC) or District Cooling through hybrid systems, in places identified and prioritized in Colombia (Santa Marta and Cartagena), Panama (Colon and Puerto Armuelles), and Dominican Republic (Punta Cana).

- Urban Cooling Regional Program,
conducted two regional studies:

- Pre-feasibility study for sea water air conditioning systems in the Caribbean, for towns in Jamaica and Dominican Republic.
- Pre-feasibility studies for towns in Colombia, Panama, and Dominican Republic.

In addition, the program's commercial feasibility studies were carried out in Puerto Plata (Dominican Republic) and Medellin (Colombia), the latter in the framework of the implementation of an urban cooling district for the urban renewal project "Medellin Innovation" developed by the municipal authority.

- Hydropower and Electric Energy Integration Project between Bolivia and Brazil, carrying out binational hydropower inventory studies in part of the Madera river basin and main tributaries located in Brazil and Bolivia.

Evaluation

To evaluate the energy performance against the objectives stated in CAF's Energy Agenda, programmed audits and verifications are carried out in addition to sectoral analysis and comparative evaluations of the different markets addressed, as well as independent studies that show the potentials and limitations of the implementation of specific technologies in the countries.

In addition, as regular practice the business directions maintain permanent contact with the clients, making it possible, among other things, to obtain constant feedback regarding the performance of the activities carried out, and identify opportunities to improve the strategic development of the Energy Agenda to face the needs and specific interests of CAF's member countries.



Productivity improvement

► Material Subject

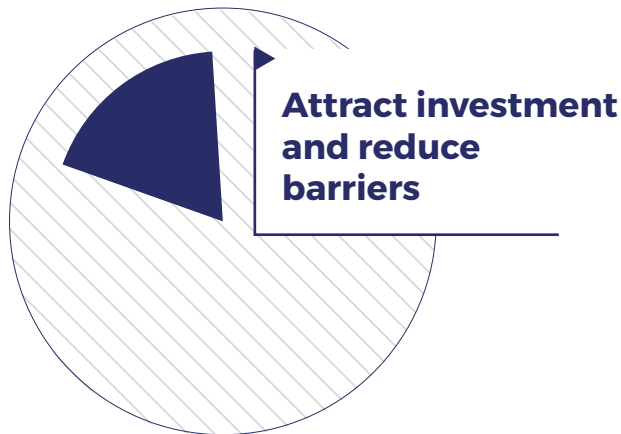
By developing its productive transformation strategy, CAF promotes entrepreneurial development, innovation, and competitiveness through specialized programs and generation of knowledge that helps mobilize international resources toward the countries and localities of the region, as well as strengthen the productive linkages and replicate successful experiences.



Until 2018, CAF carried out the Productive Transformation strategy in Latin American countries, aimed at increasing productivity in the sectors with the purpose of promoting the economies with value added, integrated in the global production chains and markets, which at the same time would generate more quality employment for the population.

To eliminate the barriers that hinder growth in Latin America, CAF initiated the promotion of entrepreneurships and strengthening of the productive sector, emphasizing the adaptation and incorporation of existing innovations, as well as encouraging new innovations in sectors that may be incorporated to the global production chains.

CAF's action in this respect were aimed in three complementary direction.



Generation of sectoral studies.

Coordination of public and private actors to increase the sector's efficiency.



Development of mechanisms that facilitate the coordination of companies to:

- Improve the productivity of SME's.
- Develop competitive advantages.
- Share best practices that close intersectoral productivity gaps



Resource allocation and CAF assistance to ensure that companies with high potential can achieve a jump in productivity.



In agreement with these guidelines, the Vice-presidency of Productive and Financial Sectors (VSPF, for its acronym in Spanish), currently the Vice-presidency of the Private Sector, developed initiatives in the following lines of action:



**Financial
Development**

**Productive
Development**

**Corporate
Governance**

**Entrepreneurial
and Technological
Innovation**



Financial Development

CAF promotes the development of public and private initiatives that facilitate the regulation, design, implementation, and evaluation of inclusion instruments and financial development policies in the countries of the region, especially when faced with the supply and demand of services, infrastructure, and financial system networks.

This strategy considers financial development from two perspectives: in terms of access, as the expansion of the reach of products from the financial sector to individuals, families, and companies; and in terms of volume as the allocation of resources of the formal financial system in the economies of Latin American countries.

In this respect, the actions of the Institution to promote financial development during 2017 and 2018 were focused on:

- Promoting access to financing mechanisms for SME's, microenterprises, and entrepreneurs with potential, and maintaining its counter-cyclical role managing its portfolio with financial institutions.
- Improve the financing ecosystem and generate financing resources for SME's in order to:
 - Overcome the regulatory, legal, and information barriers;
 - Generate and/or strengthen the capacities of financial institutions;
 - Directly or indirectly train SME's to access financing;
 - Direct or indirect financing for SME's.

To comply with these objectives, specific actions were defined for two groups of countries with financial development gaps and different levels of risk:

Cluster 1

Bolivia
Ecuador
Paraguay
Dominican Republic
Costa Rica

Acciones focused on:

Improving the financing ecosystem.
Direct lines with commercial banks towards SME's.
Provide technical assistance.

Cluster 2

Brazil
Mexico
Colombia
Uruguay
Panama
Trinidad & Tobago

Actions focused on:

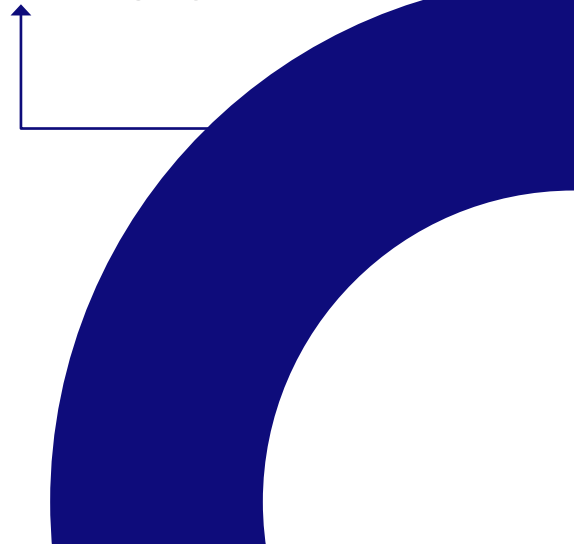
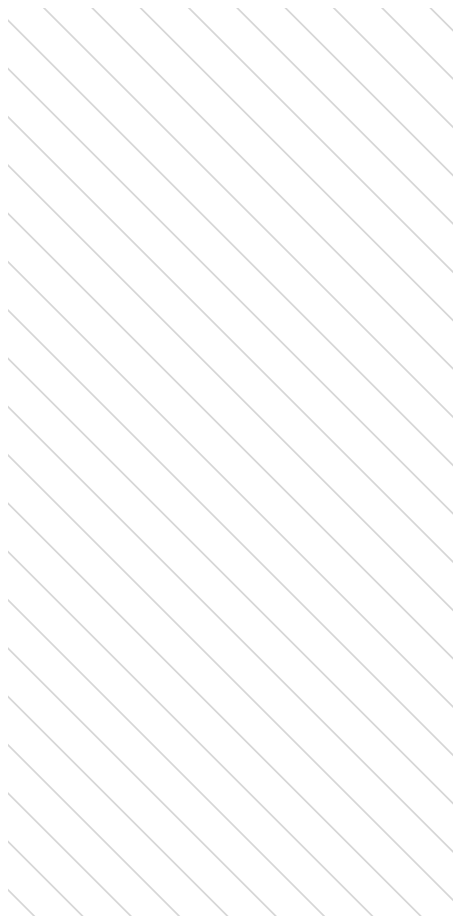
Direction of lines and assistance towards SME's with niche banks (microfinancing institutions) or development institutions and NGO's.
Generation of greater financing resources.

Financial services access program

This program seeks to support the design and implementation of national strategies of inclusion and financial education so that the population of the countries in the region may acquire the necessary capacities (knowledge, skills, attitudes, and behaviors) to make financial decisions with a positive impact on their well-being.

This initiative is carried out through applied knowledge and technical assistance operations that support business operations and other interventions of CAF's public and financial sectors. Actions are executed with technical cooperation non-reimbursable resources aimed at compliance with the following objectives:

- Promote the development of **public policy regarding inclusion, as well as economic and financial education**, considering the different populations, age, and vulnerable groups.



Significant Projects, 2017-2018

- Support the strengthening of **schemes and processes for the defense of financial consumers**, particularly in deficient processes within the financial system and in the control entities.

- Promote **financial education programs for MSME's**, as well as their corresponding evaluation.

▶ Development of financial capacity surveys and results analysis reports in Paraguay and Argentina.

▶ Strengthening public institutions for the development of strategic plans in development banks, inclusion policies, and financial education, especially in Colombia.

▶ Assistance to diverse public and private institutions on subjects related to regulating laws and stock markets, financial inclusion of SME's, impact evaluation of programs and policies that have been executed in Uruguay, Paraguay, Colombia, among others.

▶ Development of diverse studies regarding financial inclusion and gender which are fundamental for the financial well-being of Latin America, success factors, and restrictions to the digital banking systems in Latin America, among others.

▶ Financial literacy program for farm producers.

▶ Sponsor events to exchange knowledge in the areas of Fintechs, capital markets, economy and banking, guarantee funds, among others.

Impact Results



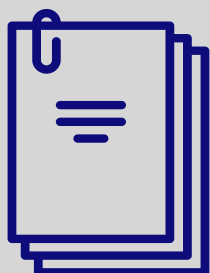
Incorporation of families and/or companies to the financial sector

- **55 financial literacy workshops**
- **1,784 agricultural producers** trained.
- **122 producers** using banking services.
- **3 documents** regarding financing for SME's through the stock market or access and inclusion of SME's to the financial sector.



Generation and exchange of knowledge

- **6 events** sponsored in different countries of the region regarding subjects related to financial development.
- **Approximately 1,000 participants** in all the events and fora that took place.



Strengthening of public policy and regulation. Overcoming legal regulatory barriers

- **10 studies** in diverse areas that contribute to the development of public policies and generation of knowledge for development and financial inclusion.
- **2 documents** aimed at teachers to incorporate financial education subjects in the classrooms.
- **2 studies** regarding financial capacities for two countries in the region: Argentina and Paraguay.



Generation and strengthening of financial institutions, development banks, and/or insurance companies

- **7 documents** for the banking system regarding financial inclusion, population behavior regarding savings, use of agricultural insurances, among others.
- **2 evaluations** of programs regarding financial inclusion and development of financial capacities in the population.
- **8 consultancies** on diverse subjects regarding the strengthening of development banking and its action strategies.
- **4 workshops** to exchange knowledge between development banks of different countries.

Volume

With respect to the actions to increase the volume of placements in the financial sectors of the country, the following achievements were accomplished:

- ▶ Work was carried out with 11 microfinancing institutions of the region.
- ▶ 29.950 microentrepreneurs received support.
- ▶ 17 financial institutions supporting SME's.
- ▶ 29.950 SME's received assistance.
- ▶ 6 institutions promoting 5.210 agricultural producers.



Productive development

CAF offers a portfolio of financial and non-financial products to member countries regarding their short, medium, and long-term strategies for productive diversification and access to financing, emphasizing the agrobusiness sector and projects that incorporate efficiency and green businesses.



Agrobusinesses

In this line of action, CAF finances interventions aimed at: resolving flaws that affect the efficiency and competitiveness of the agrobusiness chains; promoting networks with companies, authorities, and applied research centers that encourage the development of the agrobusiness environment in the region; and generating knowledge regarding best practices throughout the productive chain of agrobusinesses.

This is a result of the fact that the agricultural sector in Latin America has the largest productivity gaps in the region, with significant growth barriers related to the high producer fragmentation, lack of access to financing, low development of physical infrastructure, low level of technical development and innovation, as well as entry barriers to foreign commerce and the international market.

To face these barriers, CAF's agrobusiness strategy includes interventions throughout the value chain, from input suppliers to processors and marketers, initially in four countries

with productivity gaps that meet the conditions to be intervened:

- Brazil and Peru, with interventions in companies and specialized sectoral banking.
- Paraguay and Colombia with interventions in facilitators, industry, and environment.

Among the most relevant achievements reached in 2018 is the agreement managed and signed with the Fondo de Prosperidad Británico (British Prosperity Fund) in Colombia, through which CAF will receive Technical Cooperation resources for £7.2 million to execute three projects:

- Strengthening of Regional Competitive Commissions.
- Corporate government of the Infrastructure National Agency.
- Agricultural insurance.

At the same time, in the framework of the Agricultural Master Plan of the Western Region of Panama, approved in 2016 as a sovereign operation in agrobusinesses for USD 27 million, a project was developed in the same region for the institutional strengthening of the Chambers of Commerce of Panama and Chiriquí.

Productive Linkages

This line of action seeks to promote the development of value chains through financial interventions and strengthening of productive capacities, as well as boost the consolidation of regulatory frameworks so the chains may expand to activities with more value added and productivity.

The objective is to strengthen the coordination of value chains and facilitate interaction between actors, from producers to commercial ties, to improve access to diverse markets and the sustainability of the businesses.



Significant Initiatives 2017-2018 ▶

Bolivia

- **Development of rural entrepreneurial linkages**
- **Objective:** Promote the development of community owned companies, linked to large companies and in charge of transforming raw materials in order to create innovative opportunities for the development of urban entrepreneurial linkages and improve the productivity of small raw material producers with direct technical assistance and access to financing.



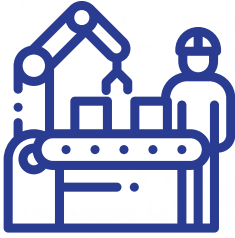
Colombia

- Advances were made in the implementation of the project to strengthen the Regional Competitiveness Commissions with the Alta Consejería Presidencial para la Competitividad (High Presidential Council for Competitiveness) and the Private Sector, as well as Confecámaras.

Ecuador

- The project to strengthen the metal-mechanic and food value chains was carried out. These are included among the prioritization made by the Vice-presidency of the Republic of Ecuador.

Impact Results



Productive linkages and competitiveness

- 2 agroindustry companies and 12 strengthened productive associations.
- 3 productive linkages strengthened with training programs and new products.
- 2 productive clusters in the food and metal-mechanic sectors.
- 1 established and functioning food cluster.



Development of new products with greater value added.

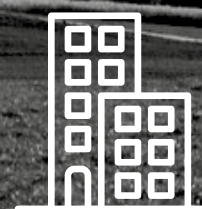
- One program for the development of new products with greater value added derived from the processing of palms.

Strengthening of regulatory and public policies.



- **6 documents** with contributions to the country's public policy for the promotion of productivity, competitiveness, and productive transformation.
- **14 documents** to support decision making in public policy for competitiveness.

Institutional and Capacity Strengthening



- **40 extensionists** trained on subjects related to technological follow-up in 40 SME's.
- **50 companies** trained in quality processes.
- **5 entrepreneurial events** such as business rounds, exchanges with banks and thematic exchanges.
- **One document** summarizing successful and replicable cases.
- **568 participants** in events to define agendas or knowledge for productive transformation.
- **110 projects** developed and defined to support regional competitiveness.
- **4,000 entrepreneurs** trained in SME management.
- **63 business models** developed.



Corporate Governance

With the Corporate Governance program CAF seeks to promote and disseminate the application of governance best practices in public and private institutions, working jointly with regulators, stock markets, corporate governance institutions, development financial institutions, and other organizations active in the region.

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

Objectives

- **Generation of knowledge:** strengthen the work done with state-owned companies.
- **Promotion and dissemination:** disseminate the update of CAF's Guidelines for Corporate Governance, as well as the experiences and methodologies that have been developed, through seminars and workshops at a country level.

- **Improvement of corporate governance in the financial sector:** jointly with the financial system regulators, strengthen the legal framework for related subjects, as well as work in specific interventions with microfinancing institutions.

- **Non-financial services to business units:** carry out our personalized evaluations of corporate governance for CAF specific clients, as well as expand the capacity to analyze this aspect in CAF's client companies through an evaluation questionnaire.

- **Alliances:** promote improvements in corporate governance and state-owned company management in alliance with other regional organizations.

Significant events 2017-2018

The actions carried out have generated greater awareness within the Institution regarding the importance of evaluating the state of corporate governance in clients, which helps generate value added to CAF's products and reduce the risk derived from this aspect in the operations. In addition, work with external strategic allies has strengthened the perception of the importance of this subject in companies and capital markets of member countries. The following events stand out:

- Participation in the V Corporate Governance Annual Meeting for State-Owned Companies (EPE, for its acronym in Spanish) in alliance with the Organization for Economic Cooperation and Development (OECD) in Bogota,

which CAF has promoted since its beginning and which constitutes a platform that enables the exchange of experiences between those responsible for the management and/or property of the EPE's, as a place to strengthen the dissemination and application of corporate governance practices.

- Two workshops were held with the Corporación Financiera de Desarrollo (Financial Development Corporation) in Peru (COFIDE, for its acronym in Spanish) and Nacional Financiera de México (NAFIN, for its acronym in Spanish) (National Financial Institution) for their business staff.

- Publication of the document "Efectividad y estructura de los directorios de las empresas de propiedad estatal (EPE) en América Latina" (Effectiveness and structure of the boards of state-owned companies in Latin America) in the series Políticas Públicas y Transformación Productiva (n.º 26) (Public Policies and Productive Transformation).

- In alliance with Fundes Internacional, completion of the Program for the Implementation of Corporate Governance Best Practices for medium-sized companies in Bolivia, Peru, Panama, and Mexico.

- Meeting of the Framework Agreement of Corporate Governance for Development. This initiative promotes the application of corporate governance practices by clients of multilateral, bilateral, and national development banks.

- Participation in the annual seminar of corporate secretaries of ASCLA, where CAF presented the preliminary results of the study "Profile of the corporate secretary in Latin America".



Impact results

► Generation of knowledge and dissemination of best practices

- One study about the profile of secretaries in Latin America..
- Two meetings with CAF participation as a speaker.

► Diagnosis

- Eleven clients of CAF with diagnostic document regarding their corporate governance.
- One study of corporate governance for a public entity.

► Evaluation of institutions and companies

- 69 companies addressed for the implementation of improvements in their corporate governance.
- 13 documents with recommendations for the operation of competitiveness institutions.



Entrepreneurial and technological innovation

With its program to support entrepreneurial and technological innovation, CAF seeks to strengthen the capacities for research, development, and innovation (R+D+i) in companies with a Latin American projection and sectoral research centers, in order to boost productivity and competitiveness in the region and contribute to productive transformation.

To this effect, CAF develops a strategy aimed at strengthening the coordination between academia, the private sector, and the State, around a common innovation agenda, while at the same time positioning the Institution as an entity that promotes entrepreneurial innovation in the region.

During 2017 and 2018 actions were carried out to strengthen the management of innovation in small and medium-sized companies through total immersion workshops. Later, internal innovation management units emerged in the participating companies.

With respect to technological development, CAF has sought to boost the regional innovation efforts toward the consolidation of technological patents that enable the increase of high technology exports from Latin American countries, and increase the productivity of regional economies. Thus, the actions implemented during 2017 and 2018 were aimed at compliance with the following objectives:

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

- Increase the quality of the patent applications delivered to patent agents.

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

- Identification of institutions whose interest is to strengthen the attainment of international patents.
- Joint development of technical assistance agreements for institutions, regarding subjects of patentable technological innovation.
- Co-financing of strategic studies in the region regarding technological development.
- Implementation of training workshops regarding international patents and technological innovation events.

In fact, with the “Regional Initiative on Technological Patents for Development”, CAF aims to strengthen technological innovation in the institutions of the region, in alliance with public and private universities, governmental entities in member countries, especially the ministries of Science and Technology, Intellectual Property Registries, and private companies.

Impact results



► Strengthening of entrepreneurial capacities

- **6 total immersion workshops** on innovation in six different countries.
- **120 companies** trained in Management of Productive Innovation.
- **360 participants** as agents of innovation.



▶ Strengthening of regional capacities

- **22 training workshops** for the development of patents according to CAF's method.

- **1 MOOC** regarding CAF's patent method.

- **937 individuals** trained.

- **124 applications** registered in the General Direction of the Registry of Industrial Property.

- **125 applications** of registered patents (PCT).



▶ Fundraising for patents

- **3 alliances** with regional training centers for the development and accompaniment of patent programs.



▶ Stenghtening of regulatory and public policies

- **One document** to support the science, technology, and innovation law in Paraguay.

- **One case study** regarding the Moulding of "Route N Scoring".



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'05

Equity

Equity and sustainable development

► Material subject

CAF is committed with its shareholder countries to support them with financial and technical solutions for the sustainable development of the region, in a framework of respect for environmental balance, which promotes equity and social inclusion.


Through the execution of its regional agenda for sustainable development, CAF promotes equity, sustainability, and quality of life for the Latin American population, especially in the more vulnerable sectors; at the same time, it promotes the growth of the region with low impact of emissions, resilient to climate change, and which preserves biodiversity. This is done through the financing and managing of initiatives that facilitate access to basic social services: water and sanitation, education, early childhood services, and urban development, according to the challenges that countries have with regard to the achievement of the Sustainable Development Objectives.

To comply with these objectives, the Vice-presidency for Sustainable Development (VDS, for its acronym in Spanish) is in charge of:

Managing **credit operations** that finance projects framed within the strategic tasks assigned.

Manage **non-reimbursable technical cooperations** that complement and/or contribute to the execution of credit operations.

Develop **management of knowledge** activities to promote sectoral dialogue in the countries, technical assistance, and exchange of ideas and initiatives in the region.



Thus, during 2017 and 2018, the VDS managed the approval of resources for the development of its activities as follows:

Credit Operations

USD
864
million
2017

USD
1,068
million
2018

Technical cooperation

USD
3,37
million
2017

USD
4,94
million
2018

Strategic action framework



Water security



Quality education



Comprehensive urban development



Early childhood services

The credit and technical cooperation operations that are promoted, respond to a process of surveying the needs jointly with the countries. In the framework of the sectoral dialogue activities, as well as in the development of activities related to knowledge, events, workshops, and meetings, needs are identified to design projects financed with credit funds or non-reimbursable funds, depending on their nature and scope.

The actions established in each of these axes obey to a VFS strategic plan, from each of the Directions that make it up, and from each specific sector: water, urban development, education, and early childhood services emphasizing nutrition. These actions are developed based on sector and country strategy with effects in the medium and long term, and the priority is established according to their links with the strategic and business objectives of the VDS, and according to the relationship they have with the different sectoral strategies and needs (or priorities) of the countries. For this purpose, CAF maintains a permanent dialogue with the governmental actors involved.



Water security

Promote safe access to potable water and sanitation, and contribute to the productive development of the countries by means of the efficient use of water, as well as reduction of water contamination, the preservation of ecosystems, and protection against disasters related to the scarcity or excess of water.

Important events, 2017-2018

▶ **16 Approved credit operations**

USD 1,228 million

▶ **12 Approved technical cooperations**

USD 1,935,180

- Operations to improve the service in Rio do Grande do Sul and Araguaína in Brazil, as well as the continuation of the new aqueduct of the río Colorado-Bahía Blanca in Argentina and a new aqueduct for Buenaventura in Colombia.

- Improvements in the treatment of residual waters in Panama, in the districts of Arraiján and La Chorrera. Projects for the treatment of residual waters were approved in Guancarcucho and Cuenca, in Ecuador, and the Tacachira plant in El Alto-La Paz, Bolivia.

- Technical cooperation resources were used to conclude six case studies regarding financing and governance in residual water treatment plants, four case studies dealing with multi-purpose projects, and a study of the economic impact of the lack of water and sanitation in four selected countries. Advance was also made in studies of aggregation models, incentives to regulation, and inclusive models for peri-urban areas.

Initiative

Program for the Improvement and Rehabilitation of the Potable Water and Sanitation Systems in Uruguay. Phase 2.

Environmental Sanitation Program for Community Development, PROMADEC IV, section 1, Ecuador.

Program for the Integrated Sanitation of Araguaína, Brazil.

Socio-environmental Development Plan of Sobral, PRODESOL, Brazil.

Description	Impact	Approved amount	Duration
2017			
<ul style="list-style-type: none"> - Improve the quality of life of the population in Uruguay, through the expansion and sustainable improvement of the coverage, quality, efficiency, and reliability of potable water and sanitation services. 	<ul style="list-style-type: none"> - 600.000 beneficiaries of potable water services. - 450.000 beneficiaries of sanitation services. 	USD 30 million	4 years
<ul style="list-style-type: none"> - Improve the quality of life of the most vulnerable population, and reduce poverty and inequality through projects related to basic services in water, sanitation, urban drainage, and comprehensive management of solid residues. 	<ul style="list-style-type: none"> - 250.000 beneficiaries. 	USD 50 million	5 years
<ul style="list-style-type: none"> - Contribute to improve urban infrastructure, control of floods, and preservation of the springs and Green areas, as well as creation of leisure areas, improving the quality of life of the population. 	<ul style="list-style-type: none"> - Drainage infrastructure in three basins in the city, benefitting approximately 170.000 individuals. 	USD 55 million	4 years
<ul style="list-style-type: none"> - Increase the coverage and quality of water and sanitation basic services through actions aimed at expanding the potable water and sewage infrastructure, improving the management of solid residues, and reclassification of the urban and environmental conditions of the municipality. 	<ul style="list-style-type: none"> - 150.000 beneficiaries. 	USD 50 million	5 years

Table 5.1. Approved credit operations, water security

- CAF was a leader on the subject of water finances in the Eighth World Water Forum. It also organized seminars in the World Water Week in Stockholm, and carried out, as usual, the annual Water Dialogues in Spain, a space for thematic discussion which brings together sector experts from both regions.

- CAF was reelected to the Governors' Board of the World Water Council for the 2019-2021 period with the highest number of votes. These spaces also enabled the subscription of a Memorandum of Understanding with Bolivia, Spain, and CAF, as well as a similar one with Argentina related to dam safety.

Initiative

Program for the Management of Residual Waters in the Districts of Arraiján and La Chorrera, in Panama.

Majes-Siguas II Project. Phase 3, Peru.

More Investment for Irrigation II Program, Bolivia.

Project for the Rehabilitation of Infrastructure in Barbados.

Description	Impact	Approved amount	Duration
2017			
<ul style="list-style-type: none"> - Project 1. Design and construction of sewage networks collectors, PTAR and household connections in the townships of Burunga and Arraiján Cabecera. - Project 2. Design and construction of sanitary sewage networks, collectors and sub-collectors in the districts of Arraiján and La Chorrera; PTAR of Caimito and institutional strengthening. 	<ul style="list-style-type: none"> - 276.000 beneficiaries. 	USD 125 million	<p style="text-align: center;">Project 1 4 years</p> <p style="text-align: center;">Project 2 5 years</p>
<ul style="list-style-type: none"> - Construction of hydraulic works that will enable the implementation of irrigation technology for export production. 	<ul style="list-style-type: none"> - Beneficiary population: 300.000 individuals. - Irrigated surface: 38,500 Hectares (new) 10.000 Hectares (improved). 	USD 98 million	3 years
<ul style="list-style-type: none"> - National program that supports the management of irrigation focusing on the basin and gender, strengthening capacities, promoting the efficient use of water for the economic and socio-environmental development of the rural area in Bolivia. 	<ul style="list-style-type: none"> - Increase the agricultural surface under technical irrigation in 10.000 hectares; strengthen the capacities of 12.000 families for the management of technical irrigation systems. 	USD 70 million	5 years
<ul style="list-style-type: none"> - Rehabilitation and optimization of the existing infrastructure, reduction and control of unaccounted-for water, and strengthening of the Barbados Water Authority (BWA). 	<ul style="list-style-type: none"> - 82.000 beneficiaries. 	USD 10 million	4 years



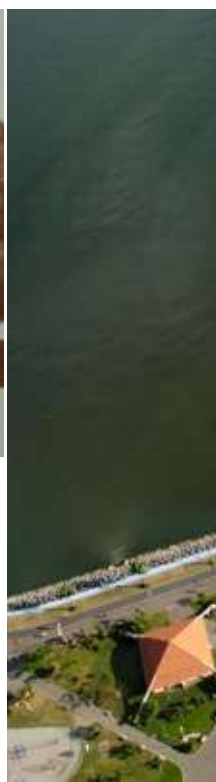
Initiative

Project for the Implementation of the Comprehensive Management Plan of the Lujan River Basin, stage II, Argentina.

Project for the Construction of the Colorado River Aqueduct, Bahía Blanca, stage II, Argentina.



Description	Impact	Approved amount	Duration
2017			
- Implementation of the Master Plan of the Lujan River in two stages. Includes the structural measures (conduction and retention works) and non-structural measures (territorial planning and institutional strengthening of the Lujan River Basin Committee).		USD 120 million	4 years
- Partial execution of the new system for the supply of potable water in the region which includes the city of Bahía Blanca and its neighboring localities of the province of Buenos Aires.	- 225.000 beneficiaries.	USD 130 million	4 years



Total 2017

USD 738 million

Initiative	Description	Impact
2018		
<p>More Investment for Water Program MIAGUA V, Bolivia.</p>	<ul style="list-style-type: none"> - National program to finance investment in the 339 municipalities of the country. It will support low complexity potable water and sanitation projects, providing supervision to encourage the sustainability and impact of the investments. 	<ul style="list-style-type: none"> - Installation of 30,000 new potable water connections. - Rehabilitation of 4,780 potable water connections. - 10 new sanitation connections.
<p>PTAR Project, Tacachira, Bolivia.</p>	<ul style="list-style-type: none"> - Construction of a plant for the treatment of residual waters (PTAR, for its acronym in Spanish). Phases I and II and one discharge pipe in Tacachira, District II. 	<ul style="list-style-type: none"> - 18,000 connections between new and improved ones. - 12 % reduction of water related diseases in District 7 and 14.
<p>Environmental Sanitation Program for Community Development, PROMADEC IV, section 2, Ecuador.</p>	<ul style="list-style-type: none"> - Project related to basic water and sanitation services, urban drainage, and comprehensive management of solid residues. 	<ul style="list-style-type: none"> - 125.000 beneficiaries.
<p>Sanitation Program in Panama</p>	<ul style="list-style-type: none"> - Improve the life conditions of the population located in the Metropolitan Area of Panama, and the provinces of Colón, Chiriquí, and Bocas del Toro, by improving and expanding coverage, quality, efficiency, and reliability of the potable water and sanitation services. 	<ul style="list-style-type: none"> - One million individuals benefitted in the Metropolitan Area of Panama and the province of Colon, and close to 40,000 people in the provinces of <ul style="list-style-type: none"> - Bocas del Toro and Chiriquí, through the expansion and optimization of the sewage systems and treatment of residual waters.

Approved amount	Duration
USD 77 million	5 years
USD 11,5 million	5 years
USD 50 million	5 years
USD 200 million	5 years



Initiative	Description	Impact
2018		
<p>AGRO+ Project</p>	<ul style="list-style-type: none"> - Increase of the agricultural irrigated surfaces, improvement in the efficiency of the use and distribution of water, incorporation of technical irrigation, use of agricultural best practices, and strengthening of the capacities of the farming family organizations for an adequate marketing of their products. 	<ul style="list-style-type: none"> - 4.950 families - 8.775 hectares
<p>Potable Water and Sanitation Program for the Urban and Rural Areas of the District of Buenaventura, phase I, Colombia</p>	<ul style="list-style-type: none"> - Construction and implementation of investments in aqueducts and sewage systems; social and institutional strengthening to improve the conditions of service provisions. 	<ul style="list-style-type: none"> - 400.000 beneficiaries



Total 2018
USD 490 million



Approved amount	Duration
USD 75 million	4 years
USD 76 million	5 years



Initiative	Description	Amount approved	Duration
2017			
Peru: Specialized assistance on methods for the construction of tunnels, dams, and hydraulic works.	<ul style="list-style-type: none"> - Technical advice and independent evaluation of the execution of the projects "Chavimochic, third stage" and "Majes Siguas, second stage". 	USD 75,000	18 months
Study to determine the economic impact of the lack or inadequate quality of potable water and sanitation.	<ul style="list-style-type: none"> - Determine the economic impact of the inadequate quality of water for human consumption, and the lack of sanitation in selected countries of the region, to mobilize public policies for the control of contamination in the basins and development of infrastructure for safe water and sanitation. 	USD 50,000	9 months
Phase 1 of the Latin American Sanitation Conference.	<ul style="list-style-type: none"> - Support the participation of CAF's shareholder countries in the Fifth Latin American Sanitation Conference, through technical assistance and support for the efforts to design public policies related to the prioritization of investments and sustainability of services. 	USD 75,000	18 months
Financing strategies and governance models in residual water treatment plants and multipurpose water projects.	<ul style="list-style-type: none"> - Have a regional framework of reference that influences public policies in the countries where CAF collaborates, through the knowledge of financing strategies, especially innovative ones, as well as regulatory, institutional, and corporate governance requirements in residual water treatment plants and multipurpose water projects, for their scaling and financing. 	USD 220,000	18 months

Table 5.2. Approved technical cooperations, water security

Initiative	Description	Amount approved	Duration
	2017		
Regional Workshop for the Analysis and Identification of Alternatives of Public-Private Associations for the Water Sector.	<ul style="list-style-type: none"> - Identify best practices to improve the management of the provision of potable water services, sanitation, and irrigation in the region. 	USD 80,000	12 months
Strengthening the capacities of the water sector in Latin America.	<ul style="list-style-type: none"> - Encourage the exchange of experiences toward and from the region, in order to support the countries in seeking and selecting the best practices at an international level, that may be transferred to the context of the Latin American countries. 	USD 340,000	20 months
Program for the improvement of management of potable water and sanitation services in cities.	<ul style="list-style-type: none"> - Support CAF's client countries to improve management of their potable water and sanitation services, through studies to develop the design, planning, and implementation of inclusive, accessible, and sustainable services for the population. 	USD 282,000	18 months

Total 2017
**USD
1,122,000**

Initiative	Description	Amount approved	Duration
2018			
Vindobona Project “Interception and treatment of residual waters in Quito and annexed Parishes”.	<ul style="list-style-type: none"> - Phase 1: Support in the review of products generated in the framework of the consultancy to prepare the project's transaction process as a public-private association, contracted by EPMAPS. - Phase 2: Develop the project's bidding process, starting by a review of the pre-contractual documents, to accomplish the negotiation and subscription of the delegating contract to the private sector. 	USD 300,000	12 months
Support the Peruvian Sectoral Reform project for Water Services in Rural Areas.	<ul style="list-style-type: none"> - Support to diagnose and develop an associative management model to improve the sustainability of water and sanitation services in rural areas, for a future replication at a national level. 	USD 200,000	20 months
National Plan for the Treatment of Residual Waters, Argentina.	<ul style="list-style-type: none"> - Support for the development of the National Plan for the Treatment of Residual Waters. 	USD 198,500	18 months
Management model for solid residues in the city of Sobral, linked to the PRODESOL operation, Brazil.	<ul style="list-style-type: none"> - Development of a new management system for solid residues. 	USD 100,000	12 months
Seminar on Governance for the Participative Management of Basins and Flooding Risk Management in the Framework of CAF's Financing to the Comprehensive Management Plan for the Lujan River Basin (March, 2019).	<ul style="list-style-type: none"> - Seminar regarding governance for the participative management of basins and flooding risk management (March, 2019), as a space to carry out the institutional support component “Strengthening of the Lujan River Basin Committee” in the framework of the loan “Implementation of the Comprehensive Management Plan for the Lujan River Basin”. 	USD 14,680	6 months

Total 2018
USD 813,180



Quality education

Promote initiatives that increase access to education, improve quality at all levels, and strengthen the relevance of educational offers with respect to the demands of the labor market.

Highlighted events, 2017-2018

In addition to the approved credit operations and technical cooperations, CAF contributed to position education in the region's public agenda by generating and disseminating knowledge through workshops, seminars, and publications:

▶ **3 Approved credit operations**

USD 202 million

▶ **7 Approved technical cooperations**

USD 618,267



- ▶ In Montevideo, Uruguay, a workshop seminar called “Young High School Graduates: Challenges and Opportunities to Guarantee the Right to Secondary Education” which disseminated the research carried out with the support of R4D regarding case studies to reduce school drop-out rates.
- ▶ Support and participation in workshops organized by the Technical Table on Development of Cross-Cutting and Socio-Emotional Competencies in Bogota, Buenos Aires, Quito, Asuncion, and Montevideo, which analyzed diverse subjects related to the development of socio-emotional skills in students.
- ▶ Support was provided to the Interamerican Education Agenda promoted by the OAS, and publication of the Interamerican Guideline of Strategies to reduce educational inequality.
- ▶ With respect to the development of teacher professional development, the first meeting of the Regional Program for the Development of the Teaching Profession was held in association with the World Bank, OEI, and OAS, as well as a workshop called Recognition of Selected Experiences. The report was concluded with the support of FLACSO, to summarize successful experiences in the region, and workshops were carried out to disseminate the results and exchange of experiences in Panama, Paraguay, Peru, and Argentina.

Initiative

Bilingual Program, Panama

**Support for the Plan
for the Renewal of the
Instituto Nacional de
Formación INADEH
(National Training
Institute) in Panama.**

**Program for the
Renewal of the
Faculty of Natural
and Exact Sciences
and Technology of the
University of Panama.**

Description	Impact	Approved amount	Duration
2018			
- Promote learning of English as a second language for teachers and students.	- This project will train 5.600 teachers, 12.125 secondary students, and 158, children in kindergarten and primary school.	USD 125 million	5 years
- Support to improve the infrastructure and teacher training.	- It is expected to benefit 31.000 youths that will be able to access better education in renewed facilities.	USD 50 million	5 years
- Partial rehabilitation of the infrastructure, and renewal of technological equipment.	- Will benefit 5.000 students who graduate from this Faculty annually.	USD 27 million	4 years

Table 5.3. Approved credit operations, quality education

Total 2018
USD 202 million

Initiative	Description	Approved amount	Duration
	2017		
Successful teacher professional development	- Identification of successful cases in the region regarding teacher professional development.	USD 96,000	18 months
Establishment of the National Qualifications Framework of Panama	- Support the Ministry of Labor and Labor Development in the definition of a national qualification framework.	USD 70,000	18 months
Strengthening of the link between education and employment through technical-professional education in Paraguay.	- Cooperation provided to the Finance Ministry of Paraguay.	USD 100,000	24 months
Efficiency and quality of the expenditures in early childhood in Uruguay.	- Project in favor of the Instituto del Niño y Adolescente (Children and Adolescents Institute) of Uruguay.	USD 31,000	18 months

Total 2017
USD 297,000



Initiative	Description	Approved amount	Duration
2018			
Studies for the creation of the Universidad de Santo Domingo de los Tsáchilas in Ecuador.	- Conduct feasibility studies for the implementation of a public university that responds to the educational needs of Santo Domingo de los Tsáchilas, in the framework of the strengthening of the Ecuadorean higher educational system	USD 97,000	18 months
Studies for the strengthening of technical and technological public institutes in Ecuador.	- Support the development of a conceptual and operational framework to improve the quality of technical and technological education in Higher Technical and Technological Institutes of Ecuador.	USD 80,000	12 months
Strengthening of the system for the protection of trajectories in secondary education in Uruguay.	- Support the National Administration of Public Education to reduce school dropout rates.	USD 144,267	18 months

Table 5.4. Approved technical operations, quality education

Total 2018
USD 321,267



Comprehensive urban development

Contribute to the development of cities promoting and implementing improvements in the conditions of the habitat through technical assistance and financing for projects, to promote greater social inclusion and urban productivity.

Significant events, 2017-2018

The Socio-Urban Integration Program was approved: Villa 20, Villa Rodrigo Bueno, and Villa Fraga in the city of Buenos Aires, where a set of actions and urbanization projects will be developed and implemented to contribute to improve social, economic, and physical integration of the villas and the cities.

Comprehensive operations were evaluated and approved in the

▶ 9 Approved credit operations

USD 667,5 million

▶ 4 Approved technical cooperations

USD 706,939

cities of Teresina, Palmas, Salvador de Bahía, Caucaia, Sobral, and Fortaleza in Brazil, contributing to improve the quality of life of the population through interventions that seek to increase the coverage and quality of basic services, improve connectivity, and reappraise urban and environmental conditions.

Organization of the Fifth International Urban Development and Inclusion Competition, an initiative that received 238 projects from fourteen countries of the region, with prizes to the proposals

of Peru, Ecuador, and Venezuela. The winning proposal of the International Urban Design Competition for Bañado Norte was chosen. This event was sponsored by CAF, whose objective for the second stage is to support the National Housing and Habitat Secretariat of Paraguay in the process of developing an intervention policy for the Northern Bank of the Paraguay River.

With respect to the subject of technical cooperation, the first phase of the Modernization Program of the National Land Registry System in Paraguay concluded. This multi-purpose project is aimed at improving urban management and planning of 254 municipalities in the country, and substantial advances were made in the execution of the Municipal Strengthening Program of the Province of Chiriquí, an initiative supported by CAF in the framework of the national decentralization process advanced in Panama.

In the framework of the local risk management strategy, and with the purpose of promoting more resilient cities in Latin America, CAF participated in the annual event of the 100 Resilient Cities Program, promoted by the Rockefeller Foundation (2017), and signed a Memorandum of Understanding with said organization with the objective of strengthening the exchange of knowledge and the methodologies designed to increase urban resilience, as well as strengthen the technical capacities to execute them in the region.

To strengthen CAF's position regarding urban development, in 2017 a CAF Conference was carried out under the motto "Cities with a Future", with the participation of more than 150 authorities which included ministers, mayors, experts, academics, and communications media from the different

countries of Latin America. It was the first edition of the CAF Conference in Latin America, which helped strengthen the Institution's role as a reference to address the challenges presented by the increasing urbanization of the region. In addition, the participation in the Hemispheric Mayor's Summit in Pachuca, Mexico, enabled the dissemination of CAF's proposals for the cities before approximately 800 mayors.

In 2018, the Organization participated in the IX World Urban Forum which took place in Kuala Lumpur, Malaysia, to analyze the advances in the implementation of the New Urban Agenda and Exchange perspectives regarding the main challenges confronted by cities at a world level.

CAF also supported the development of the International Conference "Sustainable Territories", which analyzed subjects related to the administration of territories and urban management. The Conference took place in Quito, Ecuador, and included the participation of more than 400 authorities and local technical officials.

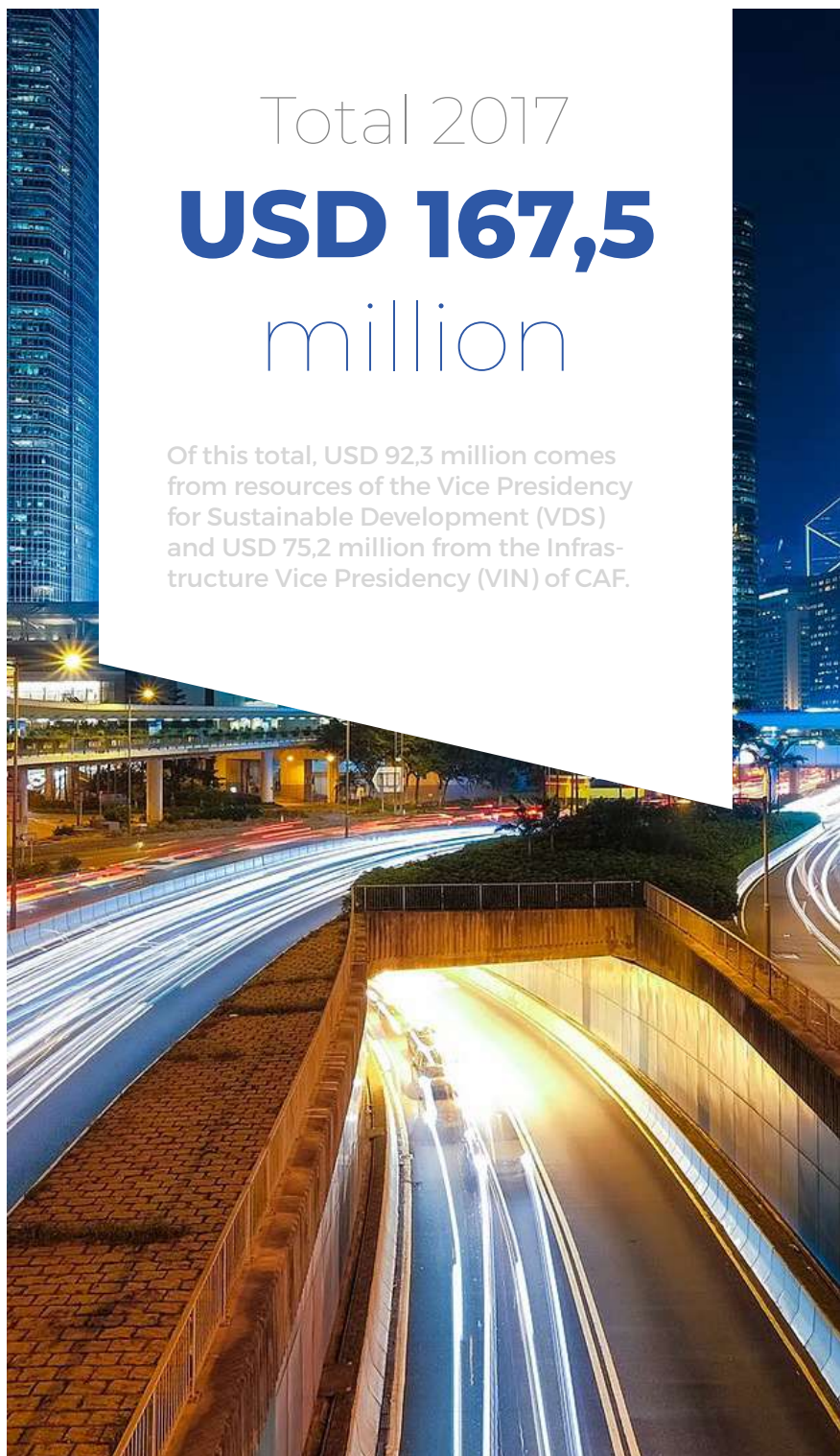
The support of the government of the City of Buenos Aires to the I Summit of Mayors of the Urban 20 should also be highlighted. This Summit focused on reviewing the agenda of global challenges from an eminently urban perspective, as part of the events prior to the G-20 meetings.

Finally, participation in the XXIII Summit of Mercociudades ("Mercocities") which took place in La Paz, Bolivia. This network includes 341 cities from ten countries in the continent. The debate focused on cultural subjects and issues related to municipal public policies that address innovation and governance emphasizing citizen participation and the construction of resilient cities.

Initiative	Description	Impact
2017		
<p>Program for Sustainable Urban Development, Teresina, Brazil.</p>	<ul style="list-style-type: none"> - Contribute to economic, social, and environmental development through interventions in urban mobility, precarious settlements, urban-environmental improvements, and in the improvement of municipal and tax management. 	<ul style="list-style-type: none"> - This is a municipal program, benefitting all the population in the city (844,000 inhabitants) and its metropolitan area (1.2 million inhabitants).
<p>Project for the Municipal Development of Palmas, Brazil.</p>	<ul style="list-style-type: none"> - Improve the population's mobility conditions and access to essential public services through a set of integrated actions which include tarmac pavement, urban drainage, lighting, health, education, and housing. 	<ul style="list-style-type: none"> - More than 100,000 persons directly benefited by one of the program's actions.
<p>Urban Reclassification Program for Salvador de Bahia, Brazil.</p>	<ul style="list-style-type: none"> - Support the development of the tourism sector through the urban improvement of strategic areas, improvement in the management of sanitation services, and in the information connectivity in the city. 	<ul style="list-style-type: none"> - The city will benefit from the additional income generated by the 8.5 million tourists that come to the city annually, and which are expected to stay an extra day as a consequence of the new tourist attractions.

Table 5.5. Approved credit operations, comprehensive urban development

Approved amount	Duration
USD 45,8 million	4 years
USD 61 million	4 years
USD 60,7 million	4 years



Total 2017
USD 167,5
 million

Of this total, USD 92,3 million comes from resources of the Vice Presidency for Sustainable Development (VDS) and USD 75,2 million from the Infrastructure Vice Presidency (VIN) of CAF.



Total 2018
USD 500
 million

Of this total, USD 368,1 million comes from resources of the Vice Presidency for Sustainable Development (VDS) and USD 131,9 million from the Infrastructure Vice Presidency (VIN) of CAF.

Initiative

Socio-Urban Integration Program: Villa 20, Villa Rodrigo Bueno, and Villa Fraga of the City of Buenos Aires, Argentina.

Program for Sustainable Municipalities of the State of Pará, Brazil.

Integrated infrastructure Program for Caucaia, Brazil

Socio-Environmental Development Program for Sobral, Brazil.

Education and Sanitation Infrastructure Program for the Municipality of Fortaleza, Brazil.

Co-financing line for infrastructure projects in Uruguay.

Description	Impact	Approved amount	Duration
2018			
<ul style="list-style-type: none"> - Promote socio-urban integration in the Rodrigo Bueno, Villa 20, and Fraga villas 	<ul style="list-style-type: none"> - 50,000 benefited by 4,000 new connections to the potable water network, 7,000 new connections to the sewage network, 10,000 inhabitants that stop living in overcrowded conditions. 	<p>USD 100 million</p>	<p>4 years</p>
<ul style="list-style-type: none"> - Contribute to improve the infrastructure for urban mobility, telecommunications, and collection, treatment, and final disposal of solid residues, as well as provide support for the development of management instruments for the improved services. 	<ul style="list-style-type: none"> - 516,000 people benefited from 3 sanitary landfills with a capacity of 400 tons per day, and 186 Km of rain drainage. 	<p>USD 50 million</p>	<p>4 years</p>
<ul style="list-style-type: none"> - Contribute to improve urban mobility and accessibility, socio-environmental quality, reclassification of collective spaces, and generation of employment and income for economic, social, and environmental development 	<ul style="list-style-type: none"> - 294,000 inhabitants benefited from the development and recovery of six public spaces. 	<p>USD 80 million</p>	<p>5 years</p>
<ul style="list-style-type: none"> - Increase the coverage and quality of basic water and sanitation services, improve the management of solid residues, and reappraise urban and environmental conditions. 	<ul style="list-style-type: none"> - 205.000 beneficiaries 	<p>USD 50 million</p>	<p>5 years</p>
<ul style="list-style-type: none"> - Improve the life conditions of the population through the supply of public services with investments in basic sanitation infrastructure, drainage, and education, contributing to the resiliency of the city in the face of climate change. 	<ul style="list-style-type: none"> - 28,000 people benefited from 29 new schools, 88 early childhood education centers, 29 sports training centers, 33 Km of potable water distribution networks, 110 Km of sewage network, and 65 Km of sub-superficial drainage. 	<p>USD 150 million</p>	<p>4 years</p>
<ul style="list-style-type: none"> - Support the development of public-private participations in Uruguay, facilitating access to long-term financial resources that correspond to the structure of the investments made. 		<p>USD 70 million</p>	

Table 5.6. Approved technical operations. Comprehensive urban development

Initiative	Description	Amount approved	Duration
2017			
Urban Regeneration Proposal in Bañado Norte, Asuncion	- Definition of an urban intervention proposal over Bañado Norte in the riverside area of the Paraguay river, and development of the project's profile to make the application for international financing.	USD 140,000	18 months
Improvement of Precarious Settlements in Latin America	- Contribution to the generation of knowledge regarding precarious settlements, public space, and risk management at an urban level.	USD 230,000	24 months
"Cities with a Future" Conference	- Organization of the CAF Conference "Cities with a Future", which took place in Lima, Peru, on November 2 and 3, 2017.	USD 326,939	6 months
2018			
Support for the International Conference "Sustainable Territories"	- Support for the organization and dissemination of the International Conference "Sustainable Territories", which took place in Quito, Ecuador, on September 27 and 28, 2018.	USD 10,000	3 months

Total 2017
USD 696,939

Total 2018
USD 10,000



Early childhood services

Contribute to the development of early childhood, by reducing the prevalence of chronic malnutrition and micronutrient deficiencies in early childhood in the countries of the region.

Significant facts 2017-2018

Advances were made in the development of a Nutrition Agenda, a document that defines the lines of action that will be addressed at the Institution to support the countries that have been prioritized in their objective to reduce chronic childhood malnutrition.

In addition, three sectoral papers were generated for Bolivia, Colombia, and Ecuador, which make a diagnosis of the nutritional situation of children under five years old, identifying opportunities for CAF actions.

Finally, support was provided for Venezuela and Ecuador with initiatives to reduce child malnutrition.



Other contributions to equity and sustainable development

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

This is done through interventions aimed at generating capacities for the citizenship and for productivity, using methodologies to level incomes, and for comprehensive complementary training.

PASOS for inclusion

The PASOS Program, identified opportunities to generate benefits for the population through direct participation of the communities as agents of change in their own development.

With respect to income levelling, the VDS promotes interventions in the framework of the program “PASOS for Inclusion”, which seeks to generate social and productive capacities in vulnerable communities in the geographic sphere of the credit operations, in line with the country strategies.

To guarantee compliance with this purpose, work should be carried out

to level social competencies and the development of productive capacities in communities, sectors, populations, or groups that experience high levels of exclusion and poverty, both in rural and urban areas, through methodologies that promote training for work, rural community tourism, and development of inclusive businesses.

Results 2017-2018

2 countries addressed
(Argentina and Peru)

500 individuals
benefited

550,000 accumulated
beneficiaries

Approved projects	
Project	Description
Nutricontugas	- Seeks to strengthen the productive and associative capacities of 200 women from the Department of ICA (Chincha, Pisco, Nasca, and Marcona) in Peru, by installing 12 soup kitchens, in order to improve their performance in entrepreneurship, organization and leadership, hygiene and food handling, security, environment, quality of life, management of residues, and recycling.
Socio-productive empowerment of high Andean farming women in communities linked to Majes Siguas	- form the communities of Caylloma, Sibayo, Callalli, Tisco, and Tarucamarca, close to the Angostura dam in the region of Arequipa, Peru, through the development of inclusive businesses related to rural community tourism and artisanal textile production.
Socio-productive empowerment of vulnerable communities in the province of Jujuy	- Seeks to improve socio-productive capacities and promote the connection to markets for 150 people from thirteen communities of the department of Humahuaca and three communities of the department of Valle Grande in the province of Jujuy, Argentina.

Comprehensive complementary training

With respect to comprehensive complementary training, for more than fifteen years CAF promoted two programs that contributed to the development of children and youths through music and sports.

SOMOS. Sports network for the development of Latin America



was an initiative that promoted soccer as a tool to develop socio-emotional skills and social inclusion amongst children and youths of vulnerable communities in the region, achieving the following results while in operation (2004-2017):

10
Countries assisted.

80,276

Children and adolescents benefited.

2,347

Coaches trained.

Music to Grow

At the same time, the Music to Grow Program was an initiative that used musical training as a development and social transformation tool, contributing with the comprehensive training of children and youths at risk in Latin America. During its years in operation, this program achieved the following results:



10

Countries assisted.

67,800

Children and adolescents benefited.

2,750

Local maestros trained.

Based on these results, and with the strong purpose of boosting the impact reached through these interventions, in 2018 a corporate decision was made to incorporate both methodologies as tools of CAF's Educational Agenda with respect to training in socio-emotional skills, which are so relevant in the comprehensive education of individuals and their capacity to efficiently insert themselves in the labor market.

Based on the successful experience of both programs, a systematization will be carried out of these methodologies so that they can become a part of the tools that will be offered to our member countries as option of a comprehensive education for children and youths from the formal educational sphere to reinforce socio-emotional learning.

Challenges

- Increase the impact of credit operations to contribute more efficiently to reduce the main social gaps that affect the quality of life of Latin Americans, specially the most vulnerable ones.
- Support the efforts of Latin American countries in the adoption of a water security approach, as well as the attainment of the Sustainable Development Objective (SDO) 6, relative to water, which also impacts on the achievement of the other SDOs.
- Continue to support the countries so that education effectively becomes a development tool through the expansion of access, as well as improvement of the educational quality and relevance.
- Increase the efforts to promote a comprehensive urban management approach in Latin American cities.
- Contribute to the implementation of an agenda for early childhood services with interventions that reduce chronic malnutrition in those countries that still suffer this problem.



Inclusion and gender equity

CAF accompanies Latin American countries in the generation of conditions that enable the expansion of opportunities for women, increase their economic autonomy, and reduce the existing gaps between women and men in the different spheres of life.

This is based on the commitment that countries of the region have assumed to promote the progress of women and gender equality, condensed in regional and international instruments such as:

- The **Sustainable Development Objectives (SDO)**, specifically objective 5: “Achieve gender equality and empowerment of women and girls”.

- The **UN Convention Regarding the Elimination of All Forms of Discrimination Against Women**.

- The **Action Platform of the Fourth World Conference on Women**, Beijing Action Platform.

- **The Interamerican Convention to prevent, sanction, and eradicate violence against women**, Belém do Pará Convention.

- The declarations of the **Regional Conference Regarding Women of Latin America and the Caribbean**.

These commitments raise important challenges for Latin American countries, in order to ensure that all individuals, especially women, may participate in the different spheres of life in equal conditions and opportunities, fully exercising their rights.

To undertake these challenges, CAF advances in the incorporation of the gender perspective in its operations and within the lines of financing its grants, safeguarding gender; at the same time, it contributes to gender equality by implementing initiatives aimed at empowering women and strengthening their productive and entrepreneurial capacities, as well as promoting and implementing initiatives with a regional scope that contribute to generate a society free of violence against women.

Institutional Guidelines on Gender Equity (LIEG, for its acronym in Spanish)

The **Institutional Guidelines on Gender Equity** are the reference framework that CAF has defined to address the gender approach in a comprehensive manner, and advance actions to reduce the existing gap between women and men in terms of access to development opportunities in countries of Latin America.

These guidelines establish the three pillars through which CAF seeks to find a comprehensive solution to the gender inequalities in the region, that is:



▶ **Direct action**

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

▶ **Mainstreaming of gender equity**

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

▶ **Preventive action**

Application of the **Gender Safeguard** in all CAF operations, considering the barriers that the project can reduce or overcome, the effects it will have on gender relations, and the risks of not including the gender perspective in its development.



With the implementation of these guidelines, CAF's management is aimed at the achievement of the following objectives:

- Incorporate the gender perspective in all the spheres of the Institution.
- Sensitize all the participants of the value chain generated by CAF at a regional level, regarding the importance and value added of the promotion of gender equity, and expand the access to development opportunities.
- Guide the planning and programming of fundraising activities, resource catalysis and provision of services, and management of knowledge, to address both proactive and preventive actions, as well as safeguard actions.
- Guide the management of human talent, focusing on the development of capacities to implement the promotion of gender equity and generate changes toward the integration of the gender approach in CAF's endeavor.

Strategic Gender Equity Plan (PEEG, for its acronym in Spanish)



CAF has defined the **Strategic Gender Equity Plan** through which it synthesizes its actions around three lines of work:



/ Organizational culture

- ▶ Training for CAF staff on gender perspective.
- ▶ Sensitization activities for internal and external collaborators.

/ Financing

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

/ Knowledge

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

► Organizational culture

Promote a corporate policy with gender perspective through the implementation of specialized training sessions according to the needs of each CAF area, as well as other sensitization activities.

Results:

Sensitization sessions regarding gender

Trained staff (including representation offices)

12

2017

285

7

2018

311

► Financing

Ensure that men and women benefit equally from the projects and programs financed by CAF, with cross cutting actions in CAF's projects and programs related with gender, in the framework of environmental and social safeguards, technical assistance, and technical cooperations.

Results:

In terms of contribution to sustainable development, the application of the gender safeguard is aimed at increasing the competitiveness of countries in this field, reduce or avoid social lags in the issue of gender, stop environmental deterioration, support economic growth, and improve the life conditions of the Latin American inhabitants.

Operations in which the pilot exercise of gender safeguard is applied

3

2017

>

5

2018

2017	2018
<ul style="list-style-type: none"> - Mi Riego II, Bolivia. - Project for the Implementation of the Comprehensive Management Plan of the Lujan River Basin, stage II, Argentina. - Program to improve and rehabilitate potable water and sanitation systems, part II, Uruguay. 	<ul style="list-style-type: none"> - Mi Agua V Program, Bolivia. - Sustainable Municipalities Program of the State of Pará, Brazil. - Renewal Project for Branch M, section Tapiales-Marinos of the General Belgrano-Belgrano Sur cruise, phase II, Argentina. - Line of Credit, Banco Santander, Brazil. - Projects of the British Prosperity Fund, Colombia.

It is expected that starting in 2019, the gender safeguard will be applied to all of CAF's portfolio, thus increasing the performance standards in this matter.

Approved technical cooperations

2

2017

>

2

2018

2017	2018
<ul style="list-style-type: none"> - Develop state capacities to prevent and respond to violence against women and girls. - For the game and your rights: Cultural transformation through soccer, Uruguay. 	<ul style="list-style-type: none"> - INMUJERES Campaign in Uruguay: "Engagements Free of Violence. 50 days for reflection " (sponsor). - Gender gap in the credit market. Experimental evidence for Chile (coordinated by the vice-presidencies)

In addition, in 2017 and 2018 the UIEG participated in **eight technical assistances** linked to the United Nations Adaptation Fund, the Global Environment Facility (GEF), and the Green Climate Fund (GCF).

2017

3 technical assistances



2 for the UN Adaptation Fund

The infographic for 2017 features a large blue semi-circle on the right side. To its left, a grey semi-circle is partially filled with diagonal hatching. Two blue arrows point from the blue semi-circle to the right. The top arrow points to the text '2 for the UN Adaptation Fund'. The bottom arrow points to the text '1 for the Green Climate Fund (GCF)'.

1 for the Green Climate Fund (GCF).

2018

5 technical assistances



2 for the Global Environment Facility (GEF).

The infographic for 2018 features a large blue semi-circle on the right side. To its left, a grey semi-circle is partially filled with diagonal hatching. Two blue arrows point from the blue semi-circle to the right. The top arrow points to the text '2 for the Global Environment Facility (GEF)'. The bottom arrow points to the text '3 for the Green Climate Fund (GCF)'.

3 for the Green Climate Fund (GCF).

► Knowledge

Improve public policies related to gender equity in the countries of the region.

2017



/ 4 Knowledge products

Financial inclusion of women in Latin America.

Water and gender.

Introduction to gender perspective. Training manual.

The distortionary effect of size and factor dependent policies: The role of factor substitutability in measuring the impact of a child-care subsidy policy in Chile.



/ 2 Participation

in fora and dialogue spaces

Board Meeting of the Regional Conference on Women in Latin America and the Caribbean.

4th PIAAC International Conference.

Strategic alliance with the United Nations Development Program (UNDP).

2018



/4 Publications and **/3 Participations** **collaborations**

in fora and dialogue spaces.

CAF paper “Gender Inequalities in Cities”, prepared jointly with UN Habitat, IDB, and the Government of the City of B. Aires

Gender violence in Latin America: Diagnosis, determinants and policy option.

Motherhood and the missing women in the labor market.

The Impact of a Permanent Income Shock on the Situation of Women in the Household.

4 publications in the institutional blog and other media.

Urban 20 Mayors Summit, panel “Making gender equality happen: How cities can lead by example”.

Board Meeting of the Regional Conference on Women.

Gender gaps: Regional scenario, 53rd Annual Meeting of the Argentinean Association of Political Economy.



Social innovation

Through its Social Innovation Strategy, CAF implements innovative models that contribute solutions to challenges related to human development, and which improve the life conditions of vulnerable populations, especially in the generation of social inclusion opportunities, by strengthening their basic capacities to contribute to income generation, access and quality of essential services, and improvement of their wellbeing.

The Social Innovation Direction (DIS, for its acronym in Spanish) is an experimental space that finances innovative dynamics for human development according to the stipulations of the Regulations of the Human Development Fund (FONDESHU, for its acronym in Spanish), which are representative of a financial additionality to the Institution's mission and operations.

The objectives guiding this operation are:


- Promote social innovation as an **instrument to build useful and sustainable solutions** to social problems in the region.
- Implement the political mandate expressed in the Regulations of the Human Development Fund (FONDESHU, for its acronym in Spanish), through initiatives that promote **inclusion opportunities for vulnerable groups**.
- Contribute to the **construction of social innovation ecosystems in the region**, through strategic, global, regional and local alliances with actors from different sectors and disciplines that may add to the collective impact.
- Promote new ways of doing things, particularly in the community and civil society, as **agents of change and main characters of their own development**.
- Contribute non-financial additionality to the Institution's mission and its operations, seeking possible solutions to **human development problems** of marginal populations as additional.
- **Capture and disseminate new and practical knowledge** so that other actors can replicate social innovation learnings and complement public policies in the corresponding areas.

Spheres of action

To comply with these objectives, the work of the DIS is focused on two spheres of action that are in permanent synergy.

**Macro
sphere**

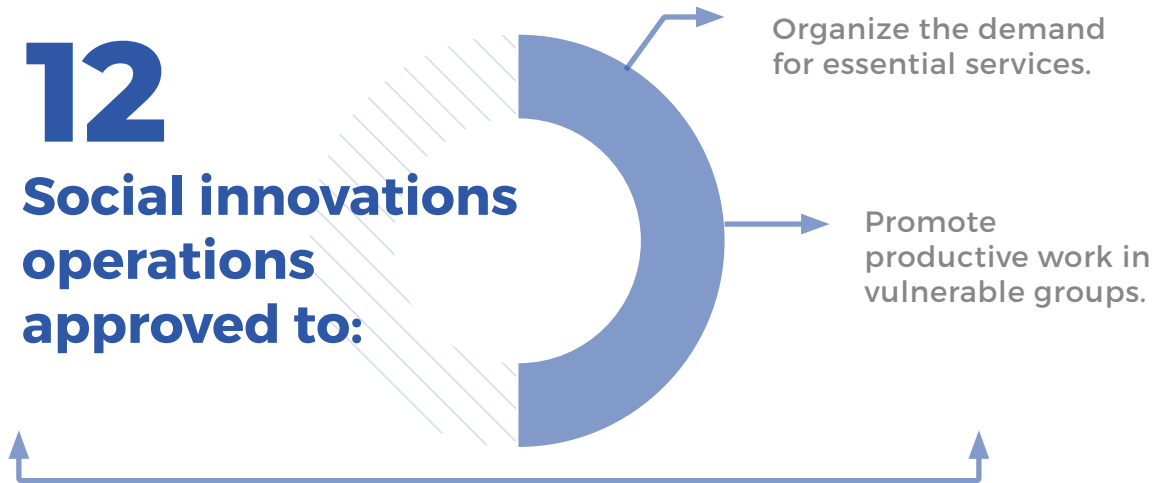
**Micro
sphere**

- 
-
- ▶ Build strategic alliances to promote social innovation ecosystems, new development paradigms, and changing trends in the region.
 - ▶ Promotion and trials of innovative and alternative ways to measure the impact of development actions.
 - ▶ Capture and dissemination of new and practical knowledge that helps other development actors replicate and escalate social innovation learnings.
-
- ▶ Strengthening of individual and collective capacities of vulnerable groups and organizations of the civil society from a perspective of rights and gender, in order to generate inclusion opportunities.
 - ▶ The approach is territorial and coming from the social demand for interventions that imply a multidimensional action (economic, political, social and environmental aspects, among others), in accordance with the complexity of the social reality.
 - ▶ Promotion of virtuous co-creation and cooperation processes from social demand, redefining the social problems and bringing non-conventional and efficient solutions to complex problems that are difficult to solve.

Results, 2017-2018

- Approval
- Alliances

12
Social innovations
operations
approved to:



110

Actors/partners involved.

41,854

Approximate individuals who improved their life conditions .

8

Alliances
managed to:



CAF investment multiplier

2,14 USD leveraged
for each Dollar
invested **2017**

1,69 USD leverage
for each Dollar
invested **2018**

- Files were created for the approved projects supported by the area in order to gather information regarding advances, results, practical knowledge, and learning achieved during the intervention period.

- Synergies were explored with loan operation evaluators and the groups originating such loan operations of different Vice-presidencies in the Institution, particularly in Argentina, Bolivia, Brazil, Colombia, Ecuador, Mexico, and Paraguay, to structure several social innovation operations as a financial additionality to said loans.

- Dissemination of new and practical knowledge, results of social innovation interventions, and of the trends that are promoted with the DIS network of allies, through more than forty events, including exchange of experiences, launching of projects, institutional presentations, and others, and the development of case studies that document the experience in the Direction's territory.

► Macro sphere

On average, each operation has more than ten strategic partners that are relevant to the social problem, including local and/or national public policy makers.

Following is a description of the results achieved in the implementation of the initiatives mobilized from the macro sphere:

Table 5.7. Macro sphere: Results achieved with the implementation of initiatives

Initiative	Results
<p>B Enterprises: Argentina, Brazil, Colombia, Chile, Mexico, Paraguay, Peru, Uruguay</p>	<ul style="list-style-type: none"> - CAF publication with Sistema B “Sistema B y las Empresas B en América Latina” (B System and B Enterprises in Latin America). - 424 enterprises certified in the region. - Collaboration with six law projects to favor triple impact enterprises. In Colombia it is already an approved law. - Growth of academic network: 1,340 participants and calls advanced to align the B evaluation to the 2030 Sustainable Development Objectives. - Establishment and consolidation of a B community in ten countries of the region. - Promotion and training regarding evaluation and management of socio-environmental performance. - Creation of entrepreneurial councils in six countries.
<p>Innovation with Sense Platform. Avina Foundation. Regional</p>	<ul style="list-style-type: none"> - 5,000 MSME’s, rural and urban cooperatives and large enterprises, are managed in a more sustainable manner. - 19 centers of remote economy in indigenous and farming communities benefit 35,000 people with access to internet, public services, and commercial training and opportunities. - Improvement of the economic and environmental feasibility of more than 4,600 small producers, entrepreneurs, and artisans of the Gran Chaco. - Implementation of three technologies for social change in four countries, to facilitate channels of communications between citizens and local governments.

Initiative	Results
<p>Unión de Responsabilidad Social Universitaria (University Social Responsibility Union) (ÚRSULA) Regional</p>	<ul style="list-style-type: none"> - ÚRSULA functioning as an institutionalized regional working platform regarding social responsibility at a university level. - 160 universities from 10 countries have joined ÚRSULA with 215 representatives.
<p>Semáforo de Eliminación de Pobreza of the Fundación Paraguaya. (Red Light for the Elimination of Poverty). Regional</p>	<ul style="list-style-type: none"> - In Paraguay: - 80 enterprises and 19,000 employees apply the Semáforo de Eliminación de Pobreza (Red Light for the Elimination of Poverty). - Ten public entities apply the Red Light with their workers and government programs. - The Red Light is declared of national interest by the Ministry of Labor. - With micro-financial entities: - Advance in the transfer of the Red Light to micro-financial entities in the region: Bancamía (Colombia) and Diaconía (Bolivia).
<p>Missing dimensions in the measurement of poverty. Regional</p>	<ul style="list-style-type: none"> - Successful dissemination of the study “The missing dimensions in the measurement of poverty” in national and regional fora. - Generation of evidence through the measurement of these dimensions in specific interventions.
<p>Ashoka: Network of social entrepreneurs</p>	<ul style="list-style-type: none"> - Identification of innovators and capture of knowledge of initiatives with a large value. - Participation, strategic mentoring, and interaction with the regional and global social innovation ecosystem. - Promote the Gobalizer program in its different versions.
<p>Social innovation from the public sector. ELIS</p>	<ul style="list-style-type: none"> - Creation of the Latin American Social Innovation Network from the Public Sector (ELIS, for its acronym in Spanish). - Launching of the Latin American Social Innovation Observatory to handle the knowledge produced by ELIS. - Launching of a digital publication regarding successful cases of social innovation in the public sector.
<p>CAF, ONCE and Fundación ONCE alliance</p>	<ul style="list-style-type: none"> - Generation of socio-economic inclusion opportunities through innovating models and solutions for people with disabilities. - Development of tools, technologies, and knowledge regarding labor integration. - Beginning of the project regarding accessibility for people with disabilities in the new air cable transportation system, TransMiCable, in Bogota.

► **Micro sphere**



Number of projects in the country

Figure 5.1. Direction of Social Innovation: Operations distributed by country

As of December, 2018, the DIS has a portfolio of thirty operations distributed in Argentina, Bolivia, Brazil, Colombia, Chile, Costa Rica, Ecuador, Mexico, Peru, Paraguay, Uruguay, Dominican Republic, Haiti and Venezuela, in addition to regional operations.

Initiatives for income generation, productive work, and wellbeing of vulnerable populations



Population with disabilities

2 initiatives

- Hands that Save Lives: Transforming a disability into an ability, Colombia, Mexico.

- Urban transportation infrastructure with equality for people with disabilities, Colombia



High risk youths

5 initiatives

- Creative environments: Art and learning for transformation, Argentina.

- Training School for Neighborhood Centers, Argentina.

- Queremos Graduarnos (We Want to Graduate), Venezuela.

- Youth Leadership in Motion, Colombia.

- The Art of Transforming Realities with At-Risk Adolescents, Peru.



Indigenous population and rural communities

4 initiatives

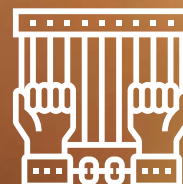


- Community Development and Social Innovation in Indigenous Communities of the Binational Guajira. Colombia, Venezuela.
- Trinational initiative in Pilcomayo, Gran Chaco: Conservation and

- Development, Argentina, Paraguay, Bolivia.
- Competencies "Sentí que se puede", (I felt I could) Paraguay.
- More Value and More Flavor in the Cocoa Routes in Ecuador.

Incarcerated populations

1 initiatives



- Prison programs in Paraguay, Peru and Bolivia.

► Population in disabled conditions

Adaptation of the German Model, Discovering Hands, in Spanish and outside of Europe, taking advantage of the sensorial capacities of blind women to make an early detection of breast cancer.

Hands That Save Lives: Transforming a disability into an ability. Colombia, Mexico

▶ Colombia

- Five women trained to teach tactile examining assistants (AET, for its acronym in Spanish) and one trained as trainer of trainers.
- Five women with visual disability trained as AET.
- Public hospitals in Cali incorporate AET in their payrolls.
- Clinical study with 300 patients: AET identify tissue alterations with accuracy rates above that of doctors (84 % v. 47 %).
- Curriculum under development by the SENA to train AET's.

▶ Beginning of the program's replica in Xalapa, Mexico

- Construction of an ecosystem of alliances with actors from different sectors and disciplines, including health authorities from the State of Veracruz, Oce Foundation for Latin America (FOAL, for its acronym in Spanish), Promotora Social México, Mexican Association for the Care of Visually Disabled Persons (AMADIVI, for its acronym in Spanish).
- Training of two Mexican facilitators as trainers of tactile examining assistants (AET).
- Seven women who are visually disabled received training and graduated as AET after nine months of theoretical and practical training.
- Practice work in public hospitals during three months.
- More than 1.000 patients examined by the AET's during their practices. Three cases of breast cancer detection confirmed.
- Qualitative and cost efficiency clinical studies designed (sample of 1.000 patients), to be executed in coming months.
- Interest to replicate the model by the Government of the State of Jalisco.
- The Universidad Veracruzana expresses interest in contracting exams for its 5.000 female employees.
- Two Mayors Offices from the State of Veracruz request detection sessions.

► Population in disability situation

Public-private collaboration between CAF, ONCE, and TRANSMILENIO S.A. that enables a qualitative jump to accessibility for disabled people in the new air cable transportation system of Bogota, TransMiCable, Colombia.

Equitable urban transportation infrastructure for people with disabilities, Colombia

► High risk youths

Promotion of socio-economic inclusion of adolescents and youths in vulnerable conditions, by strengthening their socio-emotional skills to improve their motivation, coexistence, school results, and future employability, using art as a tool for social transformation.

Creative environments: Art and learning for transformation, Argentina

► Advances:

- Beginning of the diagnosis of accessibility to the signs of the TransMiCable stations and improvement plan, as well as diagnosis of the management of passenger flows.

- The construction (or adaptation) of care and assistance protocols

is planned, as well as training to TransMiCable workers regarding care and support for people with disabilities.

- Request to replicate in the metros of Quito and Sao Paulo in the near future.

► Advances:

- Program selected as an innovative initiative with a high potential for replication during the 1st call for innovative experiences regarding teacher training in Latin America.

- Implemented in three schools and four neighborhoods of San Isidro, Greater Buenos Aires; and in four schools and neighborhoods of the city of Corrientes, in the north of Argentina, and follows in Azul, Jujuy, and El Pilar.

- Expected to reach 2,750 students and 4,000 youths from the communities.

- Creation and formalization of public-private consortiums with the participation of the ministries of Education, Culture, and Social Development of the Nation, Municipality of San Isidro, Ministry of Education and Cultural Institute of the Province of Corrientes, Fundacion Banco Nacion, Fundación Crear Vale la Pena, and CAF.

► High risk youths

Development of a dynamic structure for the systematization, research, and transmission of the methodology, principles, criteria, and strategy of the Neighborhood Centers (CB, for its acronym in Spanish), community organizations that provide services and support to complex situations of social and economic exclusion with a comprehensive human approach.

Strengthen educational processes and skills of vulnerable youths for their personal, family, social, and leadership development. Promote the participation of youths in seeking useful and sustainable solutions to social problems they face, through a comprehensive dancing pedagogy.

Construct a cultural platform with a preventive character, that strengthens, through art, the skills for life as well as personal, family, and community development of vulnerable youths.

Escuela de Formación de Centros Barriales (CB) (Neighborhood Training Schools), Argentina

Youth Leadership in Movement, Colombia

The art of transforming realities with at-risk adolescents, Peru.

► **Advances:**

- Design of contents for the development of systematized training programs regarding the methodology, principles, contexts, and approaches of the CB, implemented through on-line courses, and technical assistance and extension activities.
- Beginning of a research project to develop a diagnosis of the needs, opportunities, and perspectives of the CB.
- 150 community leaders trained in CB methodology.
- Development of two national meetings of CB with 2,000 participants of the 100 CB at a national level.

► **Advances:**

- 300 youths from Soacha and 150 from Mosquera participated in the program, trained on personal development, models, principles, and values through art.
- Workshops and meetings held with parents and the community regarding issues such as emotional ties, assertive communication, verbal and non-verbal communication.
- Implementation of psychological care for youths as an integral part of the program.
- The Mayor's Office of Soacha included the initiative in its Local Development Plan, 2018.

► **Advances:**

- Fifty youths strengthened their capacities for growth, resilience, and leadership, through the methodology of community accompaniment and expressive arts.
- Meetings and workshops were held for families and the neighborhood as part of the growth process and improvement of skills.
- Three youths selected to access a scholarship for the Development of Skills Diploma of the Universidad Peruana de Ciencias Aplicadas (Peruvian University of Applied Sciences).
- Development of research that addressed the overexposure of youths to risks such as violence, addictions, and youth pregnancy, among others.
- The Ministry of Education of Peru asks for the incorporation of the methodology in 15 schools in Lima.

► Indigenous population and rural communities

Contribute to the inclusive growth of the economy and food security of rural communities in Ecuador, through the integration of the productive and tourism sectors in the framework of the value chain of cocoa. The purpose is to generate employment for women and youths in rural areas, reduce the migration from the farms to the cities, and generate production that is friendly with the environment.

**More value
and More
Flavor with the
Cocoa Routes
in Ecuador,
Ecuador**

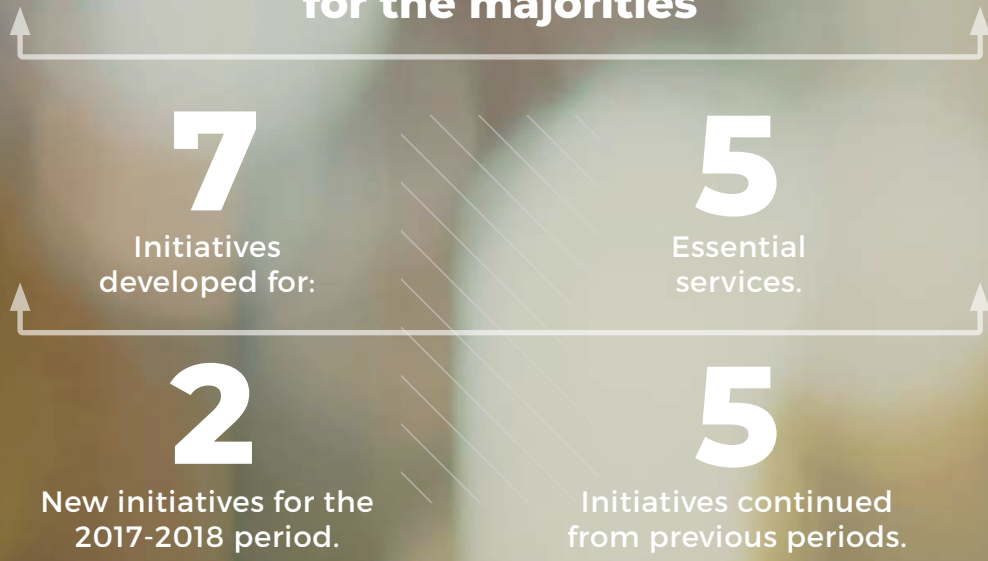


► Advances

- Provision of equipment and management capacity for the operation of the cocoa semi-elaborates plant in Guayaquil.
- 336 producers in the Amazon trained in the good management of cocoa plants and associates.
- A traceability system was established in collection centers, a condition for organic cocoa certification, to guarantee the correct post-harvesting management.
- 335 youths trained in inspection and internal control of cocoa.
- Integration of the productive activity of cocoa with tourism, in accordance with the Nation Plan for Good Living.
- Two operating community tourism schools.
- Contribution to the Chakra norm as a public policy which contributes to maintain agroforestry systems and nutrition in communities of the area.



Essential services initiative for the majorities



Education and financial inclusion

1 initiative

- Bankomunales: The other microfinance, Argentina,

Bolivia, Colombia, Haiti, Dominican Republic, Peru.



Telecommunications and health

1 initiative

- Telecommunications and health in the Napo River, Peru.



Health

1 initiative

- Umana: Social innovation and inclusive health system for the base of the pyramid, Argentina



Water

1 initiative

- Community empowerment for access to water in high Andean areas, Peru.



Housing

3 initiative

- Use of trust to develop housing improvements in the Greater Buenos Aires, Argentina.

- Smart homes for the Base of the Pyramid. Sustenance in Argentina and Uruguay.

- Construction of resilient houses with bricks made of recyclable materials, Colombia.



► Education and financial inclusion

Develop a financial education program with the community's own resources, through the creation of local investment and credit groups, with a vision of sustainability aimed at popular sectors.

**Bankomunales:
The other
microfinance,
Argentina,
Bolivia,
Colombia, Haiti,
Dominican
Republic, Peru.**

Test of a technical, financial, logistic, and technological model that enables the improvement of vulnerable housing by closing the plastic cycle.

**Construction
of homes
with resilient
bricks made
of recyclable
materials.
Colombia**

► Advances

- Bankomunales created in seven countries of the region: Argentina, Bolivia, Colombia, Haiti, Dominican Republic, Peru, and Paraguay.
- 601 groups of Bankomunales.
- More than 34,000 people directly benefited.
- Savings over one million Dollars (USD 1,100,000).
- Amount of credits: 7,932,613.
- Amount aimed at income generation: USD 4,059,092.
- Creation of 3,168 employments.
- 6,555 people have strengthened their businesses.
- More than 150 people trained in leadership, effective communications, management of Bankomunales, use of ICT's, basic computer skills, personal finances.
- Construction of development platforms that channel educational and technical training for work, micro-franchises, micro-insurances (life, hospitalization, funeral protection), medical/dental care, housing improvement and recreation.

► In penitentiary centers:

- 3 Bankomunales created in penitentiary centers in Peru and Paraguay.
- Savings of USD 32,686.
- 180 prisoners associated to Bankomunales.
- Amount of credit: USD 490,390.

► Advances

- An operational cycle was designed to implement the housing improvement model.
- Socio-economic characterization carried out, in addition to technical/architectural diagnosis of housing, and design of the improvement plan for 18 families.
- 29 doctors at home community workers trained and certified by the SENA in healthy housing, construction best practices, and construction methodology with plastic bricks.
- Design of the educational proposal for the conscious separation of residues in the community.

► Health

Generate access to quality, sustainable, and mass services for vulnerable populations in Argentina. Facilitate the development of technological tools that accelerate the expansion and systematization.

Umana: Social innovation and health system for the base of the pyramid, Argentina



► Advances

- Start the development of a software platform, a mobile application for the creation of solid knowledge foundations for the scale of the model.
- The Umana system has 65,900 users in Jujuy and 800 in Salta. Offers care in 21 medical specialties with a network of 85 professionals.
- Development of a systematization document of the Umana Model.
- Harvard University recognizes UMANA as one of the most inclusive health systems in the world.





A photograph of a person in a swimming pool, partially obscured by a dark teal overlay. The person is in the foreground, and the background shows water and a blurred crowd. The overall color scheme is teal and dark grey.

06

Sustainability

Environmental and climate change sustainability

► Material subject



Climate change agenda

Climate change is one of the greatest challenges currently faced by humanity. In the past years, its effects have increased considerably, making Latin America and the Caribbean one of the most vulnerable regions in the planet.

Aware of the severity of the situation, at the international level significant advances have been achieved to face the problem and promote sustainable development, low in emissions, and resilient to climate. Evidence of this are the two global agreements enacted in 2015, the 2030 Agenda for Sustainable Development, and the Paris Agreement, with which the international community adopts specific commitments to face climate change and its consequences.

In this scenario, CAF reaffirms its institutional commitment to promote sustainable development in all its interventions, a pillar of action since its creation, thus facilitating an orderly transition, efficient and equitable, to benefit the population. In this respect, CAF aims at increasing annual approvals that have a green component in Latin America and the Caribbean by 2020.

The Climate Change Agenda is an instrument through which the Institution guides its actions to support the countries of the region to transition to economies that are low in emissions and resilient to the effects of climate change. Under one strategy, it integrates

the components of mitigation and adaptation to climate change, and has an Action Plan with two specific objectives and five strategic lines that seek:

► To strengthen the institutional capacities and promote the development of policies, plans, and programs to face the challenges of climate change;

► Structure programs and projects with climate co-benefits and mobilize international resources aimed at climate financing.

Action Plan of the Climate Change Agenda

1

Specific Objectives

- Strengthen the **institutional capacities** and promote the **development of policies, plans, and programs** to face the challenges of climate change

Programatic lines

- Development and management of knowledge to face the challenges of climate change
Strengthen the institutional capacities to face the possible impacts of climate change

- Promote the development of policies, strategies, and guidelines that help CAF's member countries to comply with their international commitments

2

Specific Objectives

- Structure **programs and projects** with climate co-benefits and mobilize **international resources** dedicated to climate financing

Programatic lines

- Incorporation of the climate change variable in the design and structuring of projects and programs

- Acceleration of the climate financing from green funds and concessional credits

Following are the advances showing compliance with these objectives and strategic lines during the 2017-2018 period.

Strengthen the institutional capacities and promote the development of policies, plans, and programs to face the challenges of climate change.

Development and management of knowledge to face the challenges of climate change



- ▶ Specialized studies to identify new mitigation and adaptation opportunities in priority sectors.
- ▶ Data generation and management and adoption of information systems that facilitate the quantification of risks, vulnerability, and opportunities for climate adaptation and promotion of productive transformation.

Studies regarding vulnerability and adaptation to climate change

In 2018, studies regarding vulnerability and adaptation to climate change were carried out in the cities of Arequipa Metropolitana (Peru), Guayaquil (Ecuador), and Sao Paulo (Brazil), with the objective of analyzing the impacts of climate change, as well as prioritizing the adaptation measures necessary to reduce social, economic, territorial, and

environmental vulnerability in these cities. These studies were made through a participative process with key actors in the cities, according to their specific characteristics.

These studies constitute the base line for the definition of urban resilience programs in these cities, with opportunities of international climate financing I:

Prioritized urban resilience measures	
Arequipa, Peru	<ul style="list-style-type: none"> - Four adaptation measures were prioritized for the city: <ul style="list-style-type: none"> ▶ Infrastructure and information systems in the face of floods for the city of Arequipa, with an approximate cost of USD 123,7 million. ▶ Recovery of the riverside forests of the Chili River in the city of Arequipa, with an approximate cost of USD 61,4 million. ▶ Extensive green areas that have a decorative and recreational use for Metropolitan Arequipa, with an approximate cost of USD 36,8 million. ▶ Recovery of the urban ecosystem of the city of Arequipa, with an approximate cost of USD 12,4 million.
Guayaquil, Ecuador	<ul style="list-style-type: none"> - Three programs are proposed to advance in the necessary measures to strengthen the adaptation capacity of the city and “green” adaptation measures based on the ecosystems: <ul style="list-style-type: none"> ▶ Guayaquil Resilient City Program, with an approximate cost of USD 13,5 million. ▶ Adaptation based on the Ecosystems Program, for the City of Guayaquil, with an approximate cost of USD 7,6 million. ▶ Investment Program for the Resilience of Guayaquil, with an approximate cost of USD 113 million.

Prioritized urban resilience measures

Sao Paulo, Brazil

- Monitoring and Evaluation Program, USD 567,000.
 - ▶ Strengthening of the early alert systems in the face of existing climate risks.
 - ▶ Monitoring and evaluation indicator bank (M&E) of the vulnerability to climate change.

- Resilient Infrastructure Program, USD 132,4 million.
 - ▶ Urban rearrangement of favela neighborhoods with sustainable criteria. Pilot project.
 - ▶ Stabilization of grounds facing floods and landslides. Pilot project.
 - ▶ Implementation of permeable highways, Pilot project.

- Program for the Use of Land and Water Resources, USD 13.8 million.
 - ▶ Program to control ETV (zika, chikungunya, dengue).
 - ▶ Restoration of the Tietê River Basin. Pilot project.
 - ▶ Expansion of water funds in the Tietê river, to support the natural restoration of the basin.
 - ▶ Program for the use of the land and territorial planning adapted to climate change.

- Collaboration Program, USD 410,000.
 - ▶ Inter-municipal cooperation regarding climate change.
 - ▶ Training for industrial and services sectors.
 - ▶ Citizen dissemination campaign.

Latin American Investment Facility, LAIF

Resources from the LAIF Initiative for Cities and Climate Change were implemented for the development of studies for climate diagnosis and pre-investment of projects of urban resilience with climate co-benefits, for **€ 1,2 million**. The projects were the following:

- ▶ Vulnerability and adaptation to climate change study in the city of Fortaleza (Brazil), which will be complemented by a pre-feasibility study for the implementation of a sustainable urban complex in the neighborhood of Jangurussu.

- ▶ Other vulnerability and adaptation to climate change studies in the cities of Loja and Santa Cruz de Galápagos (Ecuador), La Paz and Tarija (Bolivia), Recife (Brazil), Piura and Trujillo (Peru).

- ▶ Comprehensive climate diagnosis study in the city of Portoviejo (Ecuador), which includes an analysis of climate vulnerability, carbon footprint, and urban footprint.

In addition, **€ 1 million** were approved to carry out pre-investment studies in the following projects: BRT Santa Cruz (Bolivia), Urban Transportation (Argentina), and Sustainable Iquitos (Peru). Finally, the measurement of the Footprints of Cities in El Alto and Cochabamba (Bolivia) concluded, completing 14 cities in the region that have carried out this study.

Climate Financing Facility Based on Performance (LAIF PBC)

The **Climate Financing Facility Based on Performance** seeks to promote the design and implementation of pilot projects to mitigate greenhouse gasses (GHG) in Latin America within different sectorial mechanisms. The Facility is executed jointly with the German Development Bank (KfW, for its acronym in German), with non-reimbursable donation resources reaching €10 million, coming from the Latin American Investment Facility (LAIF) of the European Commission, which are allocated based on the following components:



**Incentive
mechanisms
based on
performance**

**Technical
assistance
facility**

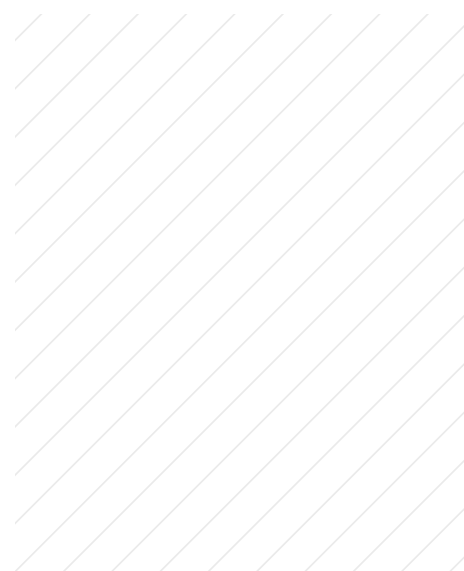
**Financing for the
implementation
of pilot projects**

- Up to € 8 million.
- Economic incentives to overcome and/or eliminate the barriers in the implementation of projects to mitigate GHG.
- The beneficiary projects are rewarded for each ton of CO2 prevented and verified, with a pre-defined amount and delivered ex-post.
- It is expected that incentive will be allocated to ten projects in two sectorial mechanisms for mitigation of GHG.

- Up to € 2 million.
- Designed to finance three implementation concepts for three sectorial mechanisms for GHG mitigation in Latin America, of which two will be selected for their implementation.
- It also provides support in the design and implementation of mitigation activities related to the development of capacities, introduction of robust measurement, reporting, and verification systems (MRV) and the development of these processes.

- The financing required for the implementation of pilot projects of the sectorial mitigation mechanisms may materialize through the institutions that promote the initiative, that is, CAF and/or KfW.

The development of this initiative is expected to prevent the emission of 1 million tons of equivalent carbon dioxide (tCO₂e) by December 31, 2021.



In the development of this initiative during 2017 and 2018, the following advances were made:

- ▶ **The Concept of Implementation was developed for the sectoral mitigation mechanism in the industrial and energy sectors in Colombia, which was approved for implementation by the European Commission.**

- More than thirty renewable energy projects were identified and evaluated for the implementation of the sectoral mechanism.
- The initiative was socialized before unions and in multiple national and international events.
- Three letters of expression of interest were signed and the respective files of significant projects for their sectors: solar panels for the commercial sector, and energy efficiency for the steelmaking industry.

- ▶ **Commitment letters were signed, and four technical and economic feasibility studies were developed for the implementation of mitigation projects, through the mechanism for the urban solid residues sector in Ecuador. These projects expect to mitigate 500,000 tons of CO₂-e during the 2020-2021 period.**



Strengthening of the institutional capacities facing the possible impacts of climate change



- ▶ Support national and sub-national governments to acquire capacities to evaluate the climate impacts and risks on key infrastructure and vulnerable communities.

- ▶ Develop capacities for mitigation and adaptation in priority productive sectors.

/ Circular economy and management of solid residues

A digital publication was made and a webinar held to disseminate best practices and technologies for the use of solid residues in the framework of the circular economy, to promote projects in intermediate cities in Latin America.

Webinar “Analysis of vulnerability and adaptation to climate change in cities of Latin America”

A webinar was held with the objective of promoting CAF’s positioning regarding urban adaptation, through a presentation of the results obtained in the vulnerability and adaptation to climate change studies conducted in the cities of Arequipa (Peru), Guayaquil (Ecuador), and CIOSTE in Sao Paulo (Brazil).

Thus, the webinar revealed the analysis of the vulnerability of these cities, and presented the portfolio of prioritized projects based on urban resilience, in order to promote international climate financing. The webinar included the participation of 350 people, and panelists were invited from organizations that promote the climate change agenda in the region, such as Factor CO2, Acclimatise and Libélula.

Workshops and events

2017

VI LEDS LAC Regional Workshop in Mexico City, focused on “Governance for a resilient and low in emissions development: connecting actors, sectors and levels of government to advance in the implementation of NDC’s”

- More than 170 people participated in the workshop, including government officials, international organizations, NGO’s, and other actors that work in the promotion of development that is compatible with climate, from 25 countries of Latin America and the Caribbean, and other countries of the world.

2017

XI Latin American and Caribbean Forum on Carbon, 2017: “Act to achieve the Paris Agreements”

- Event that gathered key agents of the public and private sectors to contribute together with the latest innovations regarding mitigation of climate change, and establish contacts with cooperation agencies, possible investors, and service providers. In this edition, the forum focused on the actions that need to be taken in the different scenarios to achieve the Paris Agreement.

United Nations Framework Convention on Climate Change, COP 23

- In the international scenario, CAF continues consolidating its position and leadership regarding climate change, with a noteworthy participation in the **COP 23**, which took place in Bonn, Germany, in November of 2017, where it organized several events, among which the following stand out:

- ▶ **Climate action in financial institutions:** Integration of the Paris Agreement to the financial sector.
- ▶ **Joining efforts in the face of change:** Accessing international financing to comply with the Determined National Contributions in Latin America and the Caribbean, where work was carried out with the delegations of nine Latin American countries and non-governmental organizations such as ECLAC and United Nations, to seek solutions for the challenges of access to international climate financing.

2018

VII LEDS LAC regional workshop in Santiago, Chile, with the main subject being “Sectoral and multi-level coordination to strengthen the implementation of NDC in Latin America”

- Carried out jointly with the EUROCLIMA+ program “Dialogue among peers”, where both initiatives joined efforts to promote the implementation of the Determined National Commitments (NDC for its acronym in Spanish) of the Paris Agreement in Latin America, with a special emphasis on sectoral and territorial coordination initiatives.

2018

Latin American and Caribbean Forum on Carbon 2018: “Climate action for sustainable development: promoting change in Latin America and the Caribbean”

- The forum took place in the framework of the Climate Week in Latin America and the Caribbean, which took place in Montevideo, Uruguay, with the objective of promoting collaboration between the government and the private sector to revert climate change. The forum focused on subjects associated to infrastructure that is resilient to climate, carbon markets, sustainable transportation, sustainable production and consumption, climate financing, and cities, among others.

United Nations Framework Convention on Climate Change, COP 24

- CAF organized and participated in several events, among which the following stand out: CAF's parallel event: “Climate financing to develop sustainable development in Latin America”, where representatives of the governments of Ecuador, Argentina, Chile, Panama, and Uruguay presented the challenges and opportunities they face so the implementation of the sustainable infrastructure needed for their development aligns with the commitments of the Paris Agreement.



Promote the development of policies, strategies, and guidelines that help CAF member countries in complying with their commitments.



► Support governments in the design and development of policies, strategies, plans, and programs aligned with sustainable development, low in emissions, and resilient to climate.

► Assist governments in the review and update of their National Determined Commitments (NDC) and in the review and report of compliance goals.

► Promote regional cooperation platforms and networks for innovation and entrepreneurship that address the causes and effects of climate change.

Nationally Appropriate Mitigation Action for the Panales³ Subsector

³ In other countries of the region known as: “piloncillo”, “pepa dulce”, “papelón”, “raspadura”, “atado de dulce”, “tapa de dulce”, “empanizado”, “raspadura de guarapo”, “panocha”, “chancaca”.

Support was provided to the Ministry of the Environment and Sustainable Development of the Government of Colombia to **design and structure the Nationally Appropriate Mitigation Action for the Panales Subsector** (NAMA Panales, for its acronym in Spanish), which will enable the development of mitigation strategies to mitigate GHG through productive reconversion in the sowing and management of crops, technological reconversion of trapiches (wheel grinders), and the utilization of sub-products.

This seeks to improve competitiveness in the sector and increase producer incomes, which will help improve their quality of life and working conditions, as well as reduce deforestation.

Workshop on Methodological Approaches for the Development of Vulnerability Studies

The event took place in Brasilia (Brazil) and gathered local authorities and representatives from leading institutions on the subject of resilient and sustainable cities in this country. The purpose was to strengthen the knowledge on vulnerability to climate change, in order to facilitate the process to create adaptation policies and projects.

Tool for the impact evaluation of the Sustainable Development Objectives and Goals of the Paris Agreement

To facilitate the evaluation of the contribution of CAF’s projects to achieve the commitments assumed in international instances, such as the nationally determined agreements (NDC) adopted in the Paris Agreement and the goals of the Sustainable Development Objectives, a tool was developed for project evaluation, under a scorecard approach, where the different projects may be evaluated under a set of indicators related with the NDC and the SDO so that the degree of contribution of said projects compared with the international commitments established may be evaluated.

Collaboration with the United Nations through the Regional Collaboration Center (RCC-Panama UNFCCC)

In association with the UN Secretariat for Climate Change, CAF commits to support national actions regarding climate through its Regional Collaboration Center in Panama (RCC Panama).

The RCC catalyzes and supports local and regional actions in the substantive areas of work at the climate secretariat, using a global scope network to make and maintain effective associations that ensure that the process of the United Nations Framework Convention on Climate Change (UNFCCC) is aligned with those countries that are committed to accelerate the action to address the causes and consequences of climate change.

The work plan of the RCC in 2018 included the following objectives:

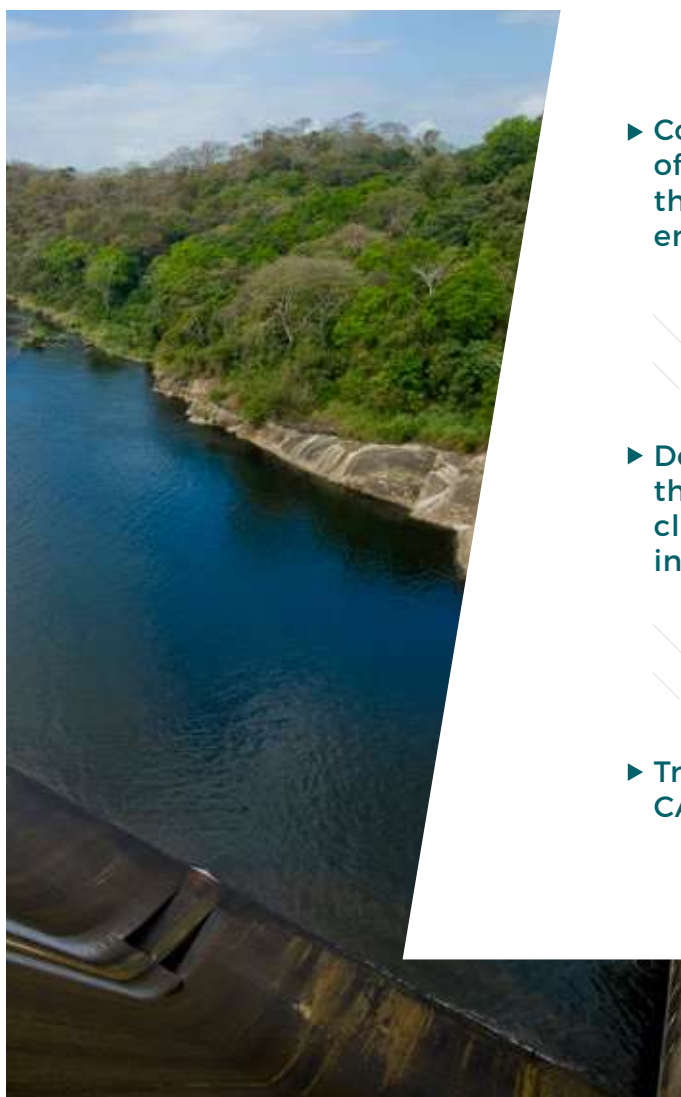
Table 6.1.RCC objectives and actions in 2018

Objectives	Development
<p>Implementation of the Global Climate Action (GCA) of Marrakech</p>	<ul style="list-style-type: none"> - RCC Panama participated in activities that helped promote the GCA agenda in cross-cutting areas such as the Talanoa dialogue, cities, clean mobility, health, youth, children, migration, gender, indigenous peoples, and neutrality initiatives.
<p>Ensure an effective support to interested parties of the Clean Development Mechanism (CDM) with a focus on regions with low representation.</p>	<ul style="list-style-type: none"> - The RCC provided technical support to CDM projects related with regulatory implementation and support to processes, including the development and renewal of standardized base lines (SBL). - In addition, it has promoted CDM ensuring that the knowledge and lessons learned of “learning by practice” are shared as widely as possible in the projects to mitigate climate change. - The RCC has also promoted national and regional plans to neutralize carbon, that allows the use of MDL; for example, Huella Chile and the Carbon Neutralization Program of Costa Rica V2.0.

Objectives	Development
<p>Participate in the collaboration with UNFCCC programs in activities that directly support the inter-governmental process (before 2020 and the implementation of the Paris Agreement)</p>	<ul style="list-style-type: none"> - With the new developments in the climate change scenario, particularly through nationally determined contributions (NDC), and to strengthen these efforts in coming years under the Paris Agreement, the RCC has demonstrated its potential to effectively support strategic areas of the work of the UNFCCC Secretariat on the field, such as adaptation, finances, development of capacities and technological transfer, mitigation, and data analysis. - As evidence of this, by supporting the UNFCCC world initiative “Approach based need for climate change”, the RCC and the NDC-Partnership advanced formal agreements in selected countries of Latin America and the Caribbean to introduce tools and a strategy for the mobilization of climate financing.
<p>Support the efforts to substantially expand green finances and investments to contribute to climate action before 2020, and to the achievement of the Objectives of the Paris Agreement.</p>	<ul style="list-style-type: none"> - The objective of these activities was to make financial flows consistent with a reduction in greenhouse gases and with climate resistant development, according to the Paris Agreement. The RCC participated with price fixing initiatives for carbon in the Dominican Republic, Panama, and Paraguay. - In addition, the RCC associated with OLADE to expand the establishment of regional platform to finance mitigation projects, including the establishment of best practices communities, platforms for the structuring of mitigation projects, and facilities for the development of capacities and experience in the use of climate financing.

Structure programs and projects with climate co-benefits and mobilize international resources aimed at climate financing

Incorporation of the climate change variable in the design and structuring of projects and programs



- ▶ Contribute to the design and structuring of projects and programs that incorporate the climate change variable in order to ensure their resilience and sustainability.

- ▶ Develop indicators and tools to measure the impact and performance of the climate component in projects and investment programs.

- ▶ Transversalize climate change in the CAF business cycle

Green bonds program

The launching on CAF's Green Bonds Program was carried out in 2018, with the coordination of the Green Businesses Unit (UNV, for its acronym in Spanish), under the leadership of the Direction of Financing policies and International Emissions (DPFEI, for its acronym in Spanish), and with wide technical support from the Climate Change Unit (UCC for its acronym in Spanish).

This alliance, which is foreseen as a long-term one, brings together the experience of the DPFEI in raising resources in capital markets and the knowledge of the UCC in structuring and classifying green operations, which serve as underlying assets in the emission of these bonds. It is important to note that throughout the year, the Green Bonds Program placed three emissions for a total amount of USD 132 million.

Annual report and periodic follow-up of green Financing

In coordination with the UNV, the UCC supports the Institutional Management Area (AGAI for its acronym in Spanish) in the compilation of data and quality controls that enable the development of the green financing report. The Green Financing Report captures the proportion of approvals that have been allocated to environmental sustainability operations, mitigation of the emissions of greenhouse gasses, and/or adaptation to climate change. This exercise is carried out annually.

Strengthening of internal capacities

Internal courses were conducted to strengthen the capacities of executives in the management of projects with climate change components.:



Projects adapted to climate change

Objective: Aimed at business executives interested in learning the main aspects of adaptation to climate change and in facilitating the incorporation of these components in the Institution's projects.

103 executives completed the course.



Tool to calculate the carbon footprint

Objective: Aimed at business executives, particularly those that structure technical cooperations and projects for international green funds, in order to teach methodologies for the calculation and reduction of emissions of greenhouse gasses for 28 types of projects in different sectors, such as transportation, energy, environmental sanitation, roads, and energy efficiency, among others.

⁴ Online courses available at CAF's virtual learning platform: UVCAF.

Between registered staff that started or finished the course there were a total of 89 individuals.

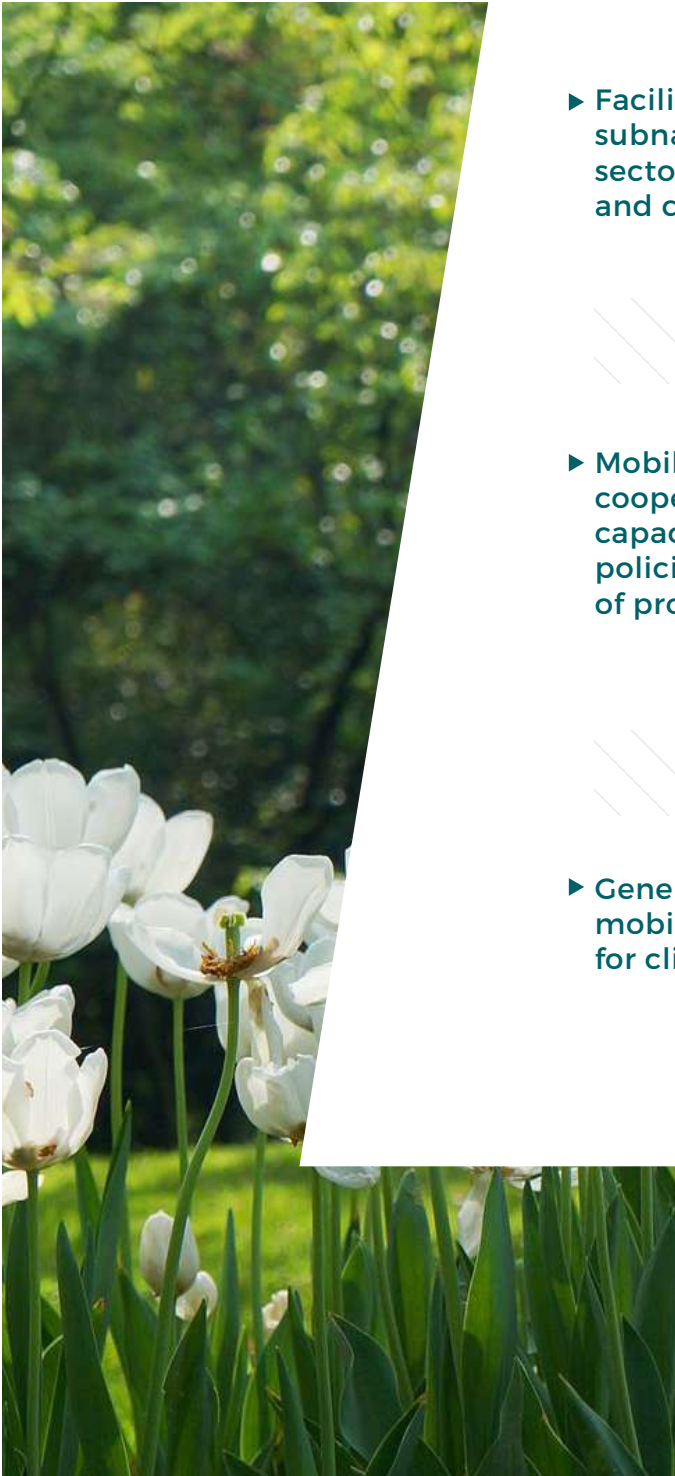


Methodology of the Logical Framework for Results Based Management

Objective: Update and strengthen the knowledge on the application of the methodology of the Logical Framework for Results Based Management, as an operational framework adopted by CAF to structure technical cooperations with third party resources and for the international funds for which CAF is an executing agency.

170 staff took and approved the course.

Acceleration of climate financing from green funds and concessional lines of credit



- ▶ Facilitate access for national and subnational governments and the private sector to international climate financing and concessional green credit lines.

- ▶ Mobilize non-reimbursable technical cooperation resources to strengthen the capacity and structure of strategies and policies, as well as for the implementation of projects and programs.

- ▶ Generate the enabling conditions for the mobilization of private sector resources for climate financing.

Green Climate Fund (GCF)

During the reported period, the Framework Donation Agreement for Preparatory Support” was signed, a necessary condition to become an implementation partner of the Readiness resources of the Green Climate Fund, and the Framework Accreditation Agreement became effective, which enabled the leverage of the following initiatives:

Argentina



Approval by the Green Climate Fund of the project “Comprehensive Management Plan for the Rio Lujan Basin”, which seeks to increase resilience to the effects of climate change in the Province of Buenos Aires, through the prevention of floods, controlled management of water flows, and moderation of the effects of flooding on the Lujan River basin.

Approved amount: USD 58,5 million.

The first application for Readiness resources was completed, aimed at strengthening institutional capacities in Chile, Costa Rica, Panama, and Paraguay.



Approved technical cooperation resources:

USD 1 million

Approved technical cooperation resources:

USD 700,000

Readiness resources for the institutional strengthening of the country: support the Government of Chile's institutional strengthening to optimize its access to Climate Green Fund resources, be means of the following actions:

- ▶ Support the national strategy for the financial structuring of projects with climate co-benefits.
- ▶ Prepare three conceptual notes prioritized by the Ministry of Finance: energy commune, re-use of residual waters, sustainable heating.
- ▶ Support for national entities to be accredited or executing agencies of the GCF.
- ▶ Establishment of a system of environmental and social safeguards, including gender policies, which will be used by the national entities.

Readiness resources to strengthen the public-private planning processes: To support the strengthening of governance processes and planning for climate change at a subnational level, through:

- ▶ Strengthening of climate governance processes at a subnational level.
- ▶ Development of subnational climate diagnosis.
- ▶ Construction of a long-term vision for territorial climate interventions through dialogues in the regions.
- ▶ Identification, prioritization, and design of climate actions at a subnational level.
- ▶ Establishment of implementation strategies for climate actions prioritized at a subnational level.



Approved technical
cooperation resources:

USD 300,000

Costa Rica: Toward responsible and sustainable financing for climate action.

Readiness resources to strengthen national capacities, finalize national planning processes, establish the work frameworks, and promote the environments that are necessary for the country to effectively access implementation funds provided by the GCF.

In addition, this support seeks to develop a strategic program for the country, which determines the development priorities and potential opportunities of projects and programs to present for the approval of the GCF.



Approved technical
cooperation resources:

USD 300,000

Readiness resources to strengthen the mechanisms to access and finance projects that address the challenges of climate change in the Republic of Paraguay.

With the objective of establishing a framework for the Designated National Authority (NDA for its acronym in Spanish) and strengthen its coordination function and support for the development and follow-up of proposals that will be presented to the Green Climate Fund. This, in addition to the development of a strategic framework for the preparation of national action programs for mitigation and adaptation projects related to the commitment of the Fund with Paraguay.



Panamá

Approved technical
cooperation resources:

USD
895,667,05

Readiness resources focused on strengthening national capacities,

complete the national planning processes, and establish the adequate environment to access financing for the implementation, specifically through support for the design of financial structuring for prioritized projects. This is done through the following actions:

- ▶ Develop Panama's National Strategy for Climate Change by 2050 (ENCCP 2050, for its acronym in Spanish), through a participative process which is inclusive and has a gender approach.
- ▶ Develop a Country Work Program for the Green Climate Fund, participative process which is inclusive and has a gender approach.
- ▶ Develop a national procedures manual for the emission of no-objection letters for national and regional initiatives that seek access to national and international climate financing.
- ▶ Establish an on line platform to process applications for no objection letters for national and regional initiatives that seek to access national and international climate financing.
- ▶ Develop a study regarding evaluation of barriers and opportunities for private sector participation.

At the same time, approval was granted for resources of the Project Preparation Facility (PPF) for the implementation of the Sustainable Transportation Program for Intermediate Cities of Colombia.



Approved technical cooperation resources:

USD 1,415,750

Disbursed amount:

USD 1,078,000

Sustainable transportation for intermediate cities: Pasto, Pereira, Montería, Valledupar (STIC) seeking to reduce the emissions of GHG as a result of the adoption of more efficient public and private transportation with fewer carbon emissions in four intermediate cities of Colombia (Pasto, Pereira, Montería, Valledupar). This must be accomplished by a combination of strategic interventions that will allow:

- ▶ A modal change of low capacity vehicles (motorcycles and private automobiles) to fewer larger and better operated vehicles; that is, integrated systems of bus transportation.
- ▶ A modal change of utility vehicles (SUV), automobiles, motorcycles, buses, to non-motorized transportation (bicycles, walking, etc.).
- ▶ Less distance covered per activity as a result of better urban planning and management of the demand for transportation.



► **Chile**
► **Ecuador**

Reduction of climate vulnerability and risk of floods in urban and semi-urban areas in cities of Latin America (Chile, Ecuador)

Objective: Reduce the vulnerability to floods related to climate, the flows of mud and landslides in three coastal cities by incorporating an adaptation approach based on risk, the development of collaboration and networks, and development of a culture of adaptation. The project is focused on the hydrometeorological dangers of mud flows in Antofagasta and Taltal (Chile) and floods and landslides in Esmeraldas (Ecuador).

Approved amount:

**USD 13,91
million.**

Components:

- Priority actions to increase resilience.
- Strengthen adaptation capacities.
- ICT and association between coastal cities in Latin America.

During the period, two projects were approved by the United Nations Adaptation Fund, for a total amount of

USD 16,39 million.

Approved amount:

**USD 2,48
million**

► Ecuador

Increase the adaptation capacity of local communities, ecosystems, and hydroelectric systems in the higher basin of Rio Blanco (Toachi-Pilatón Basin) with an adaptation approach based on ecosystems and communities, and comprehensive adaptive management of hydrographic basins.

Objectives:

- Reduce the impact of climate change on the hydrological cycle under the comprehensive management of hydrographic basins.
- Promote sustainable agricultural practices adapted to the new conditions of climate change and efficient technology in production processes supported by credits.

Components:

- Conservation of vegetation in an area of 230,000 hectares, supported by the introduction of an active management of sustainable forests and conservation technologies.
- Adaptation of agricultural practices to the new conditions of climate change.
- Strengthening of local capacities.

In addition, in 2018 a project previously approved began its implementation: “AYNINACUY: Strengthening of subsistence means and income sources for vulnerable high Andean communities in the provinces of Arequipa, Caylloma, Condesuyos, Castilla, and La Unión in the Region of Arequipa, Peru”.



Conservation and sustainable use of the natural capital



The interest and demand for products and services based on the sustainable use of biodiversity and ecosystems (green businesses) is growing at rates above that of the world growth (6 % per year). Among other reasons, this is due to the fact that consumers are more and better informed, demanding products and services that respect the natural and social environment in which they develop.

Green businesses are a trend based on conservation, sustainable use, and fair and equitable distribution of the benefits associated to the use of biodiversity, its forests, and ecosystem services they provide (natural capital). More than a niche, they are a global trend with the capacity to generate new markets, new work profiles, and promote the transformation of the productive base in developing countries, rich in natural capital and with the potential to develop inclusive and competitive businesses.

The region of Latin America and the Caribbean is in a privileged position in this scenario. Due to the characteristics of its natural capital, it has the potential to become the leading region in the world in terms of generating green businesses that are low in carbon emissions:

The natural capital of Latin America:

Has
12 % of the arable land
of the planet.



Has more than
30 % of the available fresh water resources in the world.

Houses
6 of the 17 megadiverse countries in the world.



Has
one fifth of the forests of the planet.

Contains
40 % of the biodiversity of the planet.



Has
25 % of the biofuel reserves in the world.

Source: ECLAC (2015). Natural Resources: status and trends for a regional development agenda in Latin America and the Caribbean (report).

Thus, green businesses represent an opportunity for countries in the region to invest on innovation and commerce of products and services derived from biodiversity and forests, and lead the compliance of the international agreements and commitments for conservation and sustainable development.

Strategic approach

CAF's strategy for natural capital promotes the cross-cutting incorporation in the Institution's operations and the countries of the region, in the value chains, ethical principles of social inclusion and distribution of benefits, conservation of natural capital, of biodiversity, of forests and ecosystem services, and sustainable use of renewable natural resources.

For this purpose, the Green Businesses Unit (UNV for its acronym in Spanish) is in charge of identifying, designing, and implementing initiatives that respond in a comprehensive and systemic manner, and with transforming changes, to the opportunities that natural capital offers in the region.

The UNV generates and promotes green financing opportunities for the Institution's member countries. As a focal point in the CAF-GEF relationship, it supports countries in the construction of a solid investment agenda that enables compliance with the international conventions and commitments for the environment, for conservation, and for sustainable development from the following lines of action:



▶ **Mobilization of green funds**

- Identify, structure, and implement programs and projects with environmental co-benefits and mobilize international resources aimed at environmental financing.



▶ **Strengthening of CAF operations**

- Strengthening of the project cycle and the capacities of CAF's business areas through enhancement of natural value, incorporating the environmental dimension of sustainable development in a cross-cutting manner.



▶ **Strengthening of capacities**

- Technical assistance to member countries for the generation of solutions associated to the natural capital.
- Implementation and strengthening of strategic programs.
- Dissemination of knowledge regarding biodiversity, forests, and ecosystem services that add value and promote regional collaboration and integration.



Mobilization of green funds

CAF is accredited as a project agency of the Global Environmental Facility (GEF), since the subscription of the memorandum of understanding signed by the parties on July 21, 2015 and the Financial Processes Agreement (FPA) signed on October 22 of the same year. Since then, CAF provides technical and fiduciary support to Latin American countries to develop projects to obtain resources from this fund in the focal areas of biodiversity, climate change, degradation of the land, chemical residues, and international waters.

During 2017 and 2018, two projects were approved and started their execution, reaching USD 29,2 million, also mobilizing co-financing resources for USD 158,6 million, for a total mobilized for the region of USD 187,9 million:



Bolivia
Colombia
Ecuador
Peru

Andean project for adaptation to climate change in water resources, AICCA

Objective: Improve the capacities of governments to face the Vulnerability to Climate Change (VCC for its acronym in Spanish) and Adaptation to Climate Change (ACC for its acronym in Spanish) in sectors that are highly dependent on water resources.

Expected impacts:

- ▶ Conservation of 36.160 hectares.
- ▶ Reduction of the vulnerability to climate change of 115,000 individuals.

Total amount:
USD 67,87 million.

GEF resources: USD 9,69 million.
Co-financing resources: USD 58,18 million.

Status: Under execution.

Argentina
Bolivia
Brazil
Paraguay
Uruguay

Preparing the foundations for the comprehensive application of the strategic action program of the Rio de la Plata Basin

Objective: Prepare the scenario for the implementation of national and regional actions prioritized in the Strategic Action Plan, agreed upon by the countries that share the basin of Rio de la Plata, and aimed at improving the security of water, resistance to climate, and health of the ecosystems.

Expected impacts:

- ▶ Comprehensive management of the Basin of the Rio de la Plata, with an extension of 317 million square kilometers.

**Total amount:
USD 4,94 million.**

GEF resources: USD 1,99 million
Co-financing resources:
USD 2,95 million.

Status: Under execution.

Bolivia

Project for the strengthening of the National ANP system in Bolivia

Objective: Strengthen the management of the plurinational system of protected areas, based on social participation and generation of resources.

Expected impacts:

- Conservation of 23,000,000 hectares.

**Total amount:
USD 46,94 million.**

GEF resources: USD 9,16 million.

Co-financing resources:
USD 37,78 million.

Panama

Framework for the livestock production that is friendly to biodiversity based on ecosystems, for the Darien Region of Panama.

Objective: Support the establishment of best management practices for cattle raising, seeking to reduce the impact of this activity on the Darien ecosystem.

Expected impacts:

- Conservation of 4,500 hectares.
- Sustainable management of 5,000 hectares.

**Total amount:
USD 17,86 million.**

GEF resources: USD 3,51 million.

Co-financing resources:
USD 14,34 million.



Chile

Support the Chilean strategy for sustainable transportation

Objective: Support Chile in a transformational change toward urban mobility systems that are low in emissions, demonstrating the impacts of the integrated systems of urban mobility that is low in CO₂ emissions

Expected impacts:

- ▶ Reduction of 719.936 metric tons of CO₂.

**Total amount:
USD 40,47 million.**

GEF resources: USD 2,9 million.
Co-financing resources:
USD 37,57 million.



Colombia

Transformation of the Colombian panela subsector through the initial implementation of NAMA

Objective: Contribute to mitigate climate change, conservation of biodiversity, and the sustainable use of natural resources in the agricultural areas of Colombia through the improvement of panela production processes.

Expected impacts:

- ▶ Reduction of 208.400 metric tons of CO₂.

**Total amount:
USD 9,85 million.**

GEF resources: USD 2 million.

Co-financing resources:

USD 7,85 million.

Strengthening of CAF operations

During the reported period, 21 credit operations were incorporated with natural capital criteria, mainly in Brazil and Ecuador. In addition, 11 technical cooperations were approved with own resources, for a total of USD 857,500:

Table 6.2. Natural capital technical cooperations with own resources

Project	Country/ Beneficiary	Approved amount (USD)
Design and implementation of a system for environmental and social risk (SARAS) and green financial product.	Ecuador, Banco del Pacífico	50,000
Challenges and opportunities of environmental management in the CMAC system under a vision of financial inclusion.	Peru, Federación Peruana de Cajas Municipales de Ahorro y Crédito	25,500
Strengthening of capacities for the sustainable development of the cocoa productive chain.	Peru, Ministry of Agriculture	45,000
Contingent fund for the pre-approval of CAF-GEF projects.	Multinational	200,000
Mechanisms of retribution of ecosystem services in Piura, Peru.	Peru, Ministry of the Environment	35,000

Project	Country/ Beneficiary	Approved amount (USD)
“Program for capacity training and small subsidies to support entrepreneurs of change that can promote sustainable development in the Amazon”.	Brazil, Peru, Colombia	100,000
Evaluation of the eco-efficiency of the forestry industry and improvement of the environmental performance for the structuring of seven financing projects in Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, and Uruguay.	Seven forestry industries of the private sector in Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, and Uruguay	155,000
Amazon without Fire project of the Plurinational State of Bolivia	Bolivia, Ministry of the Environment and Water	72,000
Technical assistance for the Development of the National Forestry and Reforestation Plan	Bolivia, Ministry of the Environment and Water	25,000
Study on positive synergies between the electricity and forestry sectors in the region of Tapajos, Amazon.	Brazil, Ministry of the Environment, Brazilian Forestry Service	100,000
Latin American Forum on Urban Forests and Green Spaces for More Sustainable and Resilient Cities.	Multinational	50,000

Total: 857,500

In addition, the UNV has been working on the development of capacities that enable the increase of access and use of green financial products by financial institutions (FI) with environmental and social performance in CAF's clients.

In this respect, work has been carried out from two initiatives:



CAF's Green Program, with the objective of promoting greater investment in the Institution's member countries, as well as increase in access and availability of financing opportunities for green companies and entrepreneurships in the region. In addition, it also helps obtain sustainability certificates from financial institutions that facilitate access to markets and promote the implementation of environmental and social best practices.

To achieve these objectives, the program implements the following strategies:

- ▶ **Financing through credit lines** that CAF maintains with financial institutions, assigning USD 1,200 million for this purpose in non-committed credit lines.
- ▶ **Technical assistance to generate capacities in financial institutions which**, under tight financial conditions, will make optimum financing to enterprises viable.
- ▶ **Strengthen green businesses and energy efficiency markets** through CAF's Green Rating measurement, the generation of strategic alliances, and support for the design and execution of related public policies.



For more information regarding this program, consult the following link:
scioteca.caf.com/handle/123456789/1250

2017-2018 Advances:

Support tools were developed to achieve an adequate understanding and design of green financial products, working in the development of 32 technical guides and manuals for financial institutions and entrepreneurs.

A green rating was developed to measure the level of incorporation of sustainability practices by financial institutions.

The web site was designed and launched with training videos for the staff of financial institutions.

Financial resources were obtained from KfW to work jointly with the energy efficiency component in on-site classes at financial institutions.

B

Strengthening of environmental and social management for financial institutions, an initiative whose objective is to strengthen the financial sector with respect to the capacities to achieve an adequate management of its environmental, social, and governance risks (ESG), and improvement of its standards, achieving more sustainable and resilient portfolios and access to a greater flow of green financial resources. Four strategic lines:

- ▶ **Training:** related with the identification, evaluation, and management of environmental, social, climate, and governance risks within the credit process, and with the institutional environmental management.
- ▶ **Support to national sustainable finance processes:** Supporting financial regulators and banking associations in the internalization of the concepts regarding an adequate identification, evaluation, and management of environmental and social risks.
- ▶ **Support sustainable finances in financial institutions,** providing permanent assistance to national and sub-national financial institutions in the accreditation processes for green funds.
- ▶ **Green portfolio:** Work within CAF to consolidate the evaluation methodology of the green portfolio in financial institutions.

2017-2018 Advance

Table 6.3. Training in financial institutions

	2017	2018
Individuals trained	398	303
Face to face workshops	8	5
Virtual workshops	1	1
Financial institutions involved	84	33
Countries in which it takes place	19	12
Subjects addressed	SARAS, sustainable finances, financing of green housing, microfinances for adaptation based on ecosystems.	SARAS sustainable finances.

Approved technical cooperations

One approved technical cooperation - **2017**

- Strengthening of the management tools of the new sustainable environmental investment fund. Ecuador. **USD 50,000**

/ Three approved technical cooperations

- 2018

- ▶ Design and implementation of a system for the analysis of environmental and social risks (SARAS) and green financial product, Banco del Pacífico, Ecuador. **USD 50,000.**
- ▶ Challenges and opportunities of environmental management in the CMAC system under financial inclusion vision, Federación Peruana de Cajas de Ahorro y Crédito Municipal, Peru. **USD 25,500.**
- ▶ Technical assistance for the application of operational tools for CAF's Green Program of the VSPF, Regional. **USD 270,500.**

During the period, work was also carried out with six financial institutions for the incorporation of environmental practices and green financial products to their related portfolios with sustainable infrastructure, energy efficiency, alternative energies, and biotrade, among others.

Strengthening of capacities

The work plan of the UNV currently has two programs in its portfolio, seeking to promote and consolidate a market based on the conservation of biodiversity and forests, the sustainable use of natural capital, and the ethical principles of social inclusion.

Biodiversity Program (BioCAF)

Through this program, CAF promotes the development of bio businesses based on the conservation and sustainable use of biodiversity and genetic resources, which must be committed with ethical practices for the management of biodiversity and a fair and equitable distribution of the benefits derived from them.

Through knowledge management and the Institution's catalytic role for the coordination of green financing funds, such as the Global Environmental Facility (GEF), the program supports member countries in the implementation of national and regional strategies and initiatives that comply with the Biological Biodiversity Agreement (CBD for its acronym in Spanish), the goals of the AICHI for biodiversity by 2020, the MINAMATA Agreement, and the Nagoya Protocol.

BioCAF Strategic priorities



▶ Promote socially inclusive green business in Latin American countries.

▶ Generate technical capacities of decision makers.

▶ Promote access practices and equitable participation of environmental benefits.

Initiatives

- ▶ Latin American Cocoa Initiative (ILAC for its acronym in Spanish)
- ▶ Blue Biotrade and Latin American Ecosystem Services Initiative
- ▶ Observatory of Biotrade Knowledge

For more information regarding the development of the initiatives, consult the following links:



Latin American Cocoa Initiative (ILAC):
scioteca.caf.com/handle/123456789/1110



Latin American Blue Biotrade and Ecosystem Services:
biocomercioandino.org



Biotrade Knowledge Observatory:
biocomercioandino.org



/ Latin American Cocoa Initiative

- ▶ Entry into operation of the Cocoa Observatory, an activity coordinated by an editorial committee that includes experts from eight countries, allied institutions, and CAF executives, generating four bulletins on market intelligence.
- ▶ Realization of the II ILAC Regional Forum in Panama City.
- ▶ Approval and management of four technical cooperations linked to the initiative's objectives.
- ▶ Development of a consensus document for GEF projects, with an estimated donation of USD 8 million.
- ▶ Generation of a consensus document regarding strategies to mitigate the concentration of cadmium in cocoa and derivatives.



2017-2018
Advances

/ Blue Biotrade Initiative

- ▶ Publication *Ecosistemas costeros y marinos y el sector de ecoturismo en América Latina y el Caribe* (Coastal and marine ecosystems and the ecotourism sector in Latin America and the Caribbean), prepared in the framework of the Memorandum of Understanding between CAF and the United Nations Conference on Trade and Development (UNCTAD), reviewed by the World Tourism Organization and the World Wildlife Fund (WWF).
- ▶ Publication for the dissemination of principles and criteria for blue biotrade, a CAF-UNCTAD-Smithsonian Initiative.
- ▶ Development of a concept document for GEF project Blue Biotrade and Sustainable Fishing, with an estimated donation of USD 7 million.
- ▶ Coordination of a parallel event to be carried out during the Biological Biodiversity Convention.

2017-2018
Advances

CAF-Forests Program

This program seeks to strengthen the sustainable development of the forestry sector and the conservation of the forests of the region, through the promotion of green businesses which are inclusive, and which enable CAF's member countries to achieve economies low in carbon, as well as able to adapt and face the challenges of climate change.

Objectives:

- Consolidate the regional initiative Reduction of Emissions due to Prevented Deforestation and Degradation of Forests (REDD++) through South-South cooperation.
- Promote green businesses with non-timber forestry products (PFNM for its acronym in Spanish) as an economic alternative for the communities that preserve the forests and use PFNM as sources of income.
- Incorporate degraded lands of the rural sphere to productivity, as well as improve the productivity of agricultural lands in the region.
- Directly and indirectly rehabilitate and restore urban forests (protective, on hillsides, and in mangroves) and green spaces.
- Improve the ecoefficiency of the forestry industry as a mechanism to reduce CO2 emissions and decrease the pressure on natural forests.

Initiatives

CAF-Amazon vision ◀

Urban forests and green spaces ◀

For more information on this program, visit the following link:
scioteca.caf.com/handle/123456789/533



2017-2018 Advances:

/ CAF-Amazon vision initiative, Amazon

For more information on this program, visit the following link

biocomercioandino.org/iniciativas/proyecto-vision-amazonia/



Technical cooperations were provided to Bolivia, Brazil, and Ecuador as part of the Amazon Without Fire Initiative, which has led to the structuring of the “Regional project to strengthen capacities for an integrated management of fires in countries that are members of the Organization of the Amazon Cooperation Treaty (OTCA for its acronym in Spanish)”.

This initiative seeks to reduce the incidence of forest fires in OTCA member countries through the implementation of a comprehensive approach to the management of fires, to help protect the environment and improve the life conditions of local populations in Bolivia, Brazil, Colombia, Ecuador, Guyana, Suriname, and Venezuela.

At the same time, through the implementation of the technical cooperation “Development of capacity and small subsidies to support the mitigation and adaptation of climate change in the Amazon”, CAF intends to structure an initiative before the GCF for Brazil, Colombia, and Peru.

/ Urban forests and green spaces initiative

In 2017 the initiative “Urban forests and green spaces: Forest resources for sustainable and resilient cities” was developed, addressing the subject of urban forests and green spaces for the urban and peri urban environment in a comprehensive manner, to be able to help increase the surface of green spaces and urban forests in the cities of the region, promote the improvement of the landscape quality, citizen accessibility and inclusion, as well as ensure the availability of green spaces and urban forests in the cities of the region.

Based on the above, it has been possible to address this subject in CAF’s operations and even structure exclusive operations with the subject of the urban sphere, mainly in Brazil, Colombia, and Ecuador, including projects mobilized with GEF and GCF resources.

In addition, in June, 2017, CAF organized in Lima the “Latin America and Caribbean Forum: Forestry, Arboriculture, and Landscaping for Sustainable and Resilient Cities”, with participants of 15 countries of the

region, as well as from Spain, Italy, and the United Kingdom. The forum served as a framework for the reactivation of the regional mechanism for the discussion of the subject, while helping to state and analyze the needs of the region regarding this subject, and the alternatives to find solutions.

For more information on this program, visit the following

scioteca.caf.com/handle/123456789/1346



Events

During the reported period seven events were organized for the dissemination of knowledge related to biotrade, use of natural capital, and financing of green projects, among others.

Table 6.4. Events for the dissemination of knowledge regarding natural capital

Event	Description	Participants
<p>Official parallel event COP 14 – International Biotrade Congress. (UNCTAD – CAF Organization), Egypt</p>	<ul style="list-style-type: none"> - Promote the CAF-GEF project portfolio, particularly those associated to the focal area of Biodiversity and Impact Programs. - Presentation of CAF's work on biotrade, specifically regarding the progress of the Latin American Cocoa Initiative in the World Biodiversity and Business Forum. - Address the technical agenda, which defined the guidelines, scopes, and priorities of CAF's member countries facing the AICHI goals and Sustainable Development Objectives. - Support for participating countries in the generation of consensus associated to the ratification and implementation of the Nagoya Protocol. 	<p>150 people</p>
<p>International workshop: Promoting an effective implementation of the Nagoya Protocol and Biotrade, Peru.</p>	<ul style="list-style-type: none"> - Presentation of CAF's work on Green Businesses and biotrade, making it possible to share tools and consultation publications. - Support for the effective implementation of the Nagoya Protocol and Biotrade in Peru and in Latin America. - Support for the identification of best regulatory and administrative practices regarding the subject. 	<p>70 people</p>
<p>Classroom workshop-course “Corporate Efficiency for Financial Institutions”, Mexico.</p>	<ul style="list-style-type: none"> - The importance of sustainability in financial business was analyzed, highlighting the importance of High Direction awareness for the implementation of best ecoefficiency practices to permeate them to all participating institutions. 	<p>19 staff from financial institutions</p>

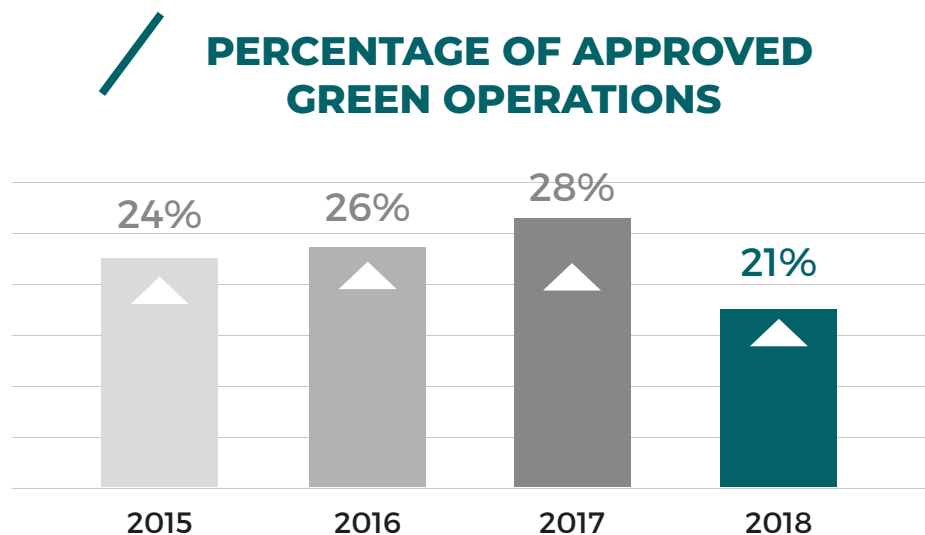
Event	Description	Participants
<p>Training workshop on Training for Environmental and Social Risk of Operations, Bolivia.</p>	<ul style="list-style-type: none"> - Generation of capacities for 23 staff members of 14 financial institutions, and 21 other individuals from 13 organizations, among them, risk rating agencies, NGO's, and system regulators. 	<p>44 people</p>
<p>Presentation of the Action Plan for the Reduction of the Carbon Footprint and Hydric Footprint for the Cuenca Canton, Ecuador</p>	<ul style="list-style-type: none"> - Presentation of a document that compiles development actions and projects with a climate change perspective, which becomes a key instrument to facilitate access to climate green financing and the adoption of more efficient technology in its processes. 	<p>150 people</p>
<p>Training Sessions regarding socio-environmental risk analysis in financing processes, Argentina</p>	<ul style="list-style-type: none"> - Two hundred staff members received training in order to support the internalization of environmental and social management in the Latin American financial sector, as well as transfer the knowledge and best practices that help strengthen the banking system and social and environmental sustainability principles. 	<p>200 staff members of the Banco Nacional de Argentina</p>
<p>Workshop on Management of Climate Change Risks in Marine-Coastal Projects, Ecuador</p>	<ul style="list-style-type: none"> - Training in risk management and development of a manual to reduce the vulnerabilities of climate change in marine-coastal environments in Ecuador, which can be extrapolated to other countries of the region. 	<p>20 people</p>

Green operations

The operations considered in green financing include investment, credit lines, and technical cooperation projects and programs aimed at mitigation and adaptation to climate change, as well as environmental sustainability and conservation of the natural capital. Said understanding of Green financing is consistent with the definitions of the International Development Finance Club (IDFC), which have also been approved with the multilateral development banks (MDB); this guides are incorporated in CAF's internal procedures.

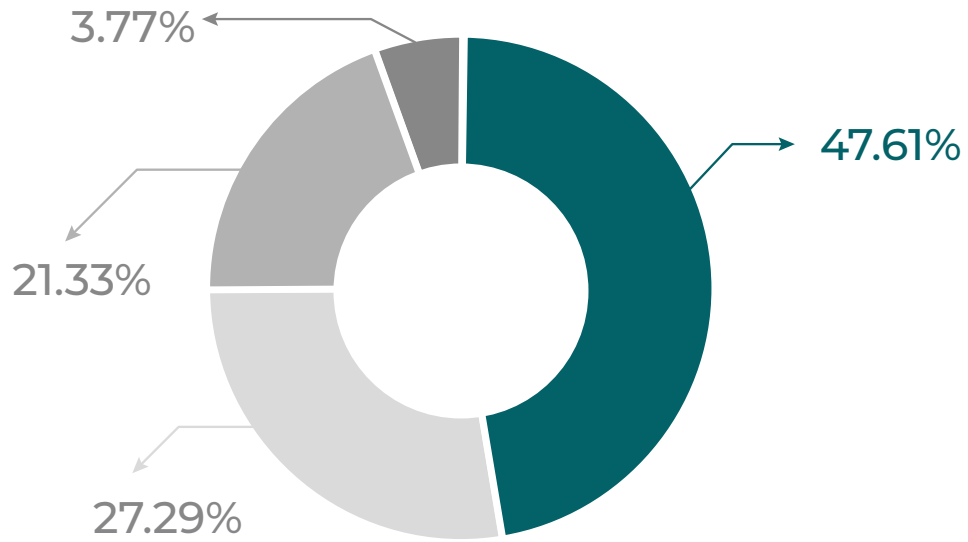
During 2017, 28.43 % of CAF's approvals included green components, to USD 3,568 million. In 2018, 21 % of the approvals included these components, reaching a total of USD 2,880 million financed.

Figure 6.1. Percentage of green operations approved



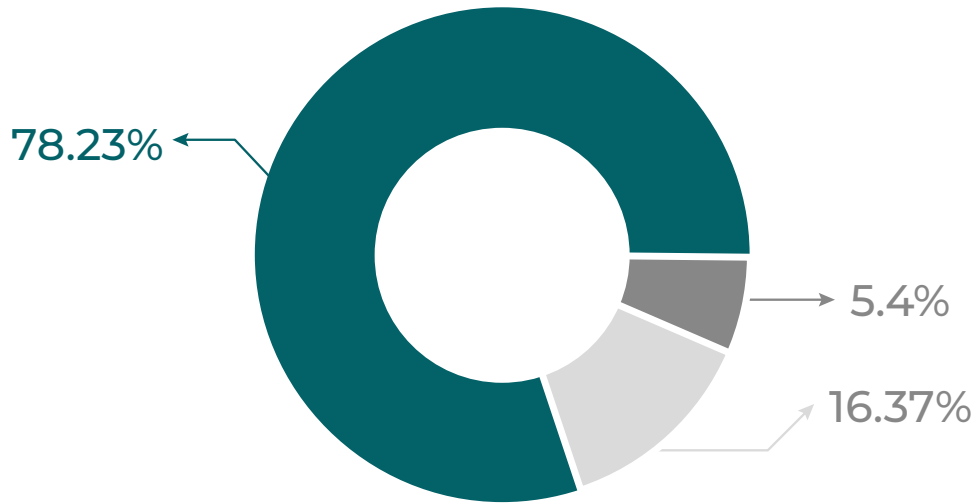
/ 2017

Figure 6.2. Distribution of approved green operations



● Mitigation ● Adaptation ● Comprehensible ● Environment

/ 2018



● Mitigation ● Adaptation ● Environment

Figure 6.3. Amounts approved by green component

	2017	2018
Mitigation	USD 1,698,6	USD 2,253
Adaptation	USD 973,6	USD 471,7
Comprehensive	USD 761,14	-
Environment	USD 134,66	USD 155,4

Note: numbers in USD million.

Relationships for the mobilization of resources with green components

► GRI FS-10

Events	Description
<p>Green Climate Fund (GCF)</p>	<p>During the reported period, the subscription of the Framework Donation Agreement for Readiness Support was achieved, a necessary condition for CAF to become a partner in the implementation of the Readiness resources of this fund.</p>
<p>LAIF-AFD Program Cities and Climate Change</p>	<p>The implementation and execution of the LAIF-AFD Initiative Cities and Climate Change has consolidated the relationship between CAF and the AFD as leaders in knowledge and dissemination of the subject of climate change at a sub-national government in Latin America.</p> <p>In this respect, cooperation ties have tightened with the countries participating in the program, among which the following stand out: Argentina, Bolivia, Brazil, Colombia, Ecuador, and Peru.</p>
<p>International work groups for green and climate financing</p>	<p>CAF continues to strengthen its strategic alliances at an international level with the members of the International Development Finance Club (IDFC) and the Multilateral Development Banks (MDB), actively participating in the working groups dealing with mitigation and adaptation to climate change.</p> <p>At the same time, CAF proactively cooperates with the initiative “Mainstreaming Climate Action in Financial Institutions” through the exchange of knowledge and experiences in the dissemination of the subject of climate change in its operations, analysis tools, management of knowledge, and strengthening of institutional capacities in the region.</p>



Evaluation and follow-up of environmental, social, and climate risks in operations

Environmental and social safeguards

For the management of environmental and social impacts associated to its credit operations, CAF verifies the compliance with the applicable local norms, as well as the **environmental and social safeguards** it has defined, in order to identify and evaluate the effects of the operations in all its stages on any natural component: air, water, ground, flora, fauna, ecological relationships; or social: economic, cultural, and institutional.

Environmental and social safeguards

- ▶ Evaluation and management of environmental and social impacts.



- ▶ Working conditions and training

- ▶ Sustainable use of renewable resources.



- ▶ Population resettlement.

- ▶ Conservation of biological diversity.



- ▶ Ethnic groups and cultural diversity.

- ▶ Prevention and management of contamination.



- ▶ Cultural heritage.



- ▶ Gender equity.

These safeguards represent the principles promoted by the Institution regarding environmental sustainability, climate change, and inclusion. Their application in credit operations is aimed at:

- ▶ Preventing, mitigating, and/or compensating adverse impacts of the operations for the population or the environment.
- ▶ Considering climate risk on a cross-cutting basis to operations.
- ▶ Promoting the participation of stakeholders.
- ▶ Conserving the biological diversity and natural habitats.
- ▶ Promoting the sustainable use of the natural resources and ecosystem services.
- ▶ Avoiding and minimizing negative aspects on the health of people, biodiversity, and ecosystems.
- ▶ Recognizing, protecting, and valuing the cultural heritage of the region.
- ▶ Ensuring compliance with international commitments regarding the rights of indigenous peoples and other minorities and vulnerable groups.
- ▶ Ascertaining compliance with the norms relative to working conditions.

Environmental and social safeguards ensure that CAF operations contribute to sustainable development, increase the competitiveness of the countries and sectors, support economic growth, improve the life conditions of the inhabitants of the region, and promote mitigation and adaptation to climate change.

In addition, to support its clients' management in their adequate development of environmental and social studies during the pre-investment phase, CAF has developed a Guide for the environmental and social management of infrastructure projects, which covers 10 sectors: highways, power lines, small hydroelectric plants, potable water, sanitary sewage, solid residues, irrigation, ports, airports,

and wind-powered generation, including the technical guidelines for the treatment of environmental and social subjects specific for the sector, incorporating the necessary information requirements to facilitate CAF's evaluation and follow-up tasks in each phase of the credit process.



Identification and follow-up of the operations' risks and impacts

- ▶ The program for the environmental and social evaluation and follow-up of operation provides the tools and criteria necessary for decision making related to feasibility and the subsequent environmental and social management of operations.

The above is carried out through a due diligence process that enables the identification and prevention of negative aspects on the social and environmental components in all the phases of credit operations, as described below:

1 Origination Stage

- ▶ Definition of the environmental and social risk category of the operation: high, moderate, or low.
- ▶ Specific recommendations regarding the amount and quality of information that will be necessary for the evaluation stage.
- ▶ Definition of the scope of the due diligence for the evaluation stage.

2 Evaluation stage

- ▶ Execution of the evaluation mission, to learn the particularities of the operation and its relationship with the environment.
- ▶ Completion of the Environmental and Social Report (IAS/IDDAS).
- ▶ Evaluation of the prevention, mitigation, restoration, or compensation measures proposed by the borrower for the identified impacts
- ▶ Establishment of complementary environmental and social measures, if necessary, as well as credit conditions.

Formalization stage

3

Verify that the credit contract incorporates all environmental and social conditions, established in the evaluation stage. ◀

Administration stage

4

Carry out follow-up of operations, ensuring a proactive management which verifies the application of the measures established in the evaluation stage, as well as identification of situations that may result in risks and impacts, in order to establish the specific actions necessary to prevent their occurrence or control them in case they have already occurred. ◀

To ensure compliance of the social and environmental measures included, the following aspects are considered, according to the type of operation:

Credits subscribed with the public sector (sovereign credits)

- Contracts acquire the status of State law or are validated through a high hierarchy document of obligatory compliance.
- Environmental and social conditions constitute an obligation, of essential compliance by all actors even when the conditions exceed or modify the current norm in the country.

Credits subscribed with private clients (non-sovereign credits)

- The terms of the contract are established between the parties by a negotiation process
- The states assume a significant role demanding compliance with environmental and social norms from the private sector.

This process is the responsibility of the Environmental and Social Risk Management Unit (UGRAS for its acronym in Spanish) of the Vice-presidency of Risks (VPR for its acronym in Spanish) whose executives are located in the offices in Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Peru, Uruguay, and Venezuela.

Institutional Environmental Management System

(SIGA for its acronym in Spanish)

CAF promotes environmental management through the Institutional Environmental Management System (SIGA), which is coordinated by the Vice-presidency of Sustainable Development through the Internal Environmental Management (AGAI for its acronym in Spanish). This management system seeks the application of measures and practices in environmental matters, aligned with the commitments acquired by the Institution as well as the corporate objectives approved by High Management.

A strengthening process of the SIGA started in 2017 which enabled the redesign and implementation of environmental management processes under the 14001:2015 ISO norm. As a consequence of this, during the 2017-2018 period the commitments and environmental objectives of the SIGA were designed, the processes associated with internal environmental management through regulatory documents were formalized, roles and responsibilities were established for the related areas, and staff associated to the actions of the system were trained. Finally, to guarantee its functionality and traceability, information tools were implemented to support the process carried out.

In this manner, CAF's progress in environmental management is achieved through the implementation of management best practices, taking as a main guideline its environmental commitment and the SIGA. Thus, the system's planned actions concentrate on the measurement of the carbon footprint, measures for the efficient consumption of energy, water, and paper, and the comprehensive management of residues.

Carbon footprint

▶ GRI 305-1, 305-2, 305-3

For the calculations of CAF's carbon footprint, the following components aligned with the greenhouse gasses protocol is considered:

- ▶ **Scope 1.** Direct emissions generated by the consumption of fuels in the Institution's own vehicles and heating (diesel, gasoline, and natural gas).
- ▶ **Scope 2.** Indirect emissions generated by the consumption of water and paper, air travel, lodging, and personnel transportation toward CAF offices.
- ▶ **Scope 3.** Other indirect emissions generated by the consumption of water and paper, air travel, lodging, and personnel transportation toward CAF offices.

The calculation is made at a corporate level, including all representation offices in 13 countries of the region. Since 2015, the base year for the measurement of the carbon footprint, a reduction has been achieved as of 2018, of 26.6% in the total emissions generated.

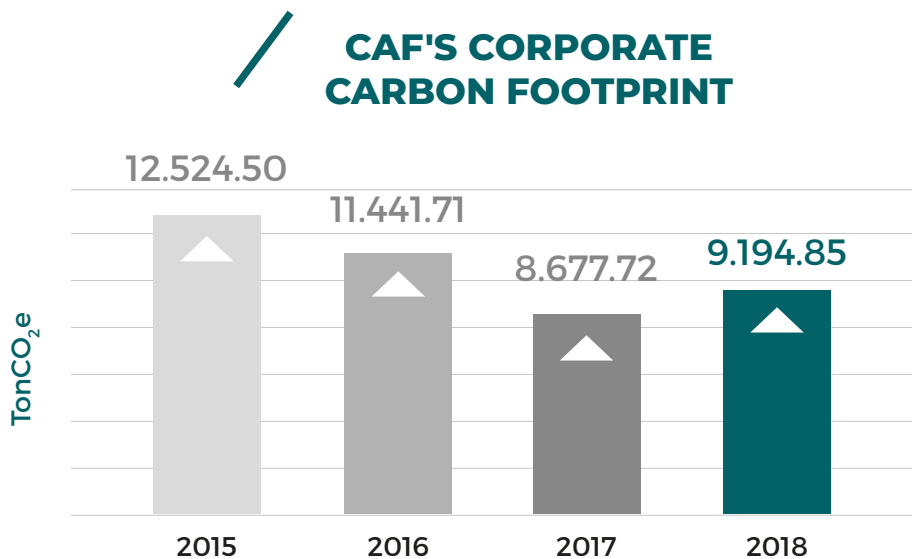
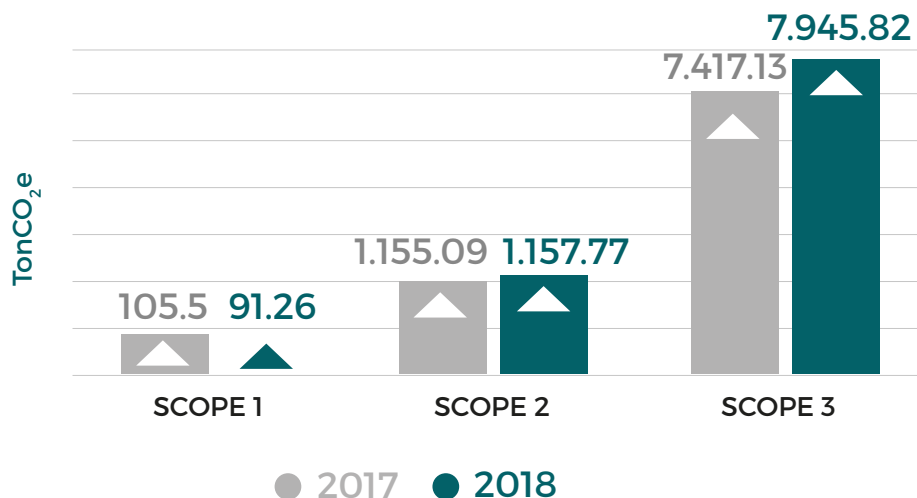


Figure 6.4. Carbon footprint

2017-2018 CARBON FOOTPRINT BY SCOPE



With respect to the carbon footprint registered in 2017, during 2018 the emissions of scope 1 decreased by 13%, and the emissions of scope 2 increased by 0.2%, and by 7% those of scope 3. Despite the increases, against 2015, the base year, there is a downward trend.

Comprehensive management of residues

► GRI 306-2

Practices associated to the adequate management of dangerous and non-dangerous residues generated in CAF's offices have consolidated, as part of the process to strengthen the environmental management system.

Non-dangerous residues

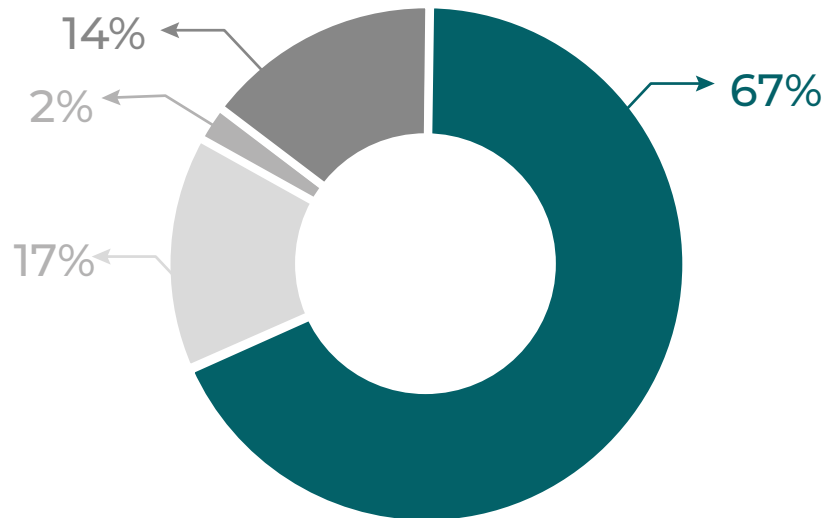
The variation of non-dangerous residues between 2017 and 2018 is due to the fact that during the latter year, the following countries were incorporated to the recycling process: Argentina, Colombia, Ecuador, Panama, Paraguay, Peru, and Uruguay, collecting 12.3 tons of residues that were handled through recycling processes.

Table 6.5. Total weight of non-dangerous residues generated (Kg)

Type of residue	2015	2016	2017	2018
Paper and carton	2.098	6.703.5	2.679.11	10.256.84
Glass	240	540	694.20	492
Organic	-	-	78.75	565.01
Plastic, tetrapack, and aluminum	510.9	384.2	573.72	1.003.43
Total	2.848.9	7.627.7	4.025.78	12.317.28

Figure 6.5. Recycled residues, 2017-2018

RECYCLED RESIDUES 2017



- Paper and carton
- Glass
- Organic
- Plastic, tetrapak and aluminium

RECYCLED RESIDUES 2018

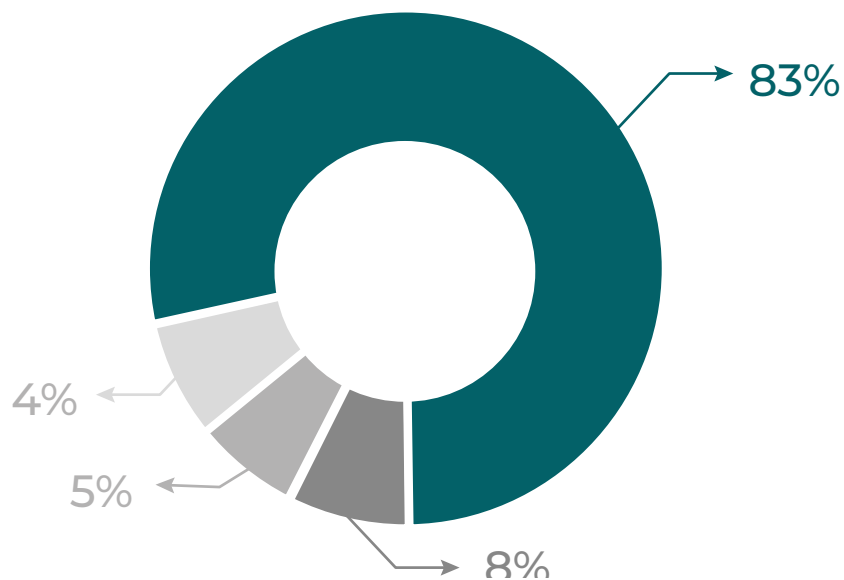


Table 6.6. Distribution of non-dangerous residues generated by country (Kg)

Country	2017	2018
Argentina	-	32.9
Bolivia	209	3.167
Brazil	176.13	507.22
Colombia	-	469
Ecuador	-	289.61
España	1.268.2	1.192.1
Mexico	429.55	544
Panama	-	209.55
Paraguay	-	3,1
Peru	-	3.567.8
Uruguay	-	90
Venezuela	1.942.9	2.245
Total	4.025.78	12.317.28

Dangerous residues

In 2018, 318.02 Kg of dangerous residues were registered, 23 % more than during 2017.

Table 6.7. Total weight of dangerous residues generated (Kg)

Type of residue	2015	2016	2017	2018
Electronic junk	12	86.8	136	23
Used fluorescents	162.2	102.4	90.39	180.02
Batteries	-	-	32	107
Toner	-	-	-	8
Total	174.2	189.2	258.39	318.02

Efficiency in electricity consumption

► GRI 302-1, 302-3

Table 6.8. Consumption of fuels

	2015	2016	2017	2018
Gasoline (liters)	22.094.86	19.803.87	18.362.55	14.205.69
Natural gas (m ³)	22.826.73	26.604.92	25.254.06	21.383.35
Diesel (liters)	6.258.12	4.758.97	4.243.75	4.935.7
Commercial diesel (liters)	879.34	1.203	504.9	978

Table 6.9. Electric energy consumption

	2015	2016	2017	2018
Electric energy (kWh)	4.204.642.48	4.431.478.09	4.524.203.98	4.528.236.75

**Variation
2017-2018** ▶ **0.08 %**

Table 6.10. Consumption of electric energy per person

	2015	2016	2017	2018
kWh per person	5.328	5.232.5	5.180.4	5.283.8

**Variation
2017-2018** ▶ **1.9%**



Economic and financial sustainability

► Material subject

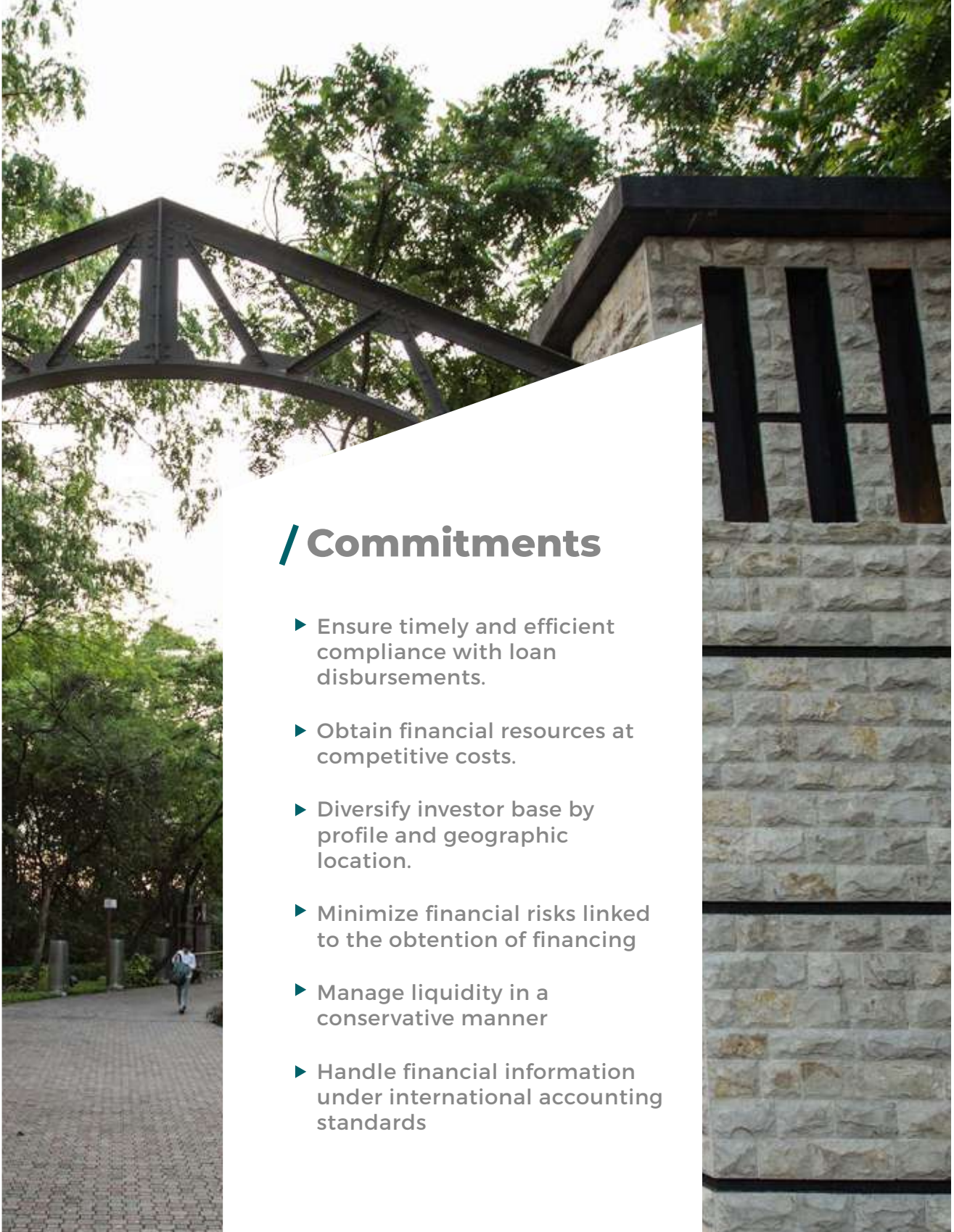
Training and management of financial resources

CAF maintain optimal relationships with the international financial community in order to diversify the sources of financing and obtain resources as technical assistance.

CAF plays a key role in the active promotion of sustainable development in Latin America, so it must guarantee the continuity of its operations even under adverse situations or crisis. To do so, it has financial policies and guidelines that contribute to preserve the solidity and profitability of the Company, thus maintaining a constant support of its member countries for its sustainable growth objectives.

The Institution focuses on the efficient capturing and managing of the financial resources obtained from diverse sources, with a competitive, flexible, and innovative framework, working continuously to get financial resources in better terms and condition outside the region, which allows it to offer its member countries more attractive financing conditions with the potential to provide more support to the projects it promotes.

The effort to obtain resources in the international capital markets and through strategic alliances has enabled CAF to expand its financing to social investment and environmentally responsible projects.



/ Commitments

- ▶ Ensure timely and efficient compliance with loan disbursements.
- ▶ Obtain financial resources at competitive costs.
- ▶ Diversify investor base by profile and geographic location.
- ▶ Minimize financial risks linked to the obtention of financing
- ▶ Manage liquidity in a conservative manner
- ▶ Handle financial information under international accounting standards

Advances in the management of financial resources

CAF has worked continuously to raise financial resources to comply without interruptions with the disbursements of loans, which are evaluated with environmental, economic, and social criteria. At the same time, CAF has managed the funds with the vision of maintaining adequate levels of liquidity to generate confidence for investors and risk rating agencies.

CAF raises financial resources through:

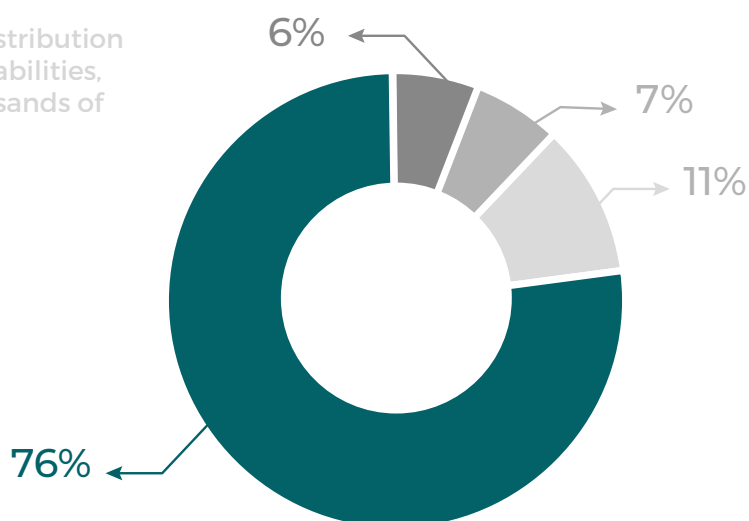
- ▶ Deposits.
- ▶ Issues of bonds and commercial papers in competitive conditions.
- ▶ Funds originating from strategic alliances with multilateral institutions and development agencies.

2017 Results

During 2017, CAF carried out 11 issues in international capital markets for a total of USD 3,795 million, including “water bonds” denominated in Brazilian Reales, acquired by minority investors in Japan.

At the close of the year, the Institution’s financial liabilities reached **USD 25,857 million**, distributes as follows:

Figure 6.6. Distribution of financial liabilities, 2017 (in thousands of USD)



- Bonds
- Received deposits
- Commercial papers
- Long-term loans and other obligations

At the close of the year, 83.1 % of CAF's indebtedness came from international capital markets, followed by 11.4 % from deposits received from international investors, and the rest came from long-term loans and credit lines.

In addition, during the year CAF continued diversifying its placements with the issue of bonds in eight different markets of America, Asia, Europe, and Oceania, while at the same time continuing with issues in the Socially Responsible Category through "Water bonds.

With respect to medium and long-term loans, from development financial institutions in industrialized countries, international agencies, and multilateral Banks, two new financing agreements are noteworthy. Both with KfW (Germany) for two concessional lines of credit for USD 277 million, for urban transportation, water, and sanitation projects.

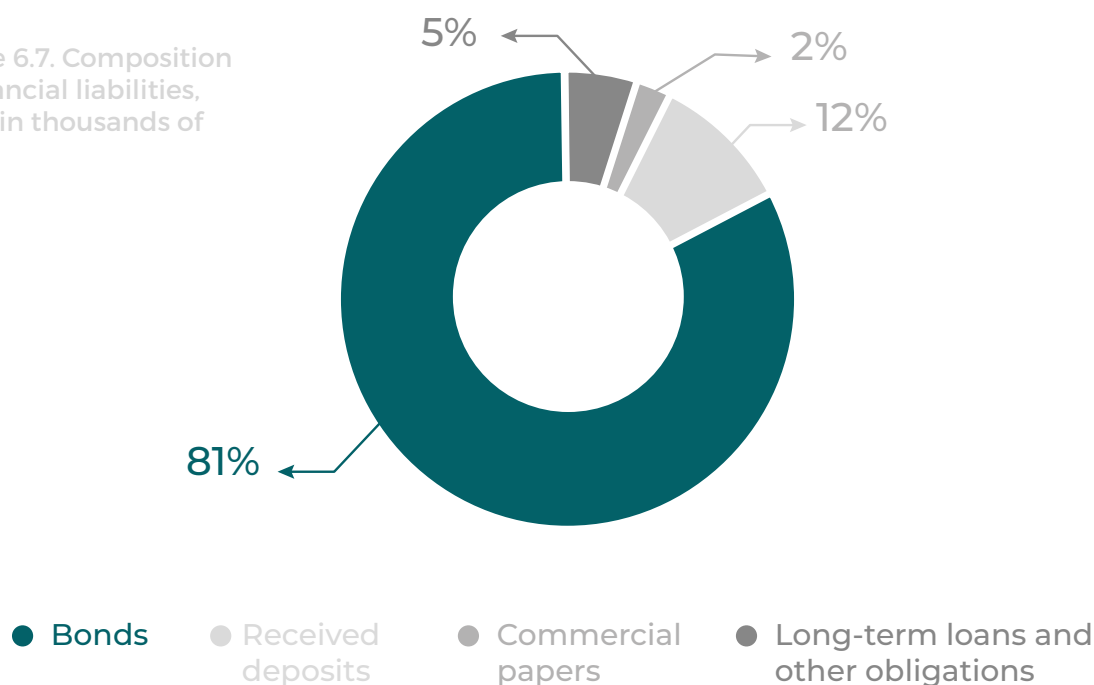
Strategic alliances with the international financial community promote CA's catalytic role in sectors such as renewable energy, energy efficiency, water and sanitation infrastructure, and cities of the future, among others.

2018 Results

In 2018, CAF continued diversifying its placement with the issue of bonds in eight different markets of America, Asia, Europe, and Oceania, and has continued to make issues in the Socially Responsible category through a new program for "green bonds" which is specifically aimed at financing projects with a positive environmental impact.

During the year CAF's financial liabilities reached USD 26,756 million, 3.4 % more than in 2017, distributed as follows:

Figure 6.7. Composition of financial liabilities, 2018 (in thousands of USD)



Resulting from a greater concentration in long-term financing, in 2018 the profile of liability maturity and liquidity indicators improved. As of December 31, 2018, 83.2 % of CAF's indebtedness came from international capital markets, followed by 12 % from deposits received from institutional investors, and the rest from loans and medium and long-term lines of credit. Under the green bonds program, during the year three of these bonds were issued for a total of USD 132 million which were denominated in Colombian Pesos and US Dollars, acquired by international investors with a mandate to invest in these types of instruments.

In addition, a private debt program was created in Uruguay to satisfy specific financing needs in local currency; the program will be for a maximum amount of UI 280 million (indexed units), and will be used to co-finance projects with the "Debt Vehicle to Finance Infrastructure in Uruguay" (VEFIU for its acronym in Spanish).

Co-financing agreements for a total of USD 1,318 million were achieved for infrastructure, water and sanitation, urban transportation, and environment projects in the public sector, among which the participation of new allies is noteworthy: Green Climate Fund (GCF) and New Development Bank (NDB), jointly with traditional allies KfW (Germany), AFD (France), OFID and BEI.

In terms of alliances, negotiations started for new lines of credit with KfW, BEI, AFD, ICO (Spain), and CDP for a total of USD 690 million, of which USD 130 million were closed with ICO and USD 170 million with KfW. In so doing, two A/B loans were approved (Cafayate Project in Argentina and Banco Regional in Paraguay) for a total of USD 175 million, of which USD 95 million correspond to the B portion, and USD 20 million to a parallel loan in the case of Cafayate.

Risk ratings

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

Likewise, CAF evaluates its management according to parameters established in its guidelines and policies regarding liquidity and volume of investments by type of risk and capital, while adjusting its management in order to comply with the financial indicators that support its credit rating, which was located in the following levels during 2017 and 2018:

These agencies' decisions consolidate CAF among the best risk rating Latin American issuers.



Co-financing

Co-financing remains an essential instrument of CAF's contribution to the development of its member countries, by attracting financial resources toward the region.

The assessments obtained from the agencies during the 2017-2018 period respond to the solidity and stability of the financial indicators presented by CAF, prudence in the management of its credit policies, independence with which it develops its operations, and the support it always gives to its shareholder countries.

Finally, CAF annually develops a Program of Activities and Budget (PAP for its acronym in Spanish) on the basis of the business plans of the different units, establishing a financial program which includes the fundraising plan which serves as a reference for the following management year. This financial program is determined based on the result of the current year and goals for the following year. Therefore, it constitutes a global working instrument.

During 2017 and 2018, strategic alliances allowed CAF to reach its goals and approach the objectives stated in the United Nations Comprehensive Agenda for Sustainable Development.

The 2017 and 2018 exercises were characterized by the establishment of strategic alliances with new partners. This collaboration brought additional co-financing opportunities, fundraising for technical assistance, transfer of knowledge, among others with value added. The debut of allies in joint financing is also noteworthy, facilitating projects in the development sphere, such as water and sanitation, urban transportation, and road infrastructure, among other sectors.

At the same time, the transfer of knowledge was boosted due to new collaboration fora and the deepening of existing channels as is the case of the OECD (dialogue on Blending Finance), European Commission (Through LAIF, Latin America Investment Facility), and IDFC (International Development Finance Club), among others.

Co-financing in figures

During 2017, CAF attract third party funds through the co-financing modality, reaching USD 237 million toward sovereign projects. Indeed, it accompanied its shareholders in its interest to promote development in countries such as Argentina, Bolivia, and Paraguay, emphasizing road infrastructure, urban transportation, water and sanitation.

During the exercise, CAF granted approvals to co-finance initiatives such as Mi Riego Program (Bolivia), Project for the Implementation of the Management Plan for the Lujan River Basin (Argentina), Santa Cruz-Las Cruces-Buena Vista Highway (Bolivia), Red Vial III (Paraguay), among others.

During 2018, CAF maintained its dynamism in co-financing, raising USD 321 million aimed at development projects demanded by Argentina (Belgrano Sur Railroad), Barbados (Potable Water Infrastructure Rehabilitation Project), Bolivia (Plan Mi Agua V), and Brazil (Sustainable Municipalities Program of the State of Para, and Sustainable Infrastructure Program), among others.

Also noteworthy is the first joint financing between CAF and the New Development Bank, a multilateral development institution created by the BRICS countries (acronym for the partner countries made up by Brazil, Russia, India, China, and South Africa). Another noteworthy achievement was the debut of the collaboration with the Green Climate Fund (GCF).

It is important to highlight that these results could not have been achieved with the support of CAF's traditional partners, such as the French Development Agency (AFD, for its acronym in French), the European Investment Bank (EIB), OPEC's Fund for International Development (OFID), and FONPLATA, among other relevant institutions that stand out in the field of development.





RAISED FUNDS 2017

► **USD 61 million**

Programa Mi Riego - Bolivia, jointly with OPEC's Fund for International Development (OFID).

► **USD 58,5 million**

Project for the Implementation of the Management Plan for the Lujan River Basin, Argentina, jointly with the Green Climate Fund (GCF).

► **USD 45 million**

Project for the Implementation of the Management Plan for the Lujan River Basin, Argentina, jointly with the French Development Agency (Afd).

► **USD 30 million**

for the Santa Cruz-Las Cruces-Buena Vista- Highway, Bolivia, jointly with OPEC's Fund for International Development (OFID).

► **USD 42,8 million**

for Red Vial III, Paraguay, jointly with Fonplata.



RAISED FUNDS 2018

▶ **USD 10 million**

to the Project for the Rehabilitation of the Water Infrastructure, jointly with the European Investment Bank (EIB).

▶ **USD 72 million**

▶ for the Sustainable Municipalities Program in the State of Para, Brazil, with the New Development Bank (NDB).

▶ **USD 75 million**

for the Belgrano Sur II Railroad project, Argentina, jointly with the French Development Agency (Afd).

▶ **USD 64 million**

for the Program Mi Agua V, Bolivia, jointly with the European Investment Bank (BEI).

▶ **USD 100 million**

for PROINFRA, Fortaleza, Brazil, jointly with the French Development Agency (Afd).

Lines of credit and cooperations of a different nature

The subscription of new lines of credit with development entities constitutes a renewed support to strategic sectors that CAF has an interest in supporting. During 2017, resources were raised through new facilities for a total amount of USD 277 million, while recruitments reached USD 300 million.

The German agency KfW was a great ally during 2017, granting CAF resources aimed at water and sanitation and urban transportation.

In 2018 Financiera de Desarrollo Nacional granted resources in local money, denominated in Colombian Pesos, which may be considered a milestone. This may be considered an achievement in CAF's strategy to support its member countries in their demand for local currency and in the development of their respective financial markets.

SUBSCRIBED CREDIT LINES

► 2017

KfW Credit line for water and sanitation for USD 159,2 million

KfW Credit line for urban transportation for USD 117,9 million

SUBSCRIBED CREDIT LINES

► 2018

Financiera de Desarrollo Nacional (FDN) Credit line in local currency for infrastructure projects in Colombia for COP 300,000 million ~ USD 100 million

Instituto de Crédito Oficial (ICO) Credit line for USD 130 million

KfW Credit line for energy efficiency for USD 70 million

In the field of fundraising for technical assistance funds, it is important to mention the strengthening of the relationship with the Government of France, with the opening of relations with Expertise France, an arm of the AfD group specialized in expertise and cooperation funds.

Just as relevant is the transfer of knowledge which benefited from the incorporation of CAF to fora and groups of development entities promoted by the Organization for Economic Development (OECD) and the International Development Finance Club (IDFC).

In addition to being a year of achievements, 2018 was a period that set the stage for future collaborations of a different nature through the exploration of initiatives together with valuable financial allies such as the Asian Infrastructure Investment Bank (AIIB), Inter-American Development Bank (IDB), Banco Centroamericano de Integración Económica (BCIE) (Central American Bank for Economic Integration), Japanese Bank for International Cooperation (JBIC), China Exim Bank, Fonds d'étude et d'Aide au Secteur Privé (FASEP), and Nordic Investment Bank (NIB), among other institutions with whom CAF makes continuous efforts.

Distribution of assets

The 2018 exercise materialized the efforts of the previous year with the approval of different non-sovereign co-financings, syndicated loans, and A/B loans that totaled USD 128 million, supporting the financial sector in Paraguay and the energy sector in Peru and Argentina. CAF's aggregate contribution to these structures reached USD 78 million.

The asset distribution management was in accordance with the activity of CAF's private sector. In this context, the sale of portfolio continued supporting shareholder countries by opening new spaces to address the increasing demand for non-sovereign loans reaching USD 36 million in 2017 and USD 59 million in 2018.



Cooperation Funds for Development

According to CAF's objectives and strategic spheres, during 2017 and 2018 technical cooperation operations with own and third party resources were promoted with a comprehensive approach, seeking a greater link with the business and the objective of achieving a greater impact on the development of the region.

Thus, during said years a total of 342 operations were approved, for a total amount reaching USD 121 million, of which 38 % were financed with resources from the Special Funds, and 62% with third party resources.



**CAF's
special
funds**



**Third
party
resources**

CAF's special funds

CAF Special Funds are those that originate in its annual profits. Their management is carried out independently from the Institution's resources.

During 2017 and 2018 the operations financed with CAF's Special Funds came from the Technical Cooperation Fund as well as the Human Development Fund.

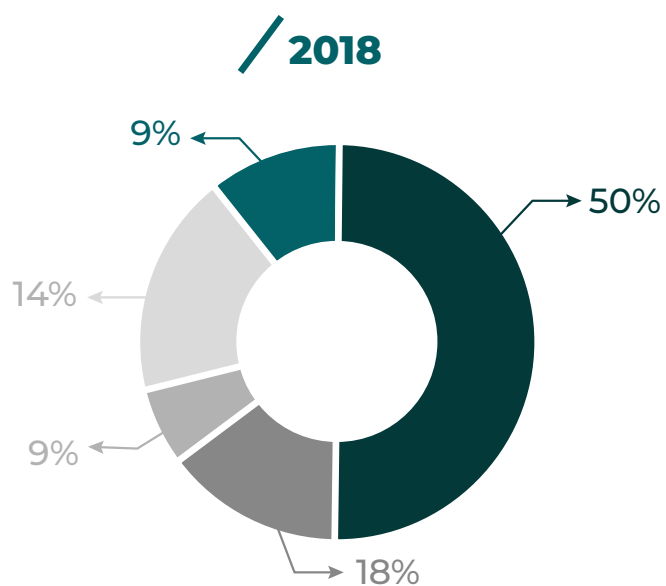
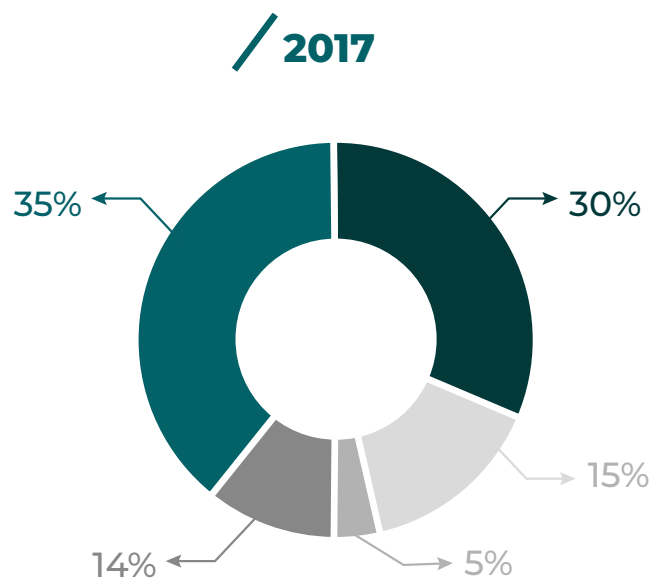
Technical Cooperation Fund (FCT for its acronym in Spanish)

The resources assigned to the Technical Cooperation Fund are aimed at financing specialized operations and projects aimed at strengthening the capacities of shareholder countries, as well as support the region in activities related to sustainable development and regional integration. Operations are granted under three modalities: non-reimbursable, reimbursable, and contingent recovery.

During 2017 and 2018 a total of 293 operations were approved, for a total of USD 42,5 million charged to the FCT, with a predominantly non-reimbursable modality in the use of the resources.



Figure 6.8. Distribution of technical cooperations charged to the FCT by strategic sphere





Noteworthy approvals of the 2017-2018 period

- ▶ **Efficiency:** Water Preinvestment Program (Multinational, 2018).
- ▶ **Equity:** Urban transportation infrastructure with equity for disabled individuals (Colombia, 2018).
- ▶ **Sustainability:** Best practices guide for the adaptation of highways to climate (Multinational, 2017).
- ▶ **Institutional framework:** Program to promote the use of administrative data in relevant research for the design and implementation of public policies DATADM-LATAM (Multinational, 2017).
- ▶ **Integration:** Preinvestment Program for Regional Infrastructure (Multinational, 2017).



Human Development Fund

(FONDESHU for its acronym in Spanish)

This fund was created in 1995 in order to finance the preparation and execution of community productive projects that were innovative and had a high impact, promoting human development and sustainable development in the most vulnerable social sectors of CAF's shareholder countries.

In 2017 and 2018, a total of twenty-six operations were approved for USD 3,8 million, charged to this fund. The approvals mainly favored activities framed in the Social Innovation and Humanitarian Help Initiative, in order to alleviate the consequences of natural catastrophes which occurred in the countries of the region.



Sustainable Development Objectives

The operations financed with resources of CAF's Special Funds were aligned with the Sustainable Development Objectives. During the reported period, 98 % of the approved operations covered the following objectives:

<p>3 GOOD HEALTH AND WELL-BEING</p> 	<p>USD 911,100</p>	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>USD 12,994,450</p>
<p>4 QUALITY EDUCATION</p> 	<p>USD 3,503,369</p>	<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> 	<p>USD 3,201,708</p>
<p>5 GENDER EQUALITY</p> 	<p>USD 525,360</p>	<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> 	<p>USD 801,500</p>
<p>6 CLEAN WATER AND SANITATION</p> 	<p>USD 8,000,700</p>	<p>13 CLIMATE ACTION</p> 	<p>USD 2,116,865</p>
<p>7 AFFORDABLE AND CLEAN ENERGY</p> 	<p>USD 615,000</p>	<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p> 	<p>USD 5,139,539</p>
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>USD 2,865.050</p>	<p>17 PARTNERSHIPS FOR THE GOALS</p> 	<p>USD 4,495,364</p>

Third party resources

CAF manages, implements, and/or executes third party resources to finance cooperation operations in the region, mainly aimed at technical assistance and prefeasibility, feasibility, and investment studies.

During 2017 and 2018, CAF approved the management of USD 51.7 million to finance the following projects and studies:

Table 6.11. Projects and studies approved with third party resources

Fund	Year	Project	Approved (USD)
Global Environmental Facility (GEF)	2017	Support the Chilean strategy for low-emission transportation (CLETS), Chile.	3,270,000
		Livestock production framework respectful with biological diversity, based on ecosystems of the Darien region of Panama.	4,000,000
	2018	Set the stage for the implementation of the Strategic Action Program for the Rio de la Plata Basin, Argentina, Bolivia, Brazil, Paraguay, and Uruguay.	2,174,550
		Ecological Integrity and Sustainability of the Plurinational System of Protected Areas, Bolivia.	10,203,588
		Sustainable Framework for Productive Chains, Paraguay.	2,234,439
		Implementation of the Strategic Action Plan of the Guarani Aquifers: Enable Regional Actions, Argentina, Brazil, Paraguay, and Uruguay.	2,234,500

Fund	Year	Project	Approved (USD)
Green Climate Fund (GCF)	2017	Preparation and support for possible accreditation and execution entities for local agencies, Chile.	1,000,000
		Toward responsible and sustainable financing for climate action, Costa Rica.	300,000
		Implementation Project for the Comprehensive Management of the Lujan River Basin, Argentina.	1,568,875
	2018	Support to strengthen public-private planning at a subnational level for the development of local programs in countries, Chile.	700,000
		Readiness Panamá: Strengthening of Capacities, Ministry of the Environment.	895,667
		Sustainable transportation for intermediate cities: Pasto, Pereira, Montería, Valledupar (STIC Program).	1,415,750
		Development of the National Adaptation Plan, Mexico.	2,989,129
		Low in Emissions and Resilient to Climate Change Agriculture, Colombia.	637,980

Fund	Year	Project	Approved (USD)
Adaptation Fund (AF)	2017	Ayninacuy: Adaptation strategies for the resilience of the livelihoods of high Andean vulnerable communities in the region of Arequipa, Peru.	2,941,446
	2018	Adaptation to climate change in cities and vulnerable coastal ecosystems of the Uruguay River, Argentina, Uruguay.	14,099,996
		Reduce climate vulnerability and flood risks in urban and semi urban coastal cities in Latin America, Chile, Ecuador.	13,910,400
British Prosperity Fund (BPF)	2017	Development of local government capacities, Colombia.	4,877,775
		Support agencies for the development of standards and PPA capacity, Colombia.	309,747
		Insurance for the agricultural sector, Colombia.	3,976,907
Fiduciary Fund (AFD)	2017	Agreement for strategic and financial association. Adenda 3.	470,422
National Council for Science and Technology (CONACYT, for its acronym in Spanish)	2017	Regional Program to Strengthen the Institutional Framework in Technological Innovation. Patentable II, Paraguay.	300,000
BMZ-GIZ	2018	Transforming Urban Mobility Initiative (TUMI), Colombia.	214,975

Thus, at the close of 2018, CAF financed programs and/or projects with resources from the following third party funds:

Table 6.12. Third party funds managed by CAF

Origin of resources	Amount	Currency
French Development Agency (AFD)	1,700,000	EUR
National Council for Science and Technology (Conacyt)	300,000	USD
Adaptation Fund (AF)	30,951,842	USD
British Prosperity Fund (FPB)	7,136,512	GBP
Italian General Cooperation Fund (FGCI)	5,000,000	EUR
French Treasury FASEP Facility (FASEP)	2,000,000	EUR
World Fund for the Environment (GEF)	36,600,905	USD
Green Climate Fund (GCF)	9,807,401	USD
Federal Economic Cooperation and Development Ministry (BMZ-GIZ)	187,473	EUR
Federal Economic Cooperation and Development Ministry (BMZ - KfW)	977,504	EUR
OPEC Fund for International Development (OFID)	800,000	USD
National Secretariat for Science, Technology, and Innovation (SENACYT)	800,000	USD
European Union (LAIF-AFD)	7,050,000	EUR
European Union (LAIF-KfW)	19,850,000	EUR

Other special funds

CAF supports projects and initiatives through other funds from a different nature than those for technical cooperation. Among them, the Investment and Entrepreneurial Development Fund (FIDE, for its acronym in Spanish) and the Compensatory Financing Fund (FFC, for its acronym in Spanish), stand out.

Table 6.13. Other special funds

Fund	Description
<p>Entrepreneurial Investment and Development Fund (FIDE for its acronym in Spanish)</p>	<p>The objective of the Entrepreneurial Investment and Development Fund (FIDE) is to support the development process of small and medium-sized companies in CAF's shareholder countries. Since its creation, it has been one of the main promoters of dynamic and innovating entrepreneurs in Latin America for its support to new managers and for financing risk capital funds, through investments in specialized financial vehicles, mainly investment funds (venture capital and seed capital). These acquire capital participations in small and medium-sized companies with the potential to become generators of new products and services, and in revitalizing agents of economic growth that require financing and managerial aptitude, both in the early stages of the operations as well as during their growth.</p> <p>To date, investments charged to the FIDE which will result in greater productivity in the region, are in a conceptualization process.</p>
<p>Compensatory Financing Fund (FFC)</p>	<p>The creation of the Compensatory Financing Fund (FFC, for its acronym in Spanish) was approved by the Shareholder's Assembly on March 11, 1997, and it was constituted with USD 15 million from the profits of 1996. Later, in 2002, operating norms were approved and began to be used.</p> <p>The main objective of the FFC since its creation is the reduction of long-term financing costs, favoring investment programs and projects aimed at benefiting marginal populations and mitigating asymmetries between shareholder countries. The goal of approvals of sovereign loans with a right to an FFC subsidy in 2017 reached USD 4,400 million while in 2018 it reached USD 3,500 million. In addition, during 2017, the FFC compensated approximately USD 82,7 million in interests, while in 2018 this figure reached USD 83,9 million.</p>





'07

**Institutional
Framework**



Institutional Development

► Material subject

CAF is aware of the lack of confidence there is with respect to institutions in Latin American countries. This crisis is based mainly on factors that superimpose and strengthen each other, distancing the region and its citizens in a sustained manner from international standards that show quality of life.

Distrust in governments, growth of poverty levels, serious problems of sustainability regarding growth and productivity, corruption, and low efficiency of public expenditures, among others, are recurrent situations facing the weakening of institutional quality.

► The complexity of the State affects the quality of life and productivity of the economy.

As a response, CAF has promoted the development of a new **Direction of Digital Innovation of the State** as a channel and instrument to leverage **digital transformation** of the state with the final objective of improving the quality of life of the citizens of the region.

The objective of the area will be based on improving services for citizens and companies in order to build **more agile, open, and innovative governments**, promoting digital innovation and data intelligence.



Efficiency and Innovation

Agility and Productivity

Integrity and Transparency

The development of the **Direction of Digital Innovation of the State** will be based on four essential pillars to achieve the desired impact at different levels of government: National and federal, provincial, municipal, and in cities.

Digital government

- Strengthen digitalization processes and promote incentives to consolidate the State's digital talent.
- Modernize public registries and promote the interoperability of the State.
- Digital innovation: promote new technologies, govtech, data intelligence.

Regulatory improvement

- Focused on strategic productive sectors.
- Support initiatives to simplify processes and public effectiveness.
- Activate the relationship with the citizenship, simplified bureaucratic processes, and reduce the unproductive ones.

Public integrity

- Support and strengthen governmental transparency: promote open government, open data, open purchases.
- Strengthen public management cross cutting systems.
- Improve the governance of public enterprises.

Smart Cities

- Strengthen municipal and metropolitan governance, as well as cross cutting systems for municipal public management.
- Focus on municipal efficiency and transparency.

Digital innovations for the transformation of the State, regulatory improvement and public integrity, leveraging data intelligence.

▶ TOWARDS SMART STATES

Training programs

Simultaneous to the design and incipient implementation of the new strategy of the Direction of Digital Innovation of the State, in 2017 and 2018 work continued in the implementation of CAF's training programs: Governance, Policy Management, and Public Management Program, and Leadership for Transformation Program.

Both initiatives are consolidated and mature in the region. In past years, jointly with universities and partner institutions, different actions have been promoted to strengthen the capacity of countries to carry on with these programs, and find complementary partners and strategic alliances that allow for a deepening of what has been done in the almost two decades these initiatives have been in place.



18.961

graduates between
2001 and 2017

More than 2.027

students in 2018

Governance, Policy Management, and Public Management Program.

The objective of this program is to train public officials and government teams in the countries of Latin America to strengthen the local institutional skills to address decentralization processes in the countries of the region and the political weight that subnational government instances have acquired.

During 2017 and 2018 the program was developed in 10 countries in Latin America: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay, and Venezuela, with the support of 12 universities and institutions of the region. During the 17 years in operation, it has trained close to 21,000 public officials and individuals interested in governance.

CAF will continue contributing resources in the 2019 edition of this program.

Executing universities:

- ▶ **Argentina:** Universidad de San Andrés and Universidad Católica de Córdoba.
- ▶ **Bolivia:** Univalle.
- ▶ **Brazil:** Fundacion Getulio Vargas.
- ▶ **Colombia:** Universidad del Rosario and Universidad ICESI.
- ▶ **Ecuador:** ESPOL and Universidad de Cuenca.
- ▶ **Panama:** Universidad de Panama.
- ▶ **Paraguay:** Universidad Columbia del Paraguay.
- ▶ **Peru:** Pontificia Universidad Católica del Perú.
- ▶ **Uruguay:** Universidad de la República.
- ▶ **Venezuela:** Universidad Católica Andrés Bello.

Leadership for Transformation Program

The objective of this program is to promote the exercise of leadership that understands the importance of the participation of organizations and actors in the civil society in the public policy process in order to strengthen the relationships between the State and society by means of specific actions.

During 2017 and 2018 the program was developed in six countries in Latin America: Argentina, Bolivia, Ecuador, Panama, Peru, and Venezuela with the support of seven universities and institutions in the region. Since 2001, more than 33,000 local leaders have been trained and graduated.



31.241

graduates between
2002 and 2017

More than
2.481

students in 2018

CAF has committed technical cooperation resources to carry out this program until the 2018 edition.

Executing institutions:

- ▶ **Argentina:** CEFAS.
- ▶ **Bolivia:** Fundación Idea.
- ▶ **Ecuador:** ESPOL and Universidad de Cuenca.
- ▶ **Panama:** Universidad Santa María La Antigua.
- ▶ **Peru:** Universidad San Martín de Porres.
- ▶ **Venezuela:** Fundación Centro Gumilla.



A person with long blonde hair, wearing a plaid shirt, is seen from the back, looking out over a field. The image is overlaid with a purple gradient that transitions from a darker shade at the top to a lighter shade at the bottom. The text '08' is prominently displayed in the center-left, with a small white triangle to its left. Below it, the word 'Integration' is written in a bold, white, sans-serif font.

08

Integration



Regional initiatives

► Material subject

CAF promotes the development of regional initiatives aligned with its productivity agenda, with the purpose of leveraging the growth of regional integration spheres related to infrastructure, institutional framework, and the private sector of the Latin American countries that allow the following:

Facilitation of international commerce and integration.

Reduction of entry barriers.



Implementation of policies for clusters and value chains.

Strengthening of regulatory aspects in key service sectors.

In effect, CAF offers applied knowledge and institutional acupuncture for the development of territorial interventions with a multi sectorial and multi actor character, and favors the strengthening of public policies that facilitate a productive and pragmatic integration of the countries of the region.

Intervention sphere

For the development of its regional initiative strategy, CAF has identified and prioritized intervention spheres where its actions promote the productive development of the region.



Integration spheres

Infrastructure

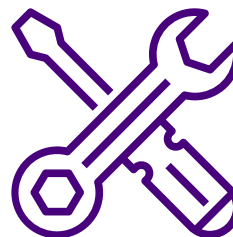
Private sector

**Institutional framework:
borders and customs**

- ▶ Macro agreements to open markets with regional organizations such as the Pacific Alliance, the CAN, Mercosur, and ALADI.
- ▶ Synergies and strengthening of existing integration models.



- ▶ National integration through logistic corridors.
- ▶ Digital transformation for 4.0 economy.
- ▶ Maritime and air integration.



- ▶ Strengthening of multilatin companies and/or exporting SME's.
- ▶ Service linkages: ICT, orange economy, tourism, and digital trade.
- ▶ Cooperation in traditional sectors.



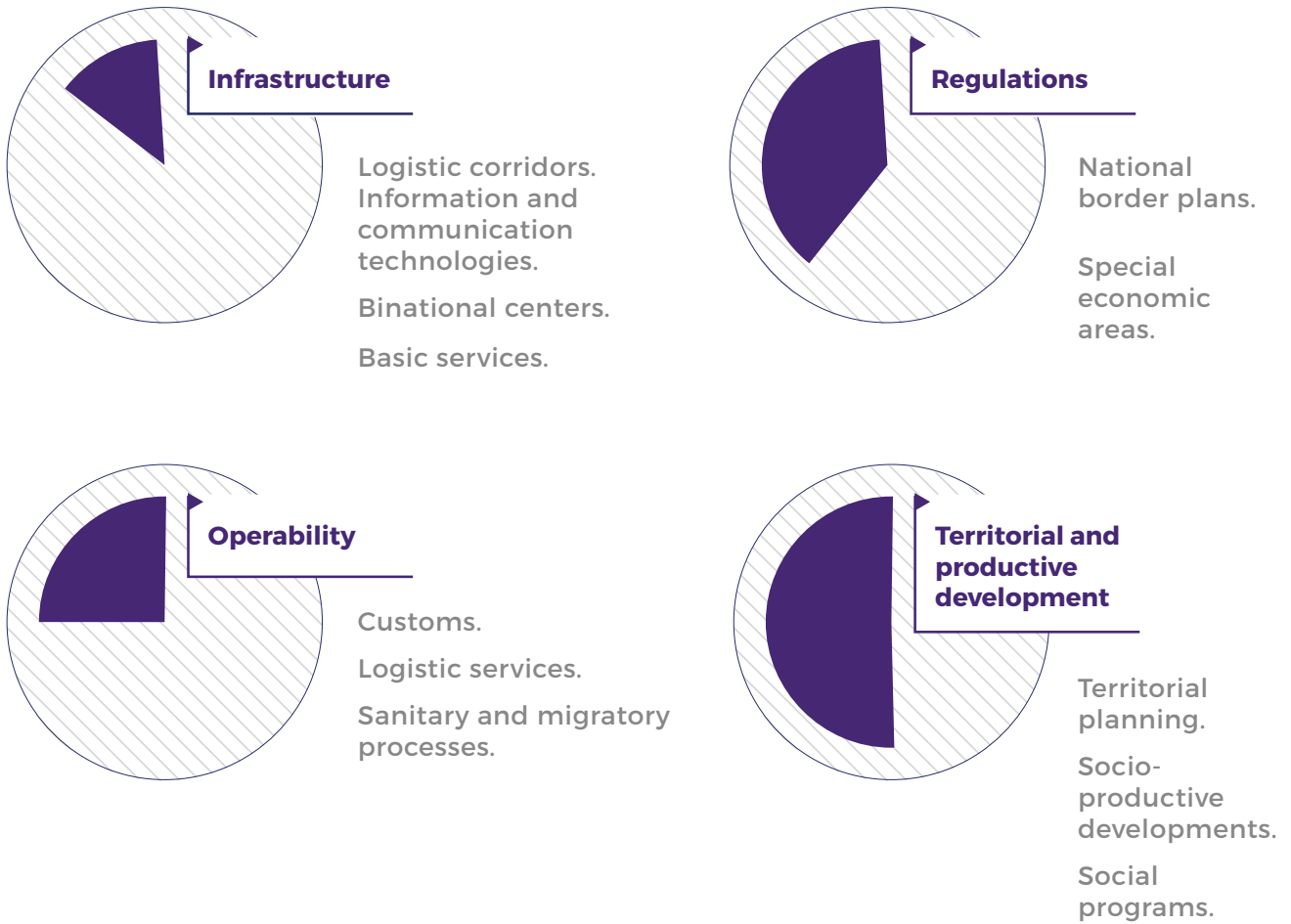
- ▶ Productive integration for inclusion.
- ▶ Binational centers.
- ▶ Modernization of customs.



On this basis, an operational approach has been developed focused on territorial interventions on the borders and the development of public policies for productivity, which include the following action components:

Territorial interventions: Program for the Comprehensive Management of Borders (PROGIF)

Figure 8.1. Territorial intervention points PROGIF





Productivity: Public policies with value added for commodities

Traditional productive sectors



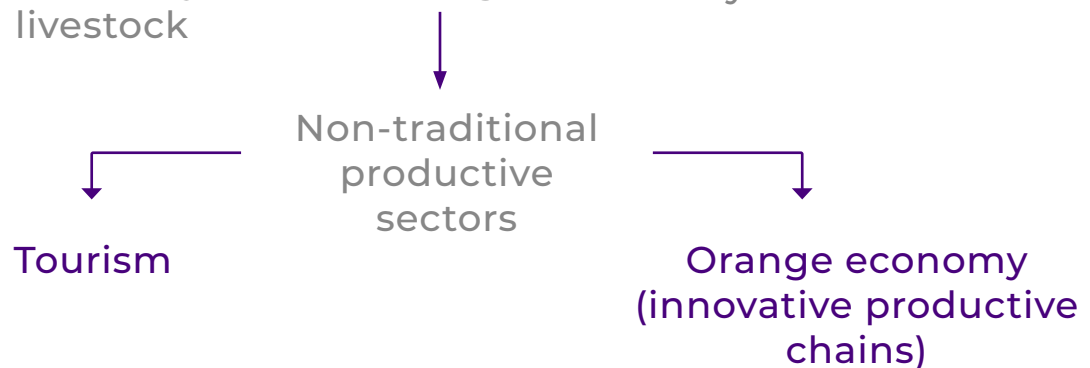
Agro-industry and livestock



Mining



Hydrocarbons



Objectives

In the planning and formalization of the strategy of prioritized regional initiatives, during 2017 and 2018 CAF's actions were aimed at the achievement of the following objectives:

Promote country agendas for binational and multilateral initiatives.

- ▶ Map regional initiatives and validate integration priorities by country and priority sector.
- ▶ Identify the needs of the private sector, infrastructure, customs, borders, etc.
- ▶ Identify an approach strategy for each country (institutions, subjects, relevant information for countries, procedures).
- ▶ Develop specific interventions according to the countries' priorities and CAF's strategic interests.

Develop and socialize applied knowledge and best practices to support the countries and CAF's internal work.

- ▶ Map projects and initiatives related to integration that exist at CAF.
- ▶ Identify opportunities in integration sectors that require CAF's technical support and knowledge to strengthen the productive capacities of the countries.
- ▶ Identify collaboration spaces of the Direction of Regional Initiatives with other areas at CAF.
- ▶ Socialize CAF's cross-cutting efforts regarding regional initiatives.

Support existing integration initiatives to strengthen high impact efforts on development.

- ▶ Analyze the Pacific Alliance with respect to opportunities, actors, and action routes, to increase its institutional density and the effectiveness of its intra-group relationships facing Asia.
- ▶ Strengthen relationships with "Technical Groups" and agreements of the Pacific Alliance.
- ▶ Identify best practices both intra and extra regional (example: ASEAN).

Contributions to regional integration, 2017-2018

Approved credit operations

Bolivia

- ▶ Construction of the Santa Cruz-Las Cruces-Buena Vista Highway (2017): **USD 112 million.**
 - ▶ Construction of the El Sena-Peña Amarilla-El Chorro Highway (2017): **USD 91 million.**
 - ▶ Construction of the two-way highway Sucre-Yamparaéz (2017): **USD 75 million.**
 - ▶ El Sena-Peña Amarilla-El Chorro Highway (2017): **USD 168 million.**
-

Paraguay

- ▶ Rehabilitation and maintenance program of paved roads by levels of service. Vial 3 (2017): **USD 100 million.**
 - ▶ Rehabilitation and maintenance of National Route n°9 (2017): **USD 400 million.**
-

Ecuador

- ▶ Road maintenance and preservation by results (2017): **USD 151 million.**

During the reported period, seven credit operations with regional initiative components were approved, for a total of USD 1,097 million. In addition, six technical operations were approved for a total of USD 10,44 million.

Approved technical cooperations

Argentina

- ▶ PPA regional workshop in the Water Sector (2017): USD 80,000.
- ▶ Innovation and health services in Argentina (2018): USD 150,000 (FONDESHU).

Chile

- ▶ Workshop for the follow-up of interconnection alternatives for Chile-Argentina (2017): USD 50,000.

Multinational

- ▶ Pre-investment Program for Regional Infrastructure (2017): USD 10 million.
- ▶ 1st Course on Energy Integration and Planning (2017): USD 105,000.
- ▶ Strengthening and regional coordination of entrepreneurial development centers in the countries of the AP/ Grupo Técnico Pymes y Emprendimiento (SME and Entrepreneurship Technical Group) (2017): USD 6,000.



A woman with blonde hair, wearing a black dress and black boots, is walking away from the camera down a modern office hallway. The hallway has a light-colored wooden floor and a white ceiling with recessed circular lights. To the left, there are glass-walled offices. To the right, there are racks of coats and a potted plant. The overall atmosphere is professional and clean.

09

Internal Management

Corporate government

► GRI 102-18

To ensure CAF's correct operation and the generation of economic, social, and environmental value for shareholder countries and the region, decision making in the Institution is centralized through a series of internal collegiate bodies, which are the Shareholder's Assembly, the Board, and High Management, whose functions and composition are established in the Constituent Agreement.

To consult on the composition of the current Board for the 2017-2020 period, visit the following link:

www.caf.com/media/1011/org-composicion-directorio-2017-2020-caf-es.pdf



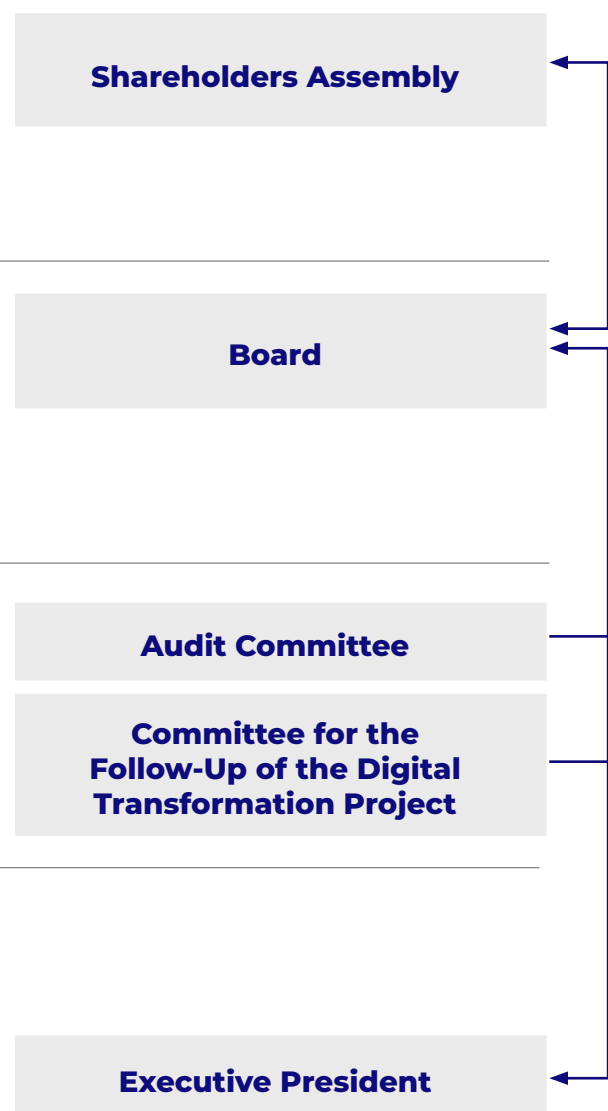
Approves the annual report of the Board, the financial statements duly audited, and determines the destination of CAF's profits. In addition it elects the members of the Board according to the norms established in the Constituent Agreement. Also appoints the external auditors.

Establishes and governs the Institution's financial, credit, and economic policy, in addition to exercising the other attributions conferred by the Constituent Agreement, the General Regulation, and the Assembly.

Support the decisions and actions of the Board.

Elected every five years with a possibility of reelection, is in charge of the general direction and administration, as well as any other matter specifically not entrusted to another body.

Government structure



The Supreme Government Body at CAF is the Shareholders Assembly, which meets in ordinary sessions once per year, and is made up of shareholders from the A, B, and C series, as well as representatives from shareholder countries, under the conditions established in the Constitutive Agreement.

The Board is in charge of approving credit operations, the annual expenditures budget, granting guarantees or investments, and any other operation within CAF's objectives. For this, it uses the Audit Committee, which is an effective channel of communications with the Administration regarding the financial information process and CAF's internal control structure, and the Committee for the Follow-Up of the Digital Transformation Project, created in 2017, whose objective is to guarantee the update, improvement, and integration of CAF's information systems and processes to increase its operational and managerial capacity, as well as ensure an efficient use of the budgetary approvals.

The Executive President is the Institution's legal representative, appointed by the Board. He is responsible for approving the strategic plans for countries and sectors, the structures, as well as the institutional processes that correspond to his authority and the financial operations that CAF conducts for the amounts that are within the limits that the Board has authorized.

► GRI 102-10

The new management cycle began for the executive president in 2017, for a period of five years. The adoption of a new organizational structure stands out.

Shareholding composition

► GRI 102-5

The Corporación Andina de Fomento (Andean Development Corporation) is a Multilateral Financial Institution of International Public Law, created by the treaty called "Constitutive Agreement of the Corporación Andina de Fomento", subscribed in Bogota, on February 7th, 1968.



To consult on CAF's constitutive agreement, visit the link:

www.caf.com/media/1010/caf-convenio-constitutivo-10032015.pdf



According to Article 5 of the Constitutive Agreement, CAF has ordinary capital shares (series A, B, and C) and guarantee capital shares (B and C series), as described below:

/ Ordinary capital shares:

for a total amount of USD 15,000 million, distributed in three series “A”, “B”, and “C”, as follows:

- ▶ **Series “A”:** made up of fifteen (15) nominal shares for 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 public or semi-public institution or of private law with a social or public objective assigned by said government.
- ▶ **Series “B”:** made up of one million six hundred thousand (1,600,000) nominal shares for USD 5,000 each, for a total amount of USD 8,000 million, whose subscription corresponds to governments or public, semi-public, or private entities, in member countries.
- ▶ **Series “C”:** made up of three hundred and ninety-six thousand four hundred (396,400) nominal shares for USD 5,000 each, for a total amount of USD 1,982 million, whose subscription corresponds to legal or natural persons outside of the member countries.





/ Guarantee capital shares:

for a total of USD 5,000 million, distributed in two series “B” and “C”, as follows:

- ▶ **Series “B”**: made up of seven hundred thousand (700,000) nominal shares for USD 5,000 each, for a total amount of USD 3,500 million, whose subscription corresponds to governments or public, semi public or private entities in member countries.
- ▶ **Series “C”**: made up of three hundred thousand (300,000) nominal shares for USD 5,000 each, for a total amount of USD 1,500 million, whose subscription corresponds to legal or natural persons outside member countries.

Tabla 9.1. Composición accionaria

Type	Series	Amount (USD million)	Number of shares	Shareholders 2017	Shareholders 2018
Ordinary capital	A	10,000	15	11	11
	B		1,600,000	32	32
	C		396,400	9	9
Guarantee capital	B	5,000	700,000	11	11
	C		300,000	9	9

For more information on CAF's shareholding composition, consult the following link:

www.caf.com/media/1012/accionistas-caf-banco-de-desarrollo-de-america-latina.pdf



Ethics and transparency

► GRI 102-16

The Guidelines of CAF's Ethical Conduct are based on ethical principles of general acceptance that serve as a guide for the behavior of the Institution's staff, collaborators, and service providers. The following values define its corporate culture:

- **Transparency:** act and communicate with clarity, with no doubts or ambiguities, and without hiding anything that needs to be known.
- **Loyalty:** maintain a behavior that is coherent with CAF's ethic principles, placing corporate interests above all.

- **Honesty:** decency, rectitude, and justice in people and their actions.

- **Equality:** apply the established norms and policies in a coherent manner, so as to provide an equitable treatment, free of arbitrary decisions, and without any type of discrimination.

- **Integrity:** is the disposition to act morally, honestly and sincerely, with an absence of influences and according to the current legal norms.

- **Discretion:** common sense to make judgements and tact to speak and/or act with reserve, prudence, and circumspection.

CAF has also developed a Transparency Manual to establish the regulations necessary to prevent, detect, investigate, and face prohibited practices linked to the finance operations and those of a financial character.

All the Institution's staff must adhere to the Guidelines of Ethical Conduct and the Transparency Manual when they enter the Institution, as well as suppliers, who by means of a supplier registry subscribe a declaration stating the reception, knowledge, and subjection to CAF's ethical principles, which is a requirement for contracting.

Guideline of ethical conduct

Transparency manual



- ▶ Were created and approved in 2007, jointly with CAF's Ethical scheme.

- ▶ Contains the procedures and guidelines to carry out investigations, as well as sanctions to people or entities that fall into corrupt practices, fraud, coercion, collusion, and obstruction.

- ▶ Created in 2016 due to the need to have a more specialized structure for the treatment of fraud or corruption.



At the same time, the Institution's Integrity, Ethics, and Transparency System includes the Integrity and Ethics Committee, which is current since 2007, as well as the Transparency Committee, created in 2016. These committees have a robust regulation, public contact mechanisms such as specific sites on the web page, and access from the corporate intranet for collaborators, together with the corresponding dissemination modes.

Risk management

The Vice-presidency of Risks was created in December, 2017, with the objective of strengthening the analysis and control of the main Strategic risks for CAF. It focuses its efforts on the internal and external contextualization of the different risks and vulnerabilities that could endanger the Institution's achievement of its strategic objectives, as well as the identification, analysis, valuation, follow-up, and monitoring of the different types of risks to which the Institution is exposed, reporting to the Executive Presidency and the different decision making instances regarding the behavior and performance of the different risks and their management.

Risk management at CAF is based on best practices, as well as on the agreements of the **Basle Committee on Banking Supervision**, and on the following basic principles aligned with CAF's strategy and business model:

- Risk culture integrated throughout the Institution.
- Independence of the risk function.
- Comprehensive vision of all risks.
- Organizational and government model.
- Powers and attributions of each risk management unit.

Risk ratings

CAF has Risk Management Systems designed and implemented for each one of the identified financial and non-financial risks, according to the current regulatory parameters in partner countries and international standards, in order to conduct an adequate management and exercise a strict control of eventualities associated to their occurrence.



Table 9.2. Risk rating

	Financial risks	Non-financial risks
Type of risk	<ul style="list-style-type: none"> - Credit risks (solvency). - Risk of concentration of assets and liabilities. - Risks resulting from fluctuation of financial market variables (types of interest, types of exchange, prices, and volatility). - Liquidity risk. - Balance structure risk, associated to maturity mismatches (and the respective margin sensitivity) between assets and liabilities. 	<ul style="list-style-type: none"> - Strategic risk. - Reputational risk. - Fiduciary risk. - Operational risk. - Technological risk. - Legal and compliance risk.
Report structure	<ul style="list-style-type: none"> - Monitoring of financial risks associated with the management processes of liquid assets portfolio, issued bonds portfolio, loan portfolio, and capital investments. - Monthly reports and quarterly reports showing the exposures to price, credit, interest rate, exchange rate, and concentration risks, as well as violations to the limits established in the regulation. 	<ul style="list-style-type: none"> - Risk maps and matrices, causes and controls generated as a result of the identification process and valuation of risks carried out with the owners of the processes. - Risk reports containing the levels of exposure of the risks identified and consolidated for each process, as well as the development of the control structure for each process. - Annual report including the main activities and advances regarding risk management that were addressed for the validity period of the report.
Management tools	<ul style="list-style-type: none"> - The management of financial risks is supported by diverse digital platforms (Bloomberg-AIMS, Risk Rating System-SCRC, for its acronym in Spanish) that facilitate the quantification, evaluation, control, monitoring, and reporting of risk exposures, as well as compliance of the guidelines and limits established. 	<ul style="list-style-type: none"> - Global Suite, a specialized technological tool which has the data bases related with the administration and management of the types of non-financial risks.

	Financial risks	Non-financial risks
<p>Advances, 2017-2018</p>	<ul style="list-style-type: none"> - The efforts of the Vice-presidency of Risks to improve the efficiency and effectiveness of the associated processes are noteworthy, and they are reflected in the following activities: <ul style="list-style-type: none"> - Creation of the Financial Risks Unit (URF for its acronym in Spanish), attached to the Direction of Risk Management - Recruitment of two executives specialized in financial risks. - Acquisition of new tools and digital platforms, such as: MATLAB and Bloomberg-LQA. - Mapping and design of the development of interfaces in MATLAB that automate the diverse work flows of the URF. - Implementation of on-line risk monitoring, associated to the Treasury, that enables the review, contrast, and traceability in the same Bloomberg-AIMS platform where automatic controls operate for transactions carried out by CAF's Treasury. 	<ul style="list-style-type: none"> - Within the continuous improvement scheme and the increase of maturity levels related to the management of non-financial risks for 2018, the following activities have been developed: <ul style="list-style-type: none"> - Implementation of the Global Suite tool for the management of non-financial risks. - Generation of the comprehensive matrix of non-financial risks as a result of the homologation of the operational risk matrices with the risk and control matrices used in Internal Control. - Validation and valuation process of the comprehensive matrix of non-financial risks for the processes that are subject to the COSO certification in 2018.

Information security

► GRI 418-1

The Direction of Risk Management (DGR for its acronym in Spanish) has implemented a communication mechanism to address any claim or complaint for non-compliance of CAF's obligations regarding its clients' privacy and loss of data: privacidad@caf.com. This mechanism is disseminated through the Institution's web page, opening

a channel of communications that may be used by any third party that has a doubt or complaint regarding the management or violation of the privacy of personal information.

During 2017 and 2018, the DGR had no knowledge of claims or complaints of third parties with respect to violation of privacy or loss of client data.

Prevention of asset laundering

► GRI 205

Aware of its exposure to the risk of asset laundering and financing of terrorism, CAF has developed a System for the Prevention of Asset Laundering (SPDLA for its acronym in Spanish), which seeks to reassure the ethical commitment of the Institution's human team, and minimize the probability that it may be used for operations related to asset laundering and financing of terrorism, or that it may be linked with individuals

associated to said activities. This system is based on the Recommendations of the Financial Action Task Force (GAFI for its acronym in Spanish), the UN Conventions, the Principles of the Wolfsberg Group, and the Basle Committee, which lay the foundations to define the definition of formal controls for the prevention of the associated risks in the different processes executed by the areas of the Institution, whose mitigating factors are focused on:

- Knowledge of clients.
- Knowledge of employees.
- Monitoring of operations.
- Detection of suspicious operations.
- Appointment of a compliance official.
- Independent reviews of the system.

During the 2017-2018 period, the following activities took place within CAF's System for the Prevention and Detection of Asset Laundering.

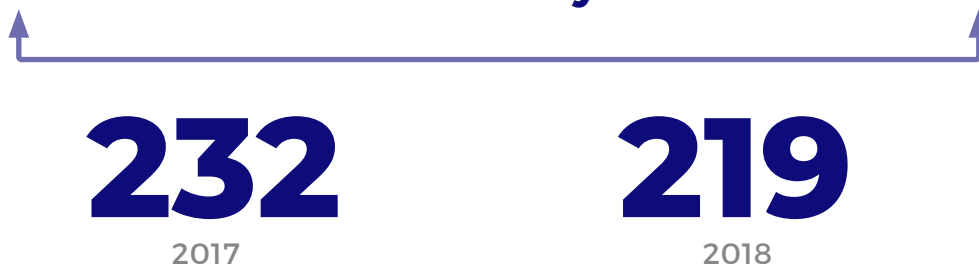
► Monitoring the System for the Prevention and Detection of Asset Laundering

Monitoring was carried out to verify compliance by the different areas at CAF, of due diligence procedures for the prevention and detection of asset laundering, as established in the internal regulation. These procedures are consistent in the information gathering process and documentation of counterparts, in order to achieve an adequate knowledge regarding the latter, especially associated to the following processes:

- Direction of Human Capital: recruitment of staff, interns, and consultants/advisors, assignment of guarantees, loans for housing acquisitions.
- Direction of Control of Operations: disbursements to third parties, payments of operations associated to funds.
- Contracts and payments made to suppliers.
- Technical cooperation, Legal Counselling, and different business areas both of the public and private sectors.

Table 9.3. Update of sanction/alert lists through the SafeWatch System

Sanction/alert lists through the SafeWatch System



With the purpose of expanding the solidity of the monitoring system, two lists of additional sanctions were incorporated, corresponding to the United Kingdom and Canada.

Table 9.4. Address of internal and external requirements regarding PDLA

Internal and external requirements addressed regarding PDLA



The main requirements addressed include consultations and application information, fill out of AML/KYC questionnaires and forms related to PDLA, validation of results thrown by the SafeWatch System, and support to solve technical failures related to the SPDLA tools, among others.

► Inductions regarding PDLA

In 2017 four on-site inductions regarding PDLA with a total of 74 participants. In addition, an updated PDLA training course was carried out in the e-learning modality, through the UVCAF platform for all the staff. A total of 938 participants represented a global compliance of 96%, and the satisfaction score was 4.2 over 5.

At the same time, during 2018 there were 69 new hires, who were trained in PDLA in the e-learning modality through the UVCAF platform, with a global compliance of 94%.

Table 9.5. Update of forms for staff statements

	2017		2018	
	Statements received	Compliance percentage	Statements received	Compliance percentage
Statement of investments and executive positions in other companies	642	87 %	566	80 %
Statement of activities and licit capital			600	85 %

► Review and update of the internal norm regarding PDLA

There was a review and update of the internal regulatory documents Manual for the System for the Prevention and Detection of Asset Laundering, Due Diligence Instructive, Procedure for the Management of the SafeWatch System, and Monitoring Instructive of the Manual for the System for the Prevention and Detection of Asset Laundering, as well as of the related forms, to guarantee their adequacy with the most recent recommendations issued by international organizations and the best practices and standards regarding PDLA used in the world by the financial industry.

In addition, during 2018 a decision was made to strengthen the “compliance” function, and a specialized external consultant was hired in order to update and strengthen the processes, controls, and regulations regarding this matter, emphasizing the aspects of the PDLA, sanctions, conflicts of interest, monitoring, reports, and scaling.

For more information regarding the functions and management of the System for the Prevention and Detection of Asset Laundering, consult

CAF's web page:

www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/prevencion-del-lavado-de-activos/



CAF's Sustainability Report, 2015-2016, page 73. Available at:

scioteca.caf.com/handle/123456789/1098



Business Continuity Management System (SGCN for its acronym in Spanish)

CAF has a Business Continuity Management System certified under the ISO 22301 norm, through which it guarantees the acceptance of the methodology and practices implemented to maintain the critical processes of the business operational, despite the adverse conditions that may be present, minimizing the impact of potential incidents that may affect the continuity of the business.

The system has identified 34 critical processes for the continuity of the business, with their respective defined recovery time objective (RTO), which includes nine business processes and 25 support processes. For its management, 29 continuity plans have been developed, which are

updated once or twice per year as a result of the findings identified in the audits, exercises, and tests carried out periodically as follow-up.

In addition, the Business Continuity Management Committee is in charge of reviewing the SGCN in order to ensure the maintenance of the convenience, improvement, and effectiveness of the definitions, provisions, and continuity plans of the business, in line with the elements required by the ISO 22301:2012 norm.

During 2017 and 2018 activities were carried out that were planned at the SGCN, related with the update of continuity plans, follow-up of action plans for continuity risks, audits, tests, and exercises, among others.



Table 9.6. Activities of the SGCN

	2017	2018
Audits carried out	3	1
Interruption risks managed	25	18
Interruption incidents materialized	0	1
Staff which is part of the SGCN	120	120
Staff trained in the SGCN	95	85
New staff trained in the SGCN	10	4

A new tool for the mission of the SGCN was implemented in 2017. It is called Global Suite, and three audits were conducted in order to review and improve the performance and effectiveness of the system:

- ▶ Internal audit, executed by the Institution's General Audit, which made a general review of the business continuity process.
- ▶ External audit carried out by an external consultant, who reviewed in detail a sample of the system's documentation and interviewed the managers of the SGCN.

- ▶ Audit and maintenance of the ISO 22301 certification, carried out by the British Standards Institution (BSI), which reviewed the system's documentation and interviewed the managers of the selected critical processes, in order to verify that the Institution is still complying with the requirements of the ISO 22301 norm. This process ended in 2018, with satisfactory results for CAF.

Advances were made in the update process of the impact analysis of the BIA business, which as a result, will identify and adjust the processes of CAF's critical processes and, as a consequence, the update or development of continuity plans associated to said processes.

General Audit

The General Auditing processes verify the existence and compliance of the norms applicable in the development of the Institution's activities, and evaluate the effectiveness, efficiency, and the economy of the processes carried out with objectivity and independence, to ensure their alignment with CAF's objectives. These actions protect the Institution's assets and interests, and strengthen its governance and risk management systems.

The audit activities evaluate the risks identified in the operations, verify the application of the internal controls defined for each process, as well as compliance with the internal and external norm that is applicable to each process, without limits for the actions due to the independent character of the General Audit.

At the end of each audit process a detailed report is made by those responsible for each activity, including recommendations of actions to be taken, in order to improve the control of associated risks. In addition, continuous monitoring is carried out of the recommendations derived from the audits, and a quarterly follow-up exercise is conducted to identify advances and gaps.

All these actions are based on the guidelines of the Manual for the management of the General Audit; this management is certified under the ISO 9001:2015 norm, facilitating its systematicity through procedures and indicators that enable the achievement of the following objectives:

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

Evaluate the processes and areas. Provide recommendations to strengthen risk management and comply with the objectives. ◀

Timely and effectively monitor the implementation of corrective action plans defined for the audited areas. ◀

Support CAF in key subjects, based on the risks and resources, and assist to contribute in the achievement of the objectives. ◀

To ensure independence in the development of General Auditing activities, and the achievement of the stated objectives, there is an operational structure headed by the Executive President and the Audit Committee, followed by the General Auditor, who defines and guides the execution of the Annual Audit Plan, based on the results of the risk evaluation, in addition to ensuring the availability of resources and carrying out the reviews of the Quality Management System for the General Audit, to guarantee its suitability, efficiency, and alignment with CAF's strategic direction, among other functions included in the Manual for the Management of the General Audit.

In addition, the Director of Credit Operation Audits plans and coordinates the evaluations of the business operations that have been prioritized, supported by the internal audit team that is responsible for the execution of the actions included in the Annual Audit Plan, and for the follow-up of the recommendations established in the business areas. Communications received through the audit electronic mail are treated according to the procedure included in the Manual for the Management of the General Audit. During the reported period no complaints were received by this means.

Table 9.7. General Audit



Human capital

Personnel distribution

► GRI 102-8

Table 9.8. Total number of collaborators

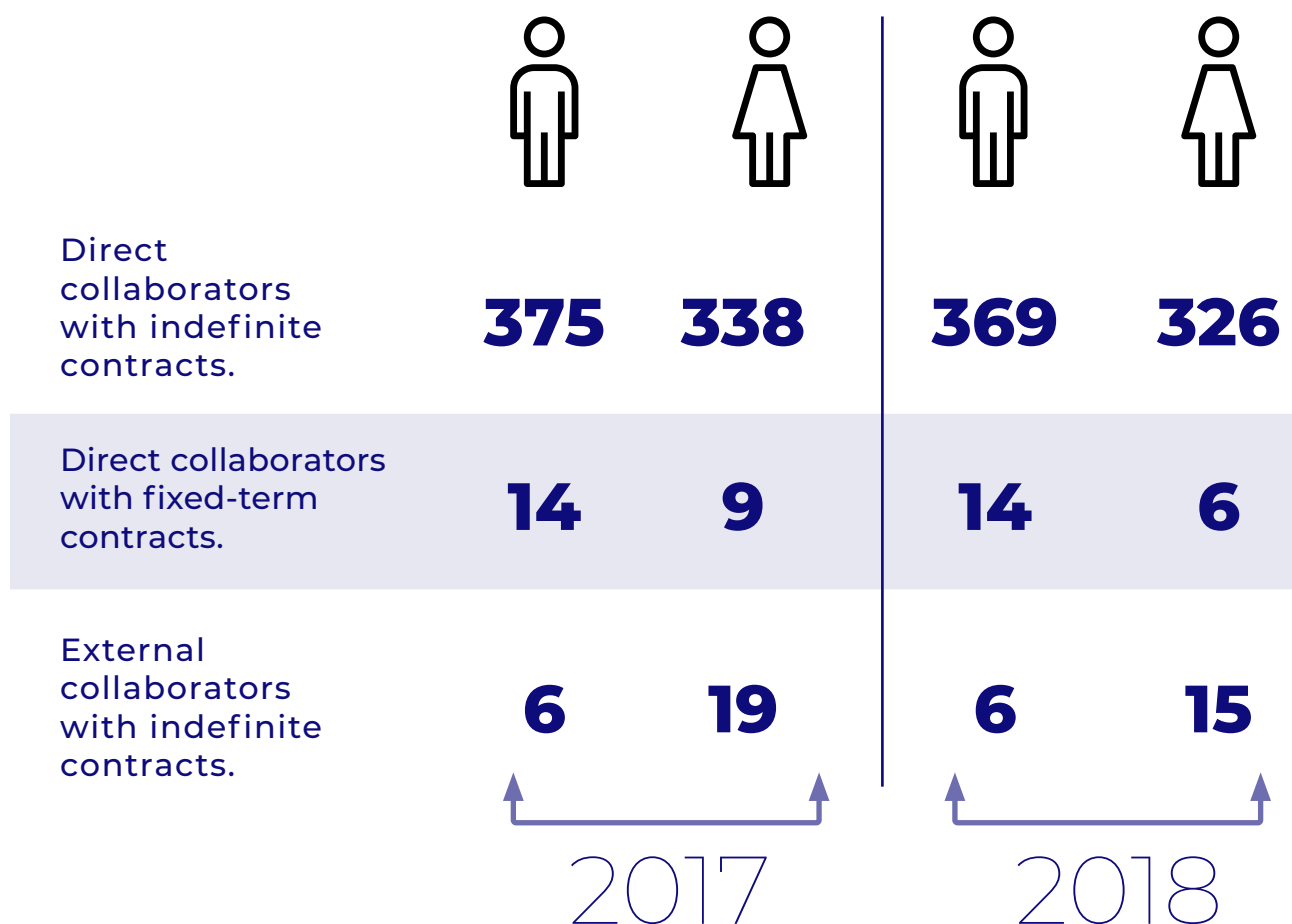


During 2017 and 2018 none of the Institution's collaborators were contracted on a part time basis, and there were no contracts for specific projects in any of the regions where CAF is present. The variation in the number of

direct collaborators between 2017 and 2018 was 2.8%.

It is important to highlight that in 2018 a restructuring process began for CAF's working teams, in accordance with the update of its strategic vision, a process that is in force until 2019.

Table 9.9. Collaborators by type of contract and gender




In 2017, 47 % of direct collaborators were female, while in 2018 the percentage dropped to 46%. With respect to external collaborators, in 2017 females represented 76%, and in 2018 it fell to 71%.

Table 9.10. Collaborators by region and type of contract

► Direct collaborators

2017



Region	Indefinite term	Fixed term
Headquarters	341	17
North	231	3
South	141	3
General total	713	23

► External collaborators

Region	Total	%	Total	%
Headquarters	0	0	0	0
North	14	56%	13	62%
South	11	44%	8	38%
General total	25	100%	21	100%



2017



2018

2018

Total (%)	Indefinite term	Fixed term	Total (%)
358 (48%)	309	12	321 (45%)
234 (32%)	248	3	251 (35%)
144 (20%)	138	5	143 (20%)
736 (100%)	695	20	715 (100%)

The largest share of collaborators corresponds to the Institution's headquarters (Venezuela), followed by the Northern region (Colombia, Ecuador, Spain, Mexico, Panama, Peru, Trinidad & Tobago), and to a lesser extent, by the Southern region (Argentina, Bolivia, Brazil, Paraguay, and Uruguay).

► GRI 102-41

Due to CAF's legal nature (organization of international public law, protected by immunities and privileges) the existence of collective agreements is not common; in addition, working relations in the Institution are regulated by the Personnel Regulation and Manual, so in 2017 and 2018 there were no collective agreement negotiations with collaborators.

► GRI 405-1

Table 9.11. Collaborators by working category, gender, and age range

Age range	Total	%	Total	%
Between 18 and 30 years old	69	9 %	64	9 %
Between 30 and 50 years old	452	61 %	466	65 %
Over 50 years old	215	29 %	185	26 %

2017 2018

► **2017**

	Male	Female	Male	Female	Male	Female
●	0	0	10	3	35	18
●	28	30	220	176	62	60
●	2	9	13	30	19	21
●	30	39	243	209	116	99

Between 18 and 30

Between 30 and 50

Over 50

● Executive ● Professional ● Administrative ● Total



► 2018

	Male	Female	Male	Female	Male	Female
●	0	0	13	3	30	13
●	30	26	221	187	53	50
●	2	6	15	27	10	20
●	32	32	249	217	102	83

Between 18
and 30

Between 30
and 50

Over
50

● Executive ● Professional ● Administrative ● Total

► GRI 405-2

Table 9.12. Salary relationship by work category and gender

Work category	Relation of base salary between men and women	Remuneration relation between men and women	Relation of base salary between men and women	Remuneration relation between men and women
High executives	-0.1 %	0.1 %	-0.1 %	0.1 %
Executives	0 %	0 %	0 %	0 %
Senior professionals	0 %	0 %	0 %	0 %
Intermediate professionals	0 %	0 %	0 %	0 %
Professionals	0 %	0 %	0.2 %	0.2 %
Administrative	0.3 %	0.3 %	0.4 %	0.4 %

2017 2018

All the working categories maintained a stable relation relative to the base salary as well as relative to remunerations, with the exception of professionals and administrative personnel which showed an increase in 2018 relative to the previous year. However, the difference is not high, reflecting CAF's commitment to avoid salary differences based on gender.



► GRI 202-1

CAF has defined in its salary policy to maintain salaries at a competitive level in the labor market, therefore, salaries are above the minimum salaries established in each one of the regions where the Institution is present, exactly 50 percentile of the market, both in 2017 and 2018.

Rotation

► GRI 401-1

TABLE 9.13. Collaboration rotation indicators

	2015
Number of new hires	107
Rate of new hires	
Number of retirees	43
Rotation rate	

Table 9.14. New hires by region, age range, and gender 2017

2017

Region	Males	Females
Venezuela	7	10
Northern Region	1	1
Southern Region	2	1
Total	10	12

Table 9.15. Retirees by region, age range, and gender, 2017

Between 18 and 30

Region	Males	Females
Venezuela	2	13
Northern Region	3	2
Southern Region	0	2
Total	5	17

2016	2017	2018
101	57	73
	0.6 %	0.8 %
44	77	99
	9 %	11.5 %

Males	Females	Males	Females
6	3	1	1
8	6	1	1
5	2	1	0
19	11	3	2

Between 30 and 50

Over 50

Males	Females	Males	Females
5	10	16	6
3	4	3	6
2	0	0	0
10	14	19	12

2018

Table 9.16. New hires by region, age range, and gender, 2018

Region	Males	Females
Venezuela	7	8
Northern Region	2	0
Southern Region	0	3
Total	9	11

Table 9.17. Retirees by region, age range, and gender, 2018

Between 18 and 30

Region	Males	Females
Venezuela	5	7
Northern Region	1	1
Southern Region	0	0
Total	6	8



Males	Females	Males	Females
7	12	4	1
12	6	4	1
4	1	1	0
23	19	9	2

Between 30 and 50

Over 50

Males	Females	Males	Females
11	9	9	14
8	7	8	7
3	6	3	0
22	22	20	21



Benefits offered to collaborators

► GRI 401-2

Benefits include all collaborators, except for the pension fund, family allowance, and educational subsidy, which only apply to those with indefinite contracts.

Table 9.18. Benefits offered to collaborators

Life insurance

Medical insurance

Coverage for disability and/or invalidity

Maternity and paternity leave

- ▶ All collaborators have life insurance from the day they start working at CAF; the cost of the premium is completely covered by the Institution, with coverage of 48 basic salaries with a maximum of USD 800,000.



- ▶ Medical insurance plans include expenses necessary for the prevention and/or restoration of the insured person's health, and the collaborator only pays one third of the value of the insurance premiums and eligible medical expenses.

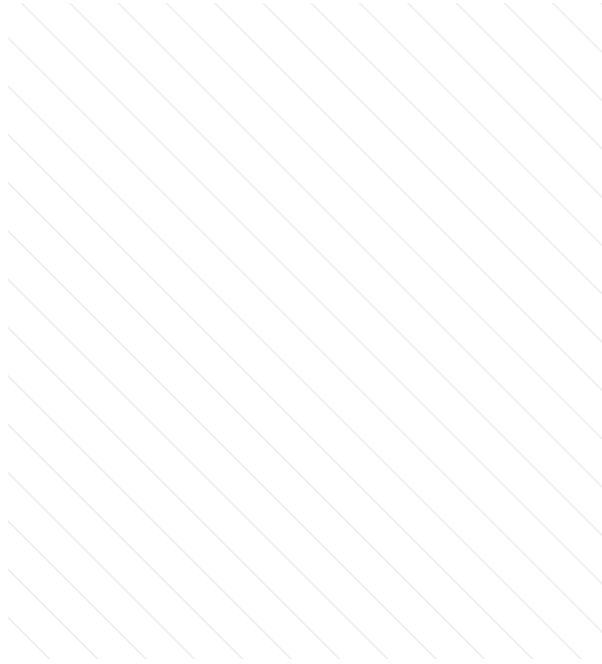


- ▶ As with life insurance, everyone in the Institution has this benefit, included in the policy from the starting date at CAF.



- ▶ Refers to the amount of time given to a mother or father to leave the job to take care of the infant, during the pregnancy, or after childbirth.





**Pension
fund**

**Vacation
bonus**

**Family
allowance**

**Educational
subsidy**

**Tenure
benefits**

Additionally, the profit benefit is delivered through which employees have the right to receive a bonus for each annual financial year derived from their participation in CAF's net profits. In no case this benefit is less than the equivalent of a basic salary, nor more than four.

- ▶ Made up of two contributions, one made by the employee of 7% of the basic monthly salary, and the other made by CAF, with the objective of granting the benefit of a pension to CAF collaborators at the time of retirement or invalidity or permanent disability.



- ▶ The Institution provides a bonus equivalent to fifteen days of salary the first year of service, in addition to one day for each year starting on the second year.



- ▶ Collaborators have the right to an annual allowance for each dependent recognized by CAF.



- ▶ Collaborators have the right to receive an educational subsidy that contributes to cover the financial obligations resulting from the education of dependent children.



- ▶ Equivalent to five salary days for each month of work after the first year of service or fraction over six months; In addition, CAF will pay the employee two days of salary for each cumulative year up to 30 days of remuneration.



Training

► GRI 404-1

TABLE 9.19. General indicators of collaborator training

Between 2017 and 2018 there was a reduction of 1.8 % in the number of hours of training dedicated to collaborators. Despite this reduction, the average number of training hours per collaborator in 2018 was 9,2% higher compared to 2017.

2017

Table 9.20. Indicators of collaborator training, 2017

Working category	Trained collaborators	
	Males	Females
Executive	41	19
Professional	355	320
Administrative	7	42
Total	403	381

2018

Table 9.21. Indicators of training to collaborators, 2018

Working category	Trained collaborators	
	Males	Females
Executive	50	25
Professional	293	251
Administrative	34	51
Total	377	327

	2017	2018
Collaborators trained	784	704
Hours of training	24.929	24.463
Average training hours per collaborator	31.79	34.74

On average, during 2017 women received 34.66 hours of training while men received 29.08 hours per collaborator. Eighty percent of the total training hours were provided to the professional category.

Hours of training		Average hours per collaborator	
Males	Females	Males	Females
1.431	261	34.9	13.73
9.905	10.230	27.9	31.96
386	2.716	55.14	64.66
11.722	13.207	29.08	34.66

Compared with 2017, during 2018 the average hours per collaborator for women was higher by 17%, while for men it increased 1.8%. Ninety-one percent of the training hours were provided to the professional team.

Hours of training		Average hours per collaborator	
Males	Females	Males	Females
537	338	10.74	13.52
10.376	11.916	35.41	47.47
260	1.036	7.64	20.31
11.173	13.290	29.63	40.64

Performance evaluation

► GRI 404-3

The performance objectives and their evaluation are based on criteria known by the collaborators and their superiors. The evaluation takes place at least once per year, with the knowledge of the person who is being evaluated. It may include an evaluation done by the immediate superior of the collaborator, by workers of the same level, or by a wider pool of employees.

In 2017 the performance evaluation was carried out through two platforms: The Performance Stop under Sharepoint, where competencies are evaluated; and the PeopleNet portal, designed to evaluate individual objectives and goals.

At the same time, during 2018 updates were made to the module “Performance Evaluation” of the employee’s portal, in order to make a more agile process and unite the information in one system. Among these actions are the following:

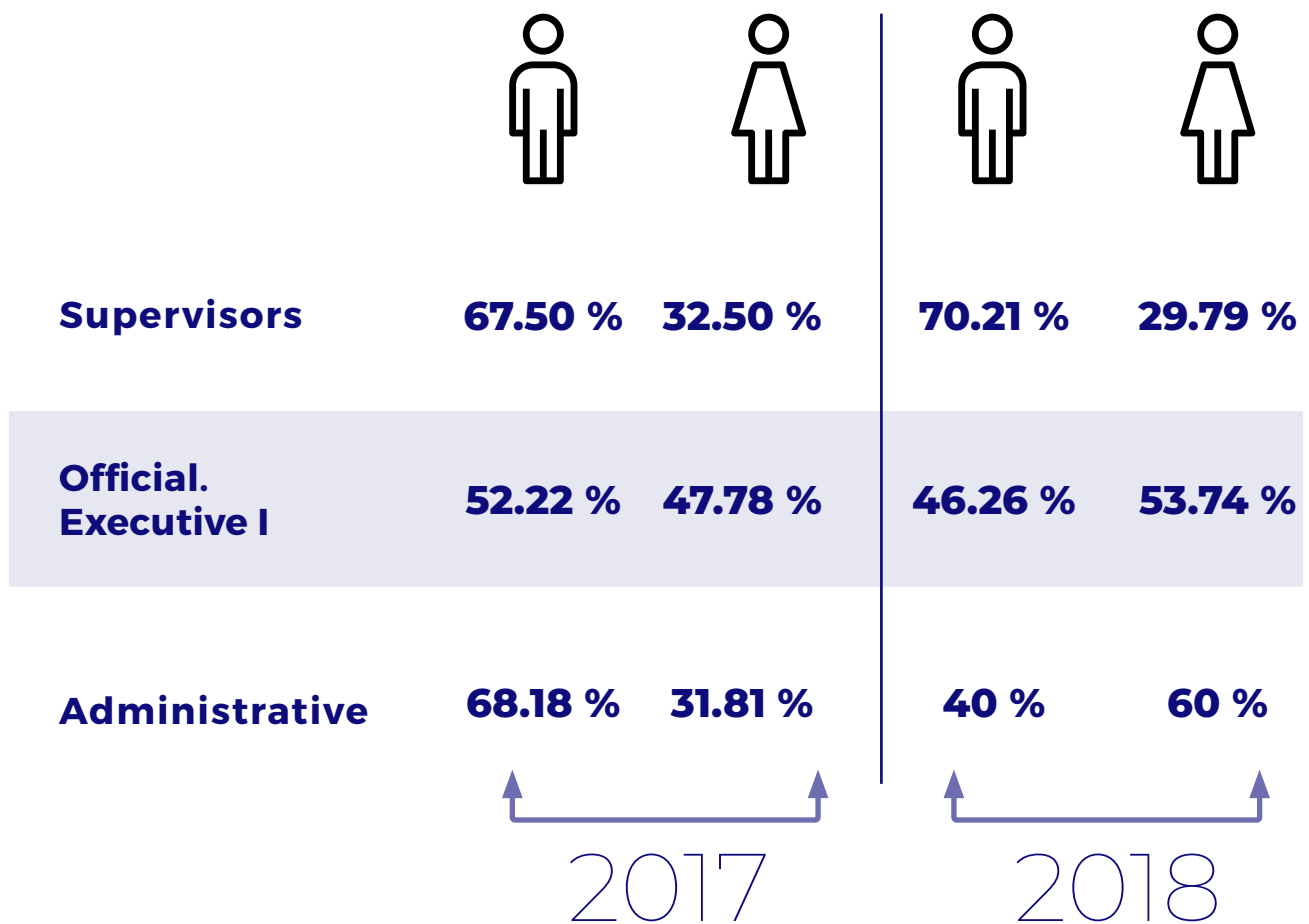
- Define a minimum of five and a maximum of eight employees for the development of lists.

- Visualize the score obtained in the Evaluator Committee through the competencies graph by roles.

- Provide greater importance to the transparency exercise, which prioritizes the knowledge/work of the person being evaluated, on the basis of confidentiality.



Table 9.22. Percentage of collaborators who received performance evaluations by gender and working category



Supplies management

► GRI 102-9, 204-1

In the area of purchases, acquisitions for all services in the bank are centralized, including specialized technological purchases, maintenance and construction, as well as inputs required for the operation of the offices, for the input warehouse, and promotional material, among others. This area also centralizes the supplier registry process, which is a cross-cutting process for all the Organization.

The hiring area is mainly in charge of the administrative contractual formalization of suppliers/consultants, which encompasses the reception process of contract applications, previously quoted and selected by the soliciting unit, as well as the validation of compliance with the internal norms and policies that regulate the hiring processes.

This formalization is carried out through the issue and signature of a contractual document prepared by the Legal Consulting area, or the generation of a service order in the administrative system, which enables the allocation of funds to comply with the commitments acquired with suppliers.

Purchase applications are handled in compliance with the current regulation, through an order form issued in the administrative system, where the largest concentration of purchase of goods is framed in the acquisition of specialized technological equipment.

All suppliers and consultants go through a strict due diligence process according to the dispositions established in diverse internal regulations at CAF, in order to guarantee the principles of administrative transparency, prevention of asset laundering, and risk management.

Given the established corporate standards and the technical specifications of the Institution's acquisition needs, a high percentage of the purchases are consolidated in the United States and distributed to the representation offices to the different countries of Latin America.



On average, during the 2017-2018 period, 82.5% of the purchases of goods and services were carried out with local suppliers, guaranteeing the support of said suppliers who are a part of CAF's member countries.

Table 9.23. General Indicators of Suppliers

	2017	2018
Suppliers of goods with whom there is a commercial relationship.	328	324
Percentage of suppliers of local goods.	86 %	84 %
Total amount of contracted goods.	USD 7,18 million	USD 4,73 million
Suppliers of services and consultancies with whom there is a commercial relationship.	730	788
Percentage of suppliers of services and local consultancies.	80 %	80 %
Total amount of contracted services and consultancies.	USD 51,84 million	USD 51,88 million

Satisfaction of suppliers and consultants

In January of 2018 a satisfaction survey was conducted with suppliers and consultants regarding the quality of service corresponding to the year 2017. Nine hundred and twenty-eight invitations were sent to suppliers and consultants, and 324 responded (31% participation).

The global result of the survey showed a level of satisfaction of 96% by suppliers:

- 99 comments were received, of which 74% refer to satisfactory experiences regarding relations with CAF, highlighting the responsibility of the staff, the compliance of contractual agreements, and the timely payment of commitments.
- The main comments regarding dissatisfaction were associated to delays in the payment processes and changes in the scope of the projects.



Management of knowledge

The management of knowledge is the set of systematic processes that are carried out to document the knowledge generated by the Institution in the development of its operations, and to generate value in the achievement of its objectives.

The knowledge management processes carried out by CAF:

- Facilitate institutional learning to make internal processes more efficient and provide better services to clients and users.
- Increase the value of the interactions and internal processes as they enable a greater efficiency in the structuring process of operations, and improve the relationships of the executives with institutional actors and governments.
- Increase the impacts of the projects as the operations are framed in strategies based on an adequate diagnosis of the factors that limit the development of countries.
- Enable the accumulation and capitalization of experiences regarding resolution of development problems in the region, which is shared with other actors of development, governments, and academic institutions.

Direction of Impact Evaluation and Policy Learning

(DEIAP for its acronym in Spanish)

The Direction of Impact Evaluation and Policy Learning contributes tools for decision making based on evidence with the objective of increasing the effectiveness of the interventions that governments implement in their territories, generating a real impact on the populations and favoring sustainable development.

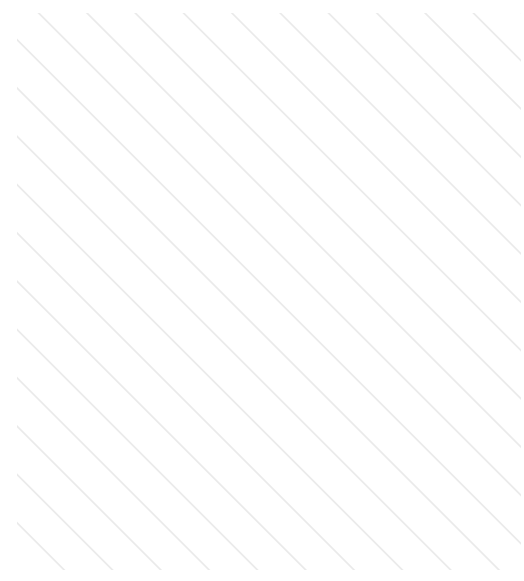


Table 9.24. Indicators of the Direction of Impact Evaluation and Policy Learning

	2017	2018
Impact evaluation applications.	223	208
Implemented impact evaluations.	29	10
Active impact evaluations.	38	53
Completed impact evaluations.	5	8
Subjects addressed in the evaluations.	- State capacity, education, energy, social inclusion, infrastructure, productivity, and citizen safety.	

The number of active projects registered an interannual increase of 39% as a result of the first call for impact evaluations, and the implementation of the protocol for the prioritization of internal projects during a whole year as well as the liberation of resources due to the suspension of inactive projects.

The number of projects that were closed or concluded in the period also showed an increase of 60%, in line with the mentioned efforts.

In absolute terms, there was an increase of 29% in the amount of quantitative projects (experimental and quasi-experimental), and also an increase of 85% of the non-classified project portfolio and evaluation of results and monitoring. With respect to the design of the evaluations, the efforts have been directed to increase the capacities of the public organizations that have been counterpart to the projects, trying to work with the greatest methodological precision.

/ Impact on public policies

In one of the three projects finished in 2016, whose evaluation was carried out in 2017, the counterpart responded that decisions were made based on the results, and that there were regulatory changes or guidelines resulting from the evaluation.

At the same time, in 2 projects completed in 2017 whose impact was measured in 2018, changes were registered in the associated institutions based on the results of the evaluations.

Direction of Socio-Economic Research (DIS for its acronym in Spanish)

The Direction of Socio-Economic Research (DIS) has the mission of contributing to sustainable development in the countries of Latin America through the production and dissemination of useful knowledge for the formulation of public policies by the governments of the region. The DIS pursues this objective both incorporating the learning and knowledge generated in CAF's financial and non-financial products, as well as through the active participation in public policy discussion fora in the region.

The production and dissemination of knowledge are focused toward three research areas that CAF has identified as essential for Latin America's sustainable development: social inclusion, productivity, and state capacities.

Social inclusion

Promote the social inclusion of the most vulnerable sectors of the population of Latin America considering the spheres of employability as well as access and quality of services in health and education.

State capacities

Strengthen the capacities of the State for the design, implementation, and public policy learning, as well as the detection and fight against corruption in Latin America, enabling a greater effectiveness of the political interventions to promote development.

Productivity

Promote sustained and sustainable growth through productivity gains, enabled by a better allocation of productive factors, more innovation, and a better entrepreneurial environment.



To comply with its objectives in each of these areas, the DIS develops a series of activities among which the following stand out.

/ Production of the Economy and Development Report

(RED for its acronym in Spanish): for each year, it addresses a critical subject for the sustainable economic development of Latin America with the objective of providing tools for the design of public policies.

/ Data generation and CAF survey (ECAF)

The DIS is committed to the generation, gathering, systematization, and publication of data for the research and design of public policies. The main action in this respect is the CAF survey. CAF has carried out this survey since 2008 to individuals in several cities in Latin America. The objective is to serve as an input to the research lines of the team completing the lack of data in the specific subjects under study or generating inexistent data in the region. The data bases generated are available to the public through CAF's website.





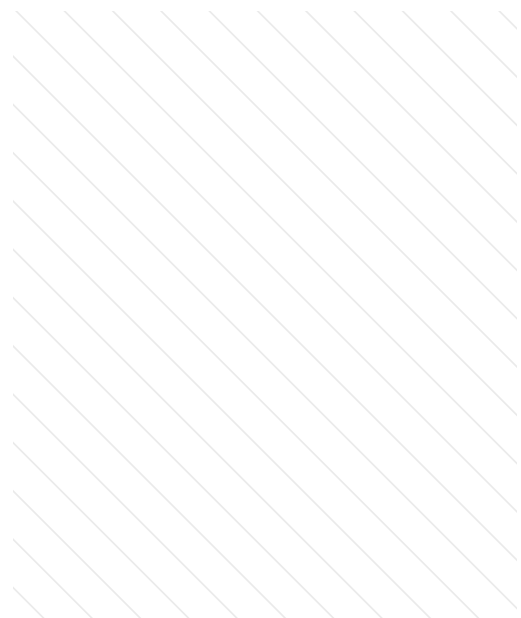
/ Call for research proposals:

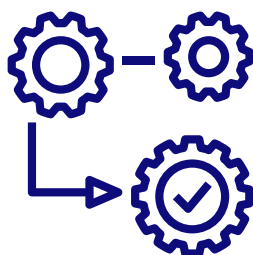
Through this instrument, invitations are sent to researchers in universities, research centers, as well as public and private institutions to present research proposals in specific areas of interest for CAF. From each call, the DIS selects a set of proposals according to the methodological rigorousness and the relevance for public policies, and grants them financing to enable the development of the research project. The objective of the calls is to promote research in areas that are relevant for the sustainable development of the region, as well as show the research actions that CAF is conducting in this sphere.



/ Maintenance of a series of working documents:

Publication of the research work resulting from the activities of the DIS, including the projects financed through the cause for research proposals and the academic production of the members of the DIS team.





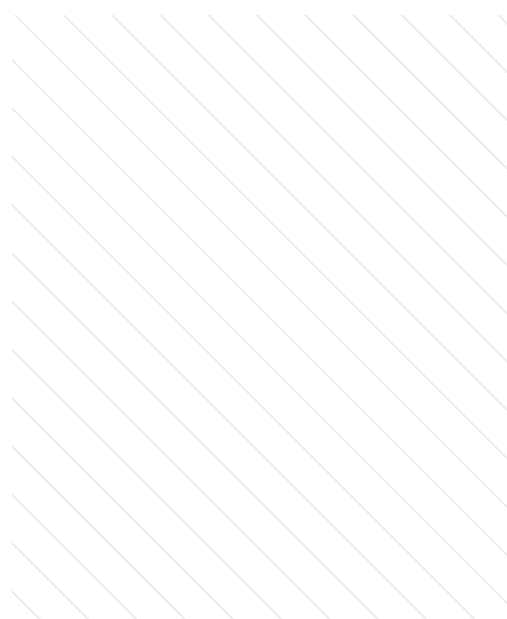
/ Support and promotion of research networks in Latin America, and strengthening of CAF links with the academic community:

To support the design of public policies based on evidence, the DIS carries out actions to strengthen the research networks in the region to facilitate the generation of relevant and timely knowledge. At the same time, it promotes the establishment of links between CAF and the academic community.



/ Support for business areas and internal client:

The members of the research team actively collaborate with other areas of CAF, provide academic advice on impact evaluations, and contribute experience for the financial and non-financial interventions of CAF in the countries of the region.



Economy and development report

RED 2017. Urban growth and access to opportunities: a challenge for Latin America.

- ▶ Starting with the first industrial revolution, most of the countries in the world observed a secular urbanization trend. Latin America stands out for its accelerated urbanization which is not accompanied by economic development. This raises serious challenges for the public policies that seek to use the benefits of the agglomeration economies, while avoiding the congestion costs that come with urbanization. The 2017 RED transcends the usual debate regarding the benefits of the compact or dispersed urban form, focusing instead in the concept of access to opportunities. For this, it proposes a comprehensive vision in four spheres of policies: regulation for land use, mobility, housing markets, and metropolitan governments.



The Economy and Development Reports (RED) are available through the following link:

scioteca.caf.com/handle/123456789/12



RED 2018. Institutions for productivity: toward a better entrepreneurial environment.

- ▶ The per capita product in Latin American countries currently reaches, on average, less than one fourth of the per capita product of the United States. This enormous productive gap has remained relatively unaltered throughout more than half a century. The 2018 RED makes a diagnosis of the problem, and finds that the origin of the gap does not lie in a lower working participation, in fewer hours worked per worker, nor in a productive structure focused excessively on low productivity sectors. The gap comes from low productivity that is evidenced in all the activity sectors. The report visits four spheres in which enterprises function, which are essential for their productivity: competition, access to inputs and the links between enterprises, employment, and financing.

Data generation and CAF survey

- ▶ **ECAF 2017. Annual survey to individuals in homes: working and productive trajectory in Latin America.** In this edition of the survey, 10,600 residents in 11 cities of the region were interviewed. The questionnaire presents a specific development in the employment and working history modules.
- ▶ **ECAF 2018. Annual survey to individuals in homes: Latin American perceptions and attitudes regarding politics and corruption.** In this edition of the survey, 9,600 residents in ten cities of the region were interviewed. The report presents a specific development in the modules of attributes of personality, knowledge, participation in and opinion on politics, and attitude toward corruption.
- ▶ **Metropolitan Areas Extension Base (BEAM):** The execution of the 2017 RED regarding urbanization and access to opportunities showed the need to have data regarding extension and morphology of the cities that may be compared over time between countries. The BEAM base for the years 2000 and 2010 contains a list of metropolitan areas around the world, together with comparable measures of urban extension. It was built from high resolution satellite images with nocturnal illumination. The base also incorporates georeferenced population data that enables the calculation of city density for all the world.



.....

The generated data bases have free access to researchers through the following link:

scioteca.caf.com/handle/123456789/1098



Research proposal calls

Call “Health for social inclusion in Latin America”. 354 proposals were received, of which four won and received financing.

Call “Regulatory framework and productivity in Latin America” and academic seminar to discuss preliminary versions and evaluations of fiscal and innovation policies in Latin America. Of 221 proposals received, three won and received financing.

Call “Corruption and public policies for its prevention”. Of 227 proposals received, three won and received financing to carry out the research. In addition, four participating proposals received financing to carry out a research project with adjustments to address CAF’s areas of interest.

Series of working documents

In 2017, 28 titles were published in the series of CAF’s working documents, of which nine were developed by members of the DIS team, and 17 by external researchers.

In 2018, 19 titles were published in the series of CAF’s working documents, of which five were developed by members of the DIS team, and 14 by external researchers.



Support and promotion of research networks in Latin America, and strengthening of CAF's links with the academic community

/ 2017 Activities

- ▶ Program to promote the use of administrative data in the relevant research for the design and implementation of policies in Latin America. A seminar was carried out in Buenos Aires for research on subjects related to productivity, and a training workshop for public officials.
- ▶ Organization and co-financing of eight BASE seminars (Buenos Aires Seminars in Economics), with the participation of researchers invited from the international academic community.
- ▶ Active participation of DIS researchers in the XXII Annual Meeting of the Latin American and Caribbean Economic Association (LACEA), which took place in Buenos Aires, Argentina.
- ▶ Organization and session coordination in the workshop Frontiers of Health Economics Research in Latin America, in the context of the World Congress on Health Economics (IHEA).
- ▶ Sponsor, organization, and session coordination in the Latin American and Caribbean Economic Association (LACEA): session on health economics, political economy, and state capacities, and another session where the RED 2017 was presented.

2018 Activities

- ▶ Organization and co-financing of three BASE seminars (Buenos Aires Seminars in Economics), with the participation of researchers invited from the international academic community.
- ▶ Organization of the first edition of the workshop “Manos en la Data” (Hands on Data) for the application of techniques for large data and machine learning to solve public policy problems, with the participation of five agencies of the public sector and data scientists. Selection, financing, and execution of five high impact projects.
- ▶ Organization of the “Workshop on Corruption and Policies for its Prevention” in Buenos Aires, with the participation of more than forty public officials and researchers.
- ▶ Development of the first researchers’ network on health economics in Latin America: Latin America Health Economics Network, and organization of the first annual meeting of the network in Bogota.
- ▶ Participation of five DID researchers in the working groups “Inequality Working Group”, “Education Working Group”, and “Corruption Working Group”, in the framework of the G20.
- ▶ Active participation of four researchers in the annual LACEA conference, with presentation of research documents of the DIS team.
- ▶ Sponsorship, organization, and coordination of sessions in the Latin American and Caribbean Economics Association (LACEA): session on “Corruption and public policies for its prevention, and session on Productivity, where the 2018 RED was presented.

Support for business areas and internal client

/ 2017 Activities

- Participation of the research team working with internal clients in five areas of CAF.
- Assistance with the VIN and the VDS in the design and use of demand indicators as part of the 2017 CAF survey.
- Assistance to the Argentina country office (OP, for its acronym in Spanish) in the coordination and expert advice on technical cooperation “Social Observatory”.
- Assistance to the OP Bolivia, with participation of DIS researchers in the jury of the sessions of the Bolivian Association of Economic Sciences, co-organized by the OP.
- Participation with the VDS, DIS researchers, and the World Bank, providing academic assistance in programs for the prevention of risky behaviors in young people.

/ 2018 Activities

Participation of the whole team of researchers in work with internal clients, consisting of projects and activities in eleven different areas at CAF: DEIAP, DIDE, VDS, VIN, VPP, UIEG, VP Argentina, VP Venezuela, and VP Peru. The activities consisted in academic assistance to impact evaluations, the development of CAF’s strategy for educational interventions and early child development, conversations on north and south hub productivity, expert knowledge in the program Cities with a Future, and the development of indicators regarding Public Officials Capacities, among others.

Direction of Macroeconomic Studies (DEM for its acronym in Spanish)

The Direction of Macroeconomic Studies contributes to the identification of opportunities and risks of financing interventions for the Institution, through a timely diagnosis of the macroeconomic conditions and the bottlenecks that limit the development of the countries of the region.

In this respect, during 2017 the Direction of Macroeconomic Studies edited and published:

- ▶ 9 editions of the Observatorio Regional (Regional Observatory).
- ▶ 2 editions of the Reporte Semestral (Half Yearly Report).
- ▶ 9 Notes of Coyuntura and 193 Flash Económicos.
- ▶ 11 editions of Proyecciones Macroeconómicas (Macroeconomic Projections)

These reports contributed to anticipate risks and opportunities of the economic, political, and social environment, and assist the business and support areas in the strategic planning processes.

During 2018 there was a renewal of the product portfolio of the DEM, and the structure, design, and content of the reports were modified to offer a more friendly format to the clients. Under this new scheme, the following were edited and published:

- ▶ 7 editions of the Destacados del Mes (94 reports) (Highlights of the Month).
- ▶ 3 editions of the Informe de Perspectivas (45 reports) (Report on Perspectives).
- ▶ 12 Notes of Investigación (Research).
- ▶ 263 Flash Económicos.
- ▶ 11 editions of the Proyecciones Macroeconómicas (Macroeconomic Projections). Documents on “Challenges and Opportunities for Development” (ROAF for its acronym in Spanish) in Paraguay, Brazil, and Colombia.

A new DEM public site was successfully implemented, where all the reports and news published by the Direction may be consulted, in addition to a new project “Country Files” that presents a summary of the most relevant information for each country.

In addition, two reports were developed. One jointly with the OECD Development Center and ECLAC called “Economic Perspectives of Latin America” for the years 2017 and 2018, and the other with the DIS called “Development and Economy Report”.

The VAR Global model was updated twice per year for the development of risk predictions and scenarios.

The eighth and ninth edition of the Internal Annual Workshop on economies of the region took place in the representation offices in Lima (Peru) and Bogota (Colombia) respectively; at the same time, in the representation office in Brazil the SAMBA methodology was developed to analyze the sustainability of subnational credits, with the consequent development of two fiscal sustainability reports in 2017 and eight in 2018. Finally, the first edition of the economic update workshops took place, one in the Northern Hub and the other in the Southern Hub.





SUSTAINABILITY
REPORT,
2017
-
2018

