

**SUSTAINABILITY  
REPORT**

**2020**

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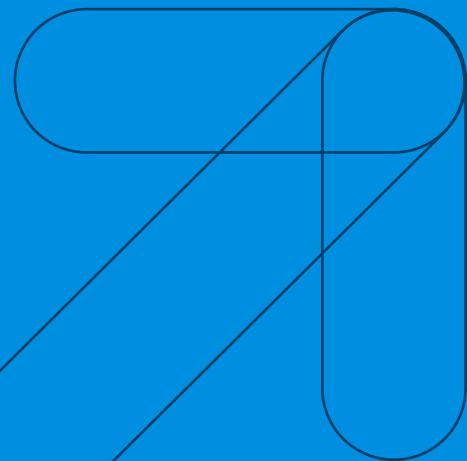
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## MESSAGE TO OUR STAKEHOLDERS



### Renny López Interim Executive President

In the midst of a global context characterized by the pandemic, 2020 was an extremely challenging year for all the countries and economic sectors in the world, but particularly for our Latin America and Caribbean region. From CAF, as strategic partners for the development of the region, we quickly understood and internalized the need to be present, supporting the efforts of our shareholder countries and recognizing the particular conditions of each country in the region.

To this effect, already in March of 2020 we reviewed our yearly strategic planning, adjusting and redirecting objectives toward common interests that would enable us to address the pressing needs of our countries in an immediate, efficient, and steadfast manner, achieving record levels of loan approvals as had never been achieved in CAF's 50-year history. Thus, we managed to strengthen the joint work of the teams in sectoral agendas to accelerate the credit cycles, enhance the impact of loan operations, and strengthen our technical assistance agenda with significant

contributions in favor of the challenges of our shareholders in support of the direct and indirect impacts of the pandemic, as well as in favor of the region's commitments in the framework of the 2030 agenda of the Sustainable Development Objectives and the Paris Agreement.

We also strengthened CAF's catalytic role with the objective of leveraging greater financial resources from our international allies, to support the region in addressing immediate issues related with the education and health systems, water security, food security, urban development, and economic recovery. We emphasized the support and promotion of SME's, without disregarding the efforts to achieve a comprehensive development of the region, leveraged on pertinent investments in infrastructure for regional integration, as well as support for mechanisms that promote productivity and competitiveness in the private sector.

The promotion of the digital agenda is also noteworthy, as there are new needs that emerge from social, labor, and educational environments where connectivity and the use of technologies has become imperative. Thus, we focus the efforts to accelerate the digital transformation in the region on specific actions for the digitalization of productive value chains, to ensure the connectivity of homes and the educational sector, as well as strengthen the services and interactions of the States with their citizens by taking advantage of technological resources.

In this environment we also saw an urgent opportunity to strengthen the resilience and sustainability of the countries through

strategies that give value to the region's natural capital while at the same time favor mitigation and adaptation to climate change. Thus, we emphasized operations aimed at the decarbonization of consumption and production models, the diversification of energy matrices, and the importance of biodiversity and ecosystem services, as fundamental pillars that promote productive transformation and sustainable development in Latin America and the Caribbean.

This agenda has been developed with the conviction that our work is a means to improve the quality of life of Latin Americans, reinforced by the trust that countries in the region and global allies continue to place on us. Among so many, we note the recent incorporation of Costa Rica and Mexico as full members of CAF, as well as the cooperation of the German International Agency (GIZ) in our portfolio of active donors, which has helped us consolidate a historic portfolio of 16 multilateral institutions with whom we leverage and manage resources for the development of the region. We also highlight the re-accreditation of the United Nations Adaptation Fund as an implementing agency and the accreditation before the Caribbean Investment Facility (CIF).

The pages of this Sustainability Report summarize the spheres in which CAF develops its actions, with the sole purpose of continuing to promote sustainable development, regional integration, and wellbeing of Latin Americans. I invite you to find in this Report the reflection of our efforts and commitment with the sustainability Agenda.



# CAF

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## Institutional profile

### About us

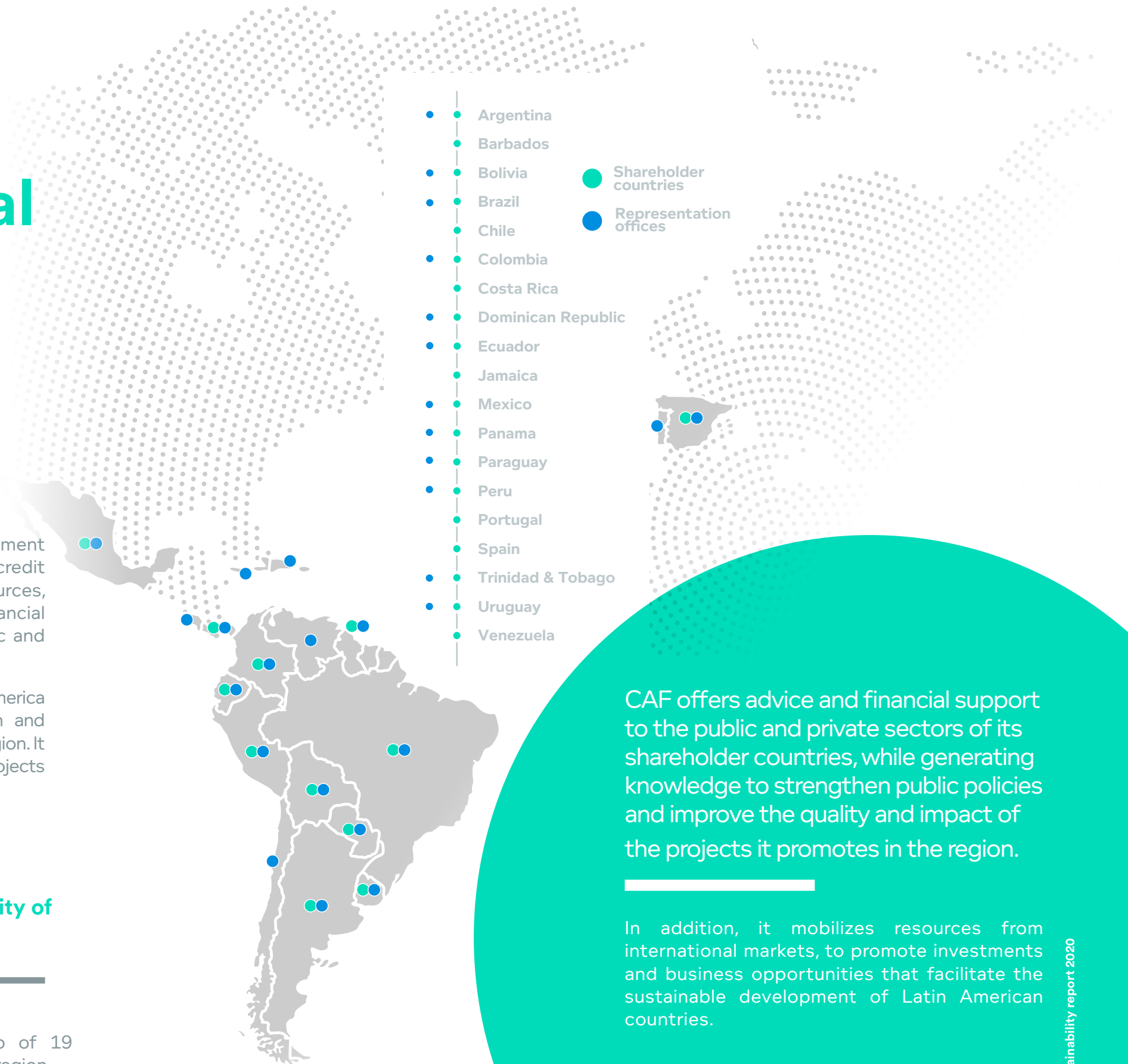
GRI 102-1, 102-2, 102-3, 102-4, 102-6

CAF promotes a sustainable development model for Latin America by means of credit operations, non-reimbursable resources, and support for the technical and financial structuring of projects for the public and private sectors.

It is made up by 17 countries of Latin America and the Caribbean, as well as Spain and Portugal, and 13 private banks in the region. It has nine country offices to handle the projects developed and mobilize their impacts.

**CAF is a development bank, committed to improve the quality of life of all Latin Americans.**

Constituted in 1970 and made up of 19 countries and 13 private banks of the region.



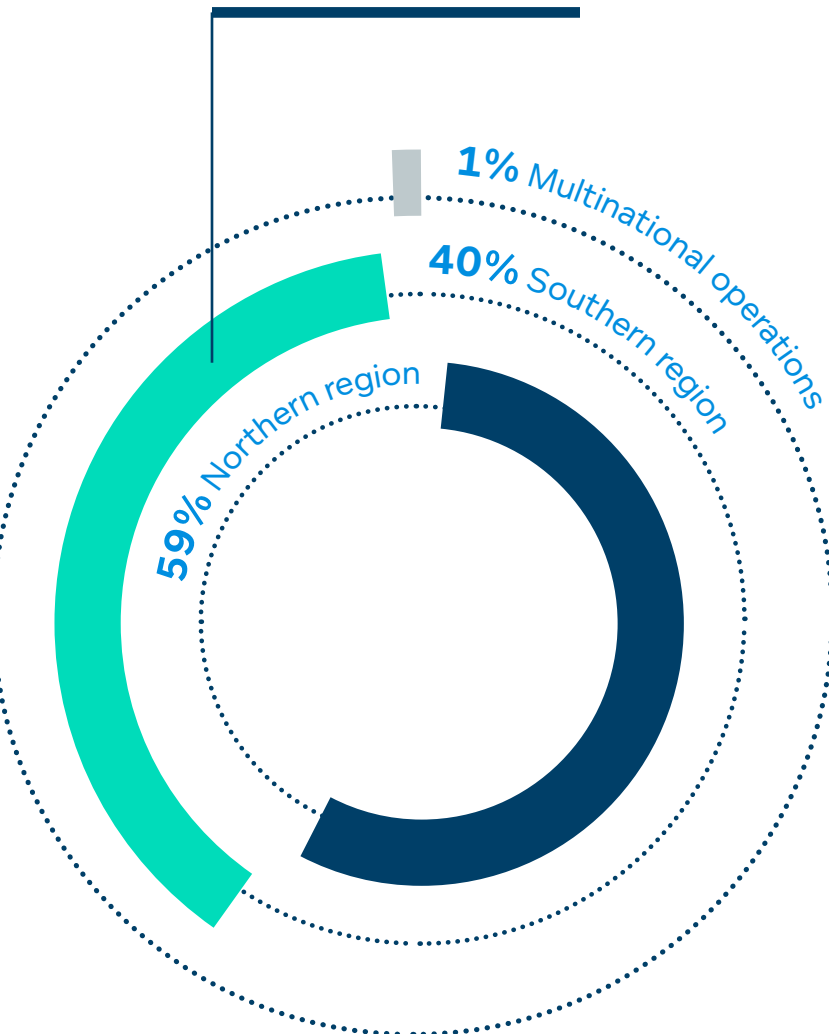
CAF offers advice and financial support to the public and private sectors of its shareholder countries, while generating knowledge to strengthen public policies and improve the quality and impact of the projects it promotes in the region.

In addition, it mobilizes resources from international markets, to promote investments and business opportunities that facilitate the sustainable development of Latin American countries.

# Main dimensions

GRI 102-7

|                                |   | USD million   | Changes vs. 2019 |
|--------------------------------|---|---------------|------------------|
| Total approvals                | > | <b>14,147</b> | ▲ 8.7 %          |
| Medium and long-term approvals | > | <b>7,128</b>  | ▲ 52 %           |
| Green approvals                | > | <b>3,312</b>  | ▲ 31 %           |
| Consolidated portfolio         | > | <b>28,680</b> | ▲ 5.6 %          |



|                    | Amounts approved  | Change vs. 2019 |
|--------------------|-------------------|-----------------|
| Venezuela          | 1 USD million     | ▲ 109%          |
| Barbados           | 100 USD million   | ▲               |
| Other countries    | 261 USD million   | ▼ 57%           |
| Dominican Republic | 300 USD million   | ▲ 136%          |
| Trinidad & Tobago  | 351 USD million   | ▲ 75%           |
| México             | 503 USD million   | ▼ 47%           |
| Bolivia            | 554 USD million   | ▲ 128%          |
| Panamá             | 561 USD million   | ▼ 6%            |
| Costa Rica         | 565 USD million   | ▲ 10%           |
| Chile              | 570 USD million   | ▼ 12%           |
| Paraguay           | 947 USD million   | ▲ 33%           |
| Argentina          | 964 USD million   | ▲ 54%           |
| Ecuador            | 1,135 USD million | ▲ 17%           |
| Uruguay            | 1,351 USD million | ▲ 40%           |
| Brazil             | 1,674 USD million | ▲ 5%            |
| Colombia           | 1,693 USD million | ▼ 18%           |
| Perú               | 2,616 USD million | ▲ 19%           |

Approvals by economic sector

|  | Amounts approved  | Change vs. 2019 |
|--|-------------------|-----------------|
| Public administration  | 5,700 USD million | ▲ 70%           |
| Financial sector   | 5,209 USD million | ▼ 17%           |
| Transportation   | 1,192 USD million | ▼ 32%           |
| Health   | 490 USD million   | ▲               |
| Protection and social services                                       | 488 USD million   | ▲ 19%           |
| Information technology and communications                            | 447 USD million   | ▲ 347%          |
| Water, sanitation, preservation of resources and management of resid | 250 USD million   | ▼ 41%           |
| Energy and extractive industries                                     | 216 USD million   | ▼ 55%           |
| Education, culture, and sports                                       | 110 USD million   | ▼ 21%           |
| Others   | 43 USD million    | ▲ 43%           |
| Industry, commerce, and services                                     | 1 USD million     | ▼ 99%           |

Approvals by country

Significant increases are shown in the health, information technology and communications, protection and social services, and public management sectors, as evidence of the institutional response in support of the countries in the region facing the social and sanitary emergency due to COVID-19.

# Cooperation for development

**111**

Approved technical cooperation operations

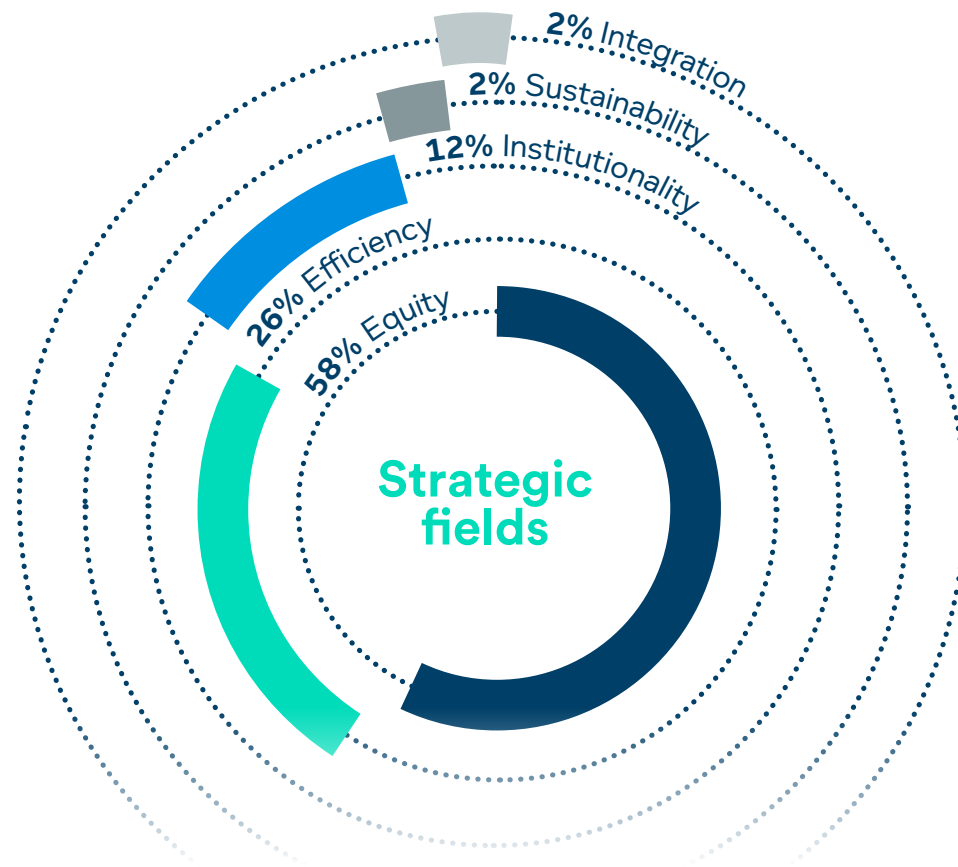
**24.89**

USD millones

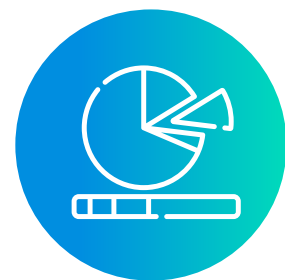
**17%**

Change vs. 201

Distribution by strategic area:



Distribution by fund:



Technical cooperation fund

**22.01** USD million **▼ 25%** Change vs. 2019

Human development fund

**2.87** USD million **▼ 209%** Change vs. 2019

Distribution by Sustainable Development Goals (SDG)



Noteworthy:

**20**

Humanitarian aid for the emergency resulting from COVID-19

**▶ 6.2** USD million

## Equity

- **Humanitarian emergency aid for health care** resulting from COVID-19.
- Third stage of the **Pre-investment Program in the Water Sector**, to support future projects aimed at expanding the access of populations to water and sanitation.

## Efficiency

- Projects to promote competitiveness, infrastructure improvement, and digitalization of countries.

## Institutionality

- Improvements to the **efficiency and modernization** of the public sector.
- **Transparency of public purchases** related to the COVID-19 emergency.
- Digital innovation for regulatory improvements.

# Comprehensive Agenda for Development

CAF's actions are guided by its **Comprehensive Agenda for Development: strategic and operational reference to support countries in the region in their development and integration, as well as in their search for solutions for the structural challenges of Latin America**

**Vision:** We are the main partner for the development of Latin America and the Caribbean

**Mision:** We support shareholder countries to achieve their sustainable development and regional integration by offering financial instruments and knowledge services

EFFICIENCY

EQUITY

SUSTAINABILITY

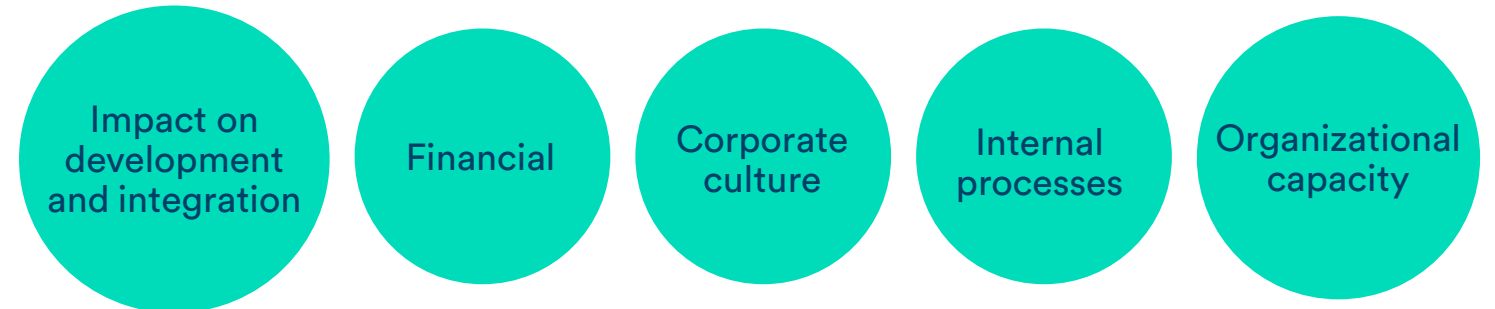
INTEGRATION

INSTITUTIONALITY

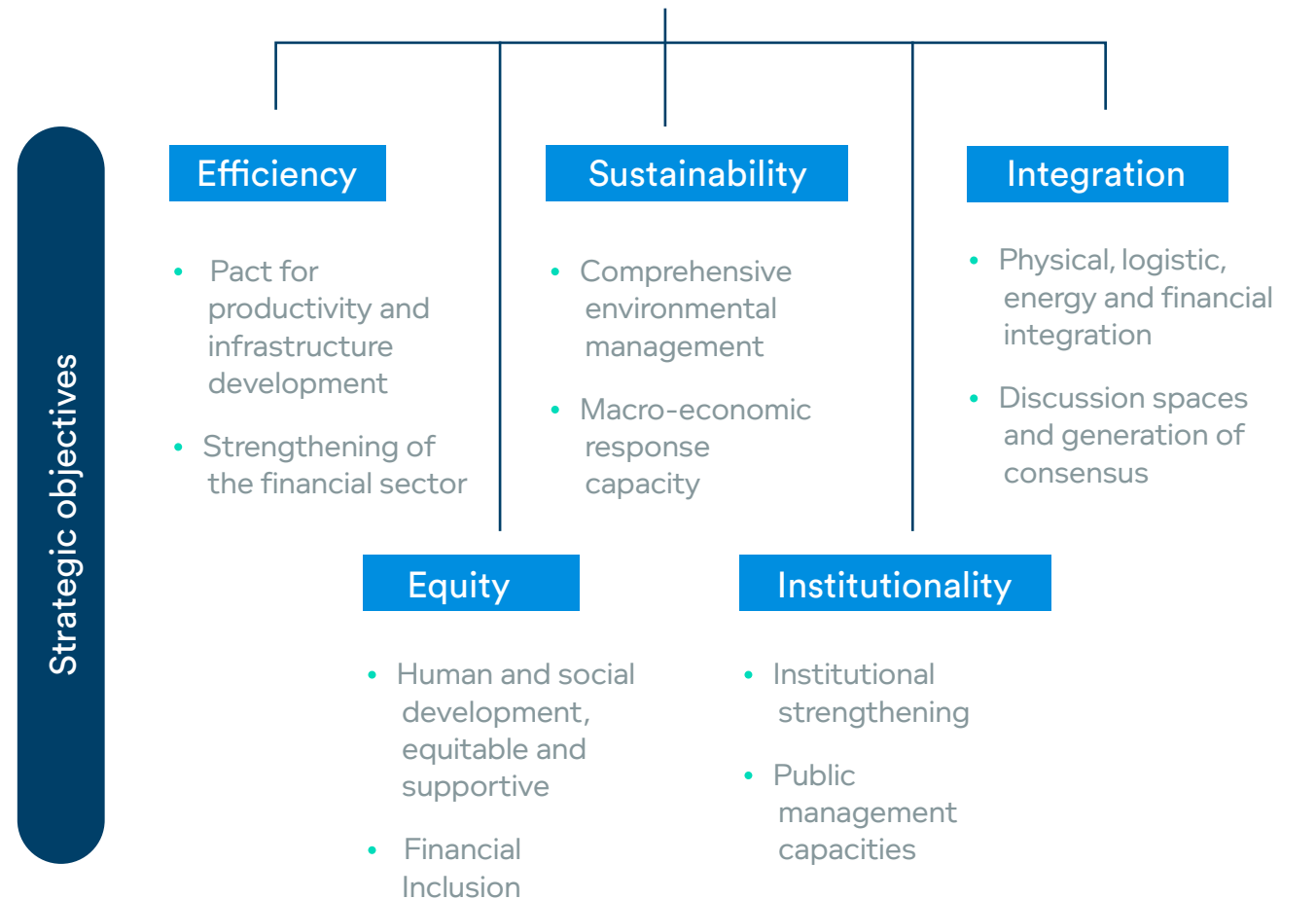
Values, opportunities and abilities: **Internal efficiency**

# Corporate strategic framework

Five perspectives



Scopes of impact



**Stakeholders** GRI 102-40

CAF keeps a close relationship with its stakeholders, which promotes compliance with its Comprehensive Agenda for Development and generates synergies to support the global and regional agenda for sustainable development.



**Shareholders**

- Meeting of the Shareholders' Assembly (annual).
- Board Meeting(triennial).
- Meeting of the Audit Committee(biennial).
- Meeting of the Committee to Follow-Up the Digital Transformation Project (annual).



**Suppliers**

- Requests for proposals.
- Requests for information (SDI, for its acronym in Spanish).
- Private tenders.
- International public tenders.



**Society**

- CAF's web page and other digital media (social networks).
- Electronic bulletins aimed at segmented data bases.
- Information published in communications media.



**Staff**

- Publication Lo+ Tudei
- Electronic mails
- Tudei (intranet)
- Internal communication strategies by project
- Human Capital Management Committee (formalized in 2018)
- Internal structures to assess positions, promotions, and performance evaluations



**Clients**

- CAF's web page.
- Other digital media(social networks).
- Communications media
- Electronic mails.
- Forums.
- Conferences.



**Strategic allies**

- Observer in annual meetings of multilateral institutions
- Framework cooperation agreements
- Coordination fora and public debate
- Joint work programs
- Meetings at the request of the parties



**Materiality**

GRI 102-46, 102-47

A review and update of the materiality exercise was carried out for this Sustainability Report, with the following objectives:

- Align material topics to CAF's strategic vision in relation to the 2030 Agenda of the Sustainable Development Objectives and the Paris Agreement.
- Integrate the organizational changes and those of the development agendas generated by the COVID-19 pandemic, and the institutional response to support the countries in dealing with the effects.



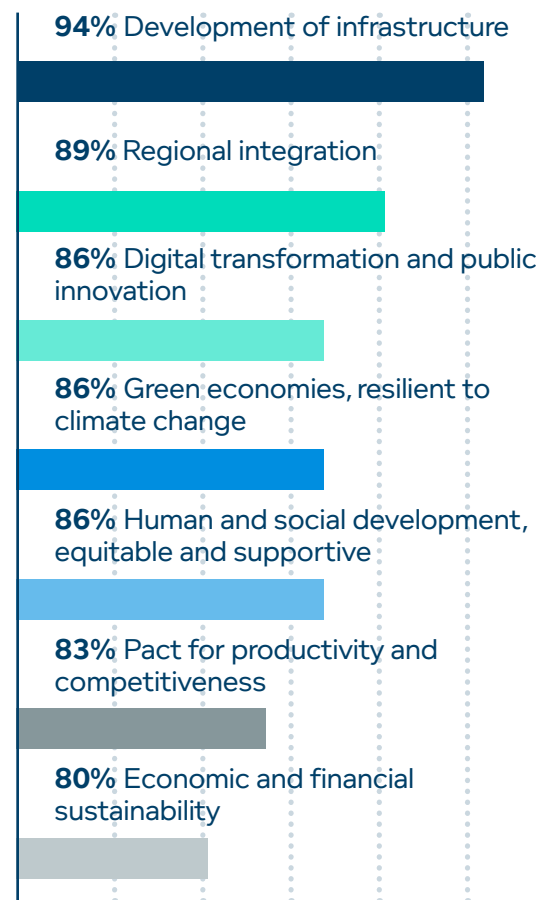
### Information sources

- Background:
  - a. Strategy and Model for the Sustainability Report
  - b. Materiality exercise for the 2019 Sustainability Report
  - c. Referencing to material issues in Multilateral Organizations.
- Strategic themes and actions included in the 2020 Activities and Budget Program (PAP, for its acronym in Spanish).
- Characteristics, programs, and strategic actions promoted by CAF's Comprehensive Agenda for Development during 2020.
- Main actions developed and promoted from the areas of impact on sustainable development defined by CAF.
- Objectives and strategic agendas established by the corporate planning process.
- Interviews with CAF's Vice-Presidents and Directors to identify the main milestones of the year.
- Results of the surveys regarding prioritization of material issues carried out by CAF's Senior Management according to criteria which value the importance of each material issue in the Institution's strategy.

### Results

Following is a detail of the results of the exercise to prioritize the material themes carried out by CAF's Senior Management. These results indicate the perceived importance of each theme in CAF's strategic framework. It should be noted that all of them exceed a high value of 80%.

#### Prioritization of material topics



The contents of the Sustainability Report are presented in accordance with the seven material themes, and the development of its identified contents, associated in the materiality process in coordination with the fundamental areas of the Sustainable Development Goals (SDG) and CAF's impact areas, as reflected in the following text box:

The sign (\*) associated to some contents of the material themes refers to their relationship as CAF's strategic program in the framework of its strategic planning.

| SDG Areas                                | CAF's impact spheres  | Material topics and contents in the Sustainability Report  |
|--|-----------------------|--|
| <b>People</b><br>(SDG 1, 2, 3, 4, 5)     | <b>Equity</b>         | <b>Human and social development, equitable and supportive</b> <ul style="list-style-type: none"> <li>• Equity and sustainable development                             <ul style="list-style-type: none"> <li>• Health and nutrition</li> <li>• Education</li> </ul> </li> <li>• Social inclusion and gender equity</li> <li>• Social innovation</li> </ul> |
|  | <b>Efficiency</b>     | <b>Pact for productivity and competitiveness</b> <ul style="list-style-type: none"> <li>• <u>Financial inclusion*</u></li> </ul>   |
| <b>Planet</b><br>(SDG 6, 12, 13, 14, 15) | <b>Sustainability</b> | <b>Green economies, resilient to climate change</b> <ul style="list-style-type: none"> <li>• CAF's green agenda</li> <li>• Social and environmental safeguards</li> <li>• Institutional System for Environmental Management</li> </ul>   |

| SDG Areas                           | CAF's impact spheres | Material topics and contents in the Sustainability Report   |
|-------------------------------------|----------------------|---|
| Planet<br>(SDG 6, 12, 13, 14, 15)   | Equity               | <b>Human and social development, equitable and supportive</b> <ul style="list-style-type: none"> <li>Water, sanitation, and irrigation</li> </ul>   |
|                                     | Efficiency           | <b>Development of infrastructure</b> <ul style="list-style-type: none"> <li>Digitalization – <a href="#">Digital agenda*</a></li> </ul>   |
| Prosperity<br>(SDG 7, 8, 9, 10, 11) | Equity               | <b>Pact for productivity and competitiveness</b> <ul style="list-style-type: none"> <li>Urban development – <a href="#">Cities with future*</a></li> </ul>  |
|                                     | Integration          | <b>Regional integration</b> <ul style="list-style-type: none"> <li>Border Comprehensive Management Program</li> <li>CAF-PPI Pre-investment Program</li> <li><a href="#">Integration Logistic Corridors</a></li> </ul> |
| Solid Institutions<br>(SDG 16)      | Institutionality     | <b>Digital transformation and public innovation</b> <ul style="list-style-type: none"> <li>Financing</li> <li>On-line training for public management</li> </ul>   |
| Alliances<br>(SDG 17)               | Sustainability       | <b>Economic and financial sustainability</b> <ul style="list-style-type: none"> <li>Mobilization of third-party resources</li> <li>Raising and managing financial resources</li> </ul>                                |

\* [Cross cutting strategic programs](#)



## Methodological note

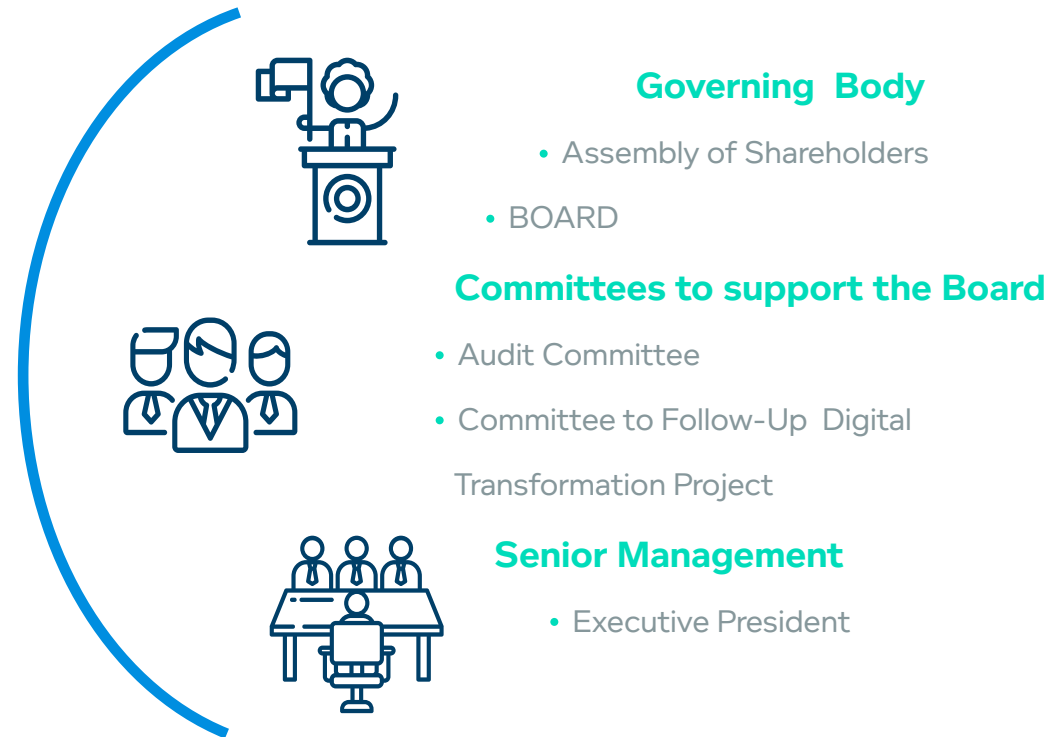
Each chapter includes information regarding the agendas and strategic focuses implemented for the management of material topics during 2020. Results are presented in terms of financing (credit operations and technical cooperation operations approved during the year), and relevant facts regarding the management of the agendas.

The overall figures of the total approvals and their breakdown by sector are detailed in the institutional presentation located at the beginning of this Sustainability Report, and the detail of the operational results may be consulted in CAF's Annual Report. The figures and results presented in the following chapters show the approvals with CAF's own resources, which consider the elements developed for each material theme, so it is possible that there are operations which are addressed from more than one element, as they include elements that impact different agendas.

# CORPORATE GOVERNANCE

GRI 102-10, 102-18

Corporate Governance



The description, makeup, and functions of the collegiate bodies that constitute the corporate government scheme are established in CAF's [Articles of Agreement](#) and General Regulation.

During 2020, the collegiate bodies guaranteed their operability in the midst of the effects of the COVID-19 pandemic, and in the interest of a timely approval of the operations that are necessary for the benefit of the region, the following stand out:

- The XVIII Extraordinary Shareholders' Assembly, on March 3, which approved

the amendments to articles 23 and 24 of the Articles of Agreement, expanding the representativeness of the shareholders with Series C shares in CAF's Board, up to four Directors and their respective Substitutes, in the framework of the strategy to incorporate new extra-regional partners.

- The event "Claves para repensar el presente y futuro de América Latina" (Keys to re-think the present and future of Latin America), on July 11, 2020, which ended the activities agenda that started in March 2019 throughout the region, to commemorate the Institution's Fiftieth anniversary.

## Shareholder composition

GRI 102-5

The Andean Development Corporation is a multilateral financial institution of International Public Law, created by the Treaty called "Articles of Agreement of the Corporación Andina de Fomento", subscribed in the city of Bogota on February 7, 1968.

According to article 5 of the Articles of Agreement, CAF has ordinary capital shares (series A, B, and C) and guarantee capital shares (series B and C), as detailed below:

| Type              | Series | Amount (USD million) | Number of shares | 2020 Shareholders |
|-------------------|--------|----------------------|------------------|-------------------|
| Ordinary capital  | A      |                      | 15               | 11 countries      |
|                   | B      | 10,000               | 1,600,000        | 32                |
|                   | C      |                      | 396,400          | 9                 |
| Guarantee capital | B      | 5,000                | 700,000          | 11                |
|                   | C      |                      | 300,000          | 4                 |

To consult the Articles of Agreement, the make-up of the 2020-2023 Board, and CAF's Shareholders: <https://www.caf.com/es/sobre-caf/quienes-somos/>

**In the framework of CAF's fiftieth anniversary, during the year Mexico subscribed its incorporation as another one of the Institution's Member Countries, which will allow greater access to long-term financial resources, technical cooperation for its sustainable development, and a permanent chair in the Board, among other benefits.**

## Ethics and Transparency

GRI 102-16

### Corporate ethical values



In addition, the **Transparency Manual** includes the regulations and procedures to prevent, detect, research, and sanction practices carried out by people or entities, linked to CAF's operations, including corrupt, fraudulent, coercive, collusive, and obstructive practices.

CAF's **Ethical Conduct Guidelines** guide the actions of the staff, employees, and suppliers, according to the ethical principles of general acceptance that are permanently disseminated. CAF's values and principles are established in the [Management Policies](#). The most recent version was approved by the Board on September, 2019

The supervision of the principles and conducts included in these instruments is in charge of the [Integrity and Ethics Committee](#), led by the Vice-Presidency of Administration, as well as the [Transparency Committee](#), led by the Vice-Presidency of Risks. To carry out this job, they have public contact mechanisms such as specific sites in the web page and access from the corporate intranet for collaborators, in addition to dissemination processes and permanent reinforcement:

#### With all collaborators, without considering their hierarchic level:

- When they start working with CAF, all collaborators sign a statement declaring they have received, read, and will comply with the Ethical Conduct Guidelines and the Transparency Manual.
- New collaborators participate in an induction program with sessions about integrity, ethics, and transparency.
- They participate in related talks in the framework of the professionalization program.

#### With business partners:

- Contact by means of the Committees' Secretariat to address questions and offer guidance when requested.

#### With service providers:

- Statement acknowledging receipt of the Ethical Conduct Guideline, in cases where a comprehensive registration system is pertinent

## Prevention of asset laundering and financing of terrorism (PDLAFT, for its acronym in Spanish)

The management and mitigation of the risks associated to asset laundering and financing of terrorism is carried out through the application of a PDLAFT articulated system based on best practices and international standards.<sup>1</sup>

### Main elements of the system (SPDLAFT)



<sup>1</sup>Recommendations of the International Financial Action Task Force (FATF) the United Nations Conventions (UN), the Basel Committee and the Principles of the Wolfsberg Group.

## Results 2020

|  | 2018 | 2019 | 2020 |
|--|------|------|------|
| Activities related to PDLAFT   | 320  | 482  | 470  |
| Staff participating in training activities related to PDLAFT <sup>2</sup>      | 69   | 725  | 732  |
| Update of statement of investments and management positions in other companies | 566  | 649  | 689  |
| Update of statement of activities and licit assets                             | 600  |      |      |

Detail of activities carried out related to PDLAFT 2020:

| Activities                                | Total | Percentage |
|---|-------|------------|
| Analysis of operations                    | 109   | 23%        |
| Consideration to counterpart requirements | 95    | 20%        |
| Advice on client due diligence            | 86    | 18%        |
| Advice on credit process                  | 68    | 14%        |
| Management of internal requirements       | 36    | 8%         |
| Advice on fund raising                    | 34    | 7%         |
| Application of improved due diligence     | 33    | 7%         |
| Other activities                          | 9     | 2%         |

<sup>2</sup>Includes newcomers.

# RISK MANAGEMENT AND CONTROL PROCESSES

GRI 102-29, 102-30

Based on international best practices regarding this matter, CAF's risk management supports decision making and organizational governance according to the following principles:



## Financial and non-financial risks

Through the Risk Management function, financial and non-financial risks to which the Institution is exposed are identified, analyzed, and valued, and follow-up and monitoring are carried out, namely:



### Financial risks

- Credit
- Concentration
- Interest rate
- Exchange
- Price-related
- Liquidity
- Related to the balance structure associated to the mismatch of terms between assets and liabilities

### Non-financial risks

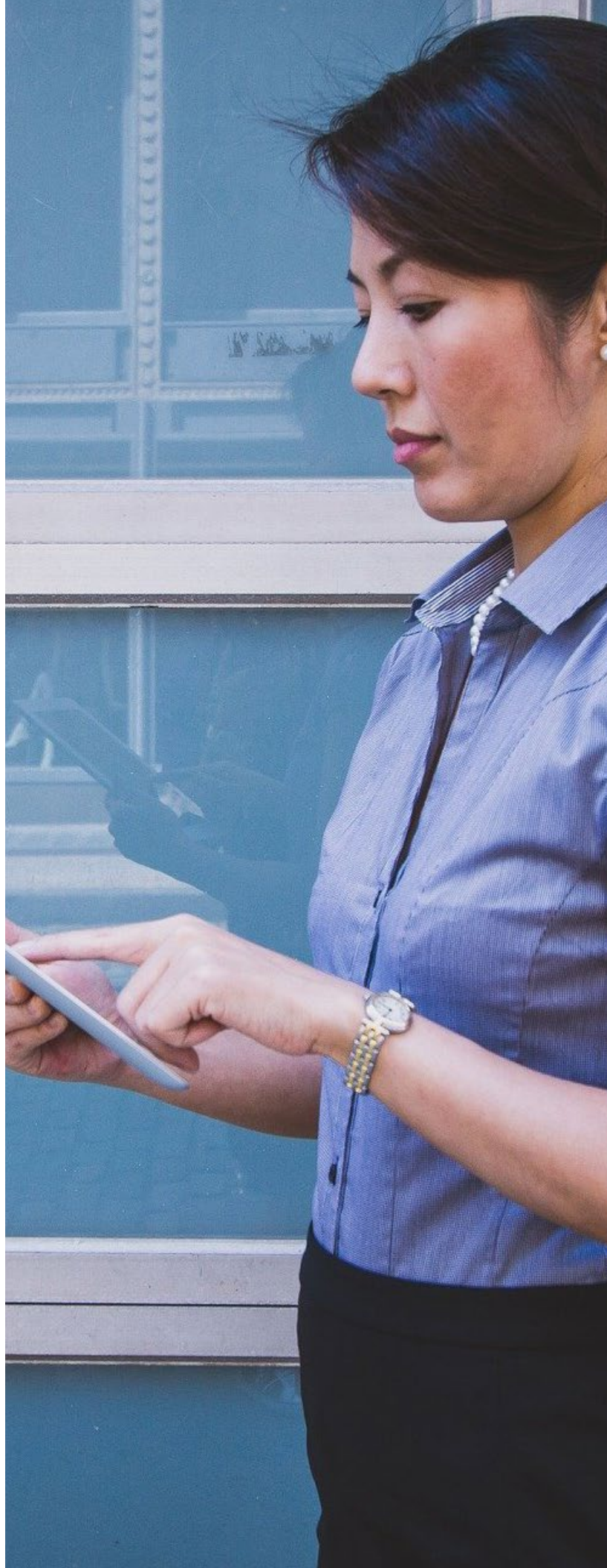
- Operational
- Technologic
- Legal
- Reputational
- Fiduciary

For a permanent control, there are **Risk Management Systems** that consider the current regulations and international reference standards for their design and implementation. In addition, the **Policies Regarding Industrial Security, Continuity, and Information Security** guide the comprehensive management of the associated risks.

<sup>3</sup> Mainly the agreements of the Basel Committee and its main principles.

As part of these systems, periodic reports are prepared and there are technological tools that facilitate the management of identified risks:

| Component               | Financial risks   | Non-financial risks   |
|-------------------------|---|---|
| <b>Reports</b>          | <ul style="list-style-type: none"> <li>Monitoring of risks associated to the management of portfolios</li> <li>Periodic reports that detail the exposure to risks and verify compliance with the regulations</li> </ul> | <ul style="list-style-type: none"> <li>Risk maps and matrices, causes, and necessary controls.</li> <li>Reports with the levels of exposure to the identified risks and the controls defined for their management.</li> <li>Annual report including the main activities and advances achieved regarding risk management.</li> </ul> |
| <b>Management tools</b> | Support in digital platforms that facilitate quantification, evaluation, control, monitoring, and report regarding exposure to risks, as compliance with the guidelines and limits established are verified.            | Specialized computing tools that support management, and which include the data bases related with the administration and management of foreseen risks.   |



During 2020, the management of financial risks focused on automation of work flows and improvement of efficiency and effectiveness of the associated processes. The following advanced stand out:

- Acquisition of the Bloomberg “Collateral Management” module, as well as renewal and expansion of information services provided by suppliers such as S&P and Moody’s for risk analysis and control.
- Development of the framework and statement of risk appetite for the loan portfolio and equity investments without sovereign guarantee.
- Definition of new limits for issuers that guarantee diversification and best control of risks in the portfolio of liquid assets.

At the same time, within the scheme of continuous improvement for non-financial risks, in 2020 the following stand out:

- Risk assessment, causes, and controls for 50 subprocesses within 12 corporate processes.
- Definition and application of a methodology for the quantitative evaluation of the control designs.
- Makeup of the Non-Financial Risk Committee.
- Registration and follow-up of Risk Events materialized in the Business and Support processes.
- Implementation of tools (and methodology) to measure risks in third-party hiring and for the acquisition of services in the cloud.
- Execution of a cybersecurity risk analysis in CAF’s network perimeter, identifying the main weaknesses in order to improve CAF’s internal control environment.
- Standardization of criteria and methodology with the Internal Control Unit regarding the definition of controls.

## Business Continuity Management System (SGCN, for its acronym in Spanish) - BCP

The audit of the recertification of the SGCN in the **ISO 22301**<sup>4</sup> regulation took place in 2020. This audit verified compliance with the requirements established in the norm; the process ended with satisfactory results for CAF, even in scenarios of unavailability generated by the COVID-19 pandemic.



|   | 2018 | 2019 | 2020 |
|---|------|------|------|
| <b>Audits carried out</b>   | 1    | 1    | 2    |
| <b>Processes which were updated and where a risk of interruption was identified</b> | 18   | 18   | 22   |
| <b>Materialized interruption incidents</b>  | 1    | 3    | 1    |
| <b>Staff which are part of the SGCN</b>   | 120  | 46   | 150  |
| <b>Staff trained in the SGCN</b>  | 85   | 140  | 144  |
| <b>New hires trained in the SGCN</b>  | 4    | 77   | 50   |

In the framework of the SGCN continuous improvement cycle for 2020, the following should be noted:

- Incorporation to the activities of the sovereign credit process, with its respective continuity plan and testing to validate its functionality.
- Update of the crisis management teams corresponding to the Management Coordination Committee (CCG, for its acronym in Spanish) and the Crisis and Incident Management Team (EMCI, for its acronym in Spanish).
- Update of the continuity plans and the Disaster Recovery Plan (DRP, for its acronym in Spanish) affected by the project that changes the main data

center from Miami to Panama, as well as the Incident Management Plan (PGI, for its acronym in Spanish).

- Identification and execution of specific actions to manage interruption incidents in the framework of the COVID-19 pandemic, analyzed under the following scenarios:
  - **Total unavailability of physical infrastructure**
  - **Partial unavailability of human resources**
  - **Partial unavailability of suppliers**
  - **Impairment of the technological platform**

- Detailed comprehensive report of the COVID-19 incident.
- Support for the Direction of Technological Solutions and Services for resource allocations, as well as for specific cases reported by leaders of critical processes.
- Assessment of risks and effects of a possible interruption of communication services at Headquarters.
- Management of reports to activate plans to leaders of critical processes, to detect improvement opportunities, as well as report to the Executive President regarding said identified management aspects.

<sup>4</sup> ISO 22301 - Security of society within the business continuity management systems. Audit carried out by the British Standards Institution (BSI).



## Information Security

GRI 418-1

The guideline for the treatment and protection of personal data was published in 2020, as a regulatory and corporate framework for the treatment, delegation, and management of personal data at CAF. At the same time, a centralized data repository was created, defining the methods for the treatment of such data, the areas that manage these activities, and the parameters that ensure an adequate use and storage.

Furthermore, as an effect of the COVID19 pandemic, since March 2020 on-line work was adopted for all the staff at the Institution, which implied an increase in the probability of occurrence and materialization of events associated to information leakage and an inadequate management of these assets. To face these risks, the following actions were advanced:

- Working mechanisms with corporate information repository in the cloud.
- Enablement of the monitoring characteristics that allow follow-ups of the flows of corporate information.
- Execution of an analysis of the security gap of information, based on the ISO 27001 standard, that helps strengthen the corporate management of information security.

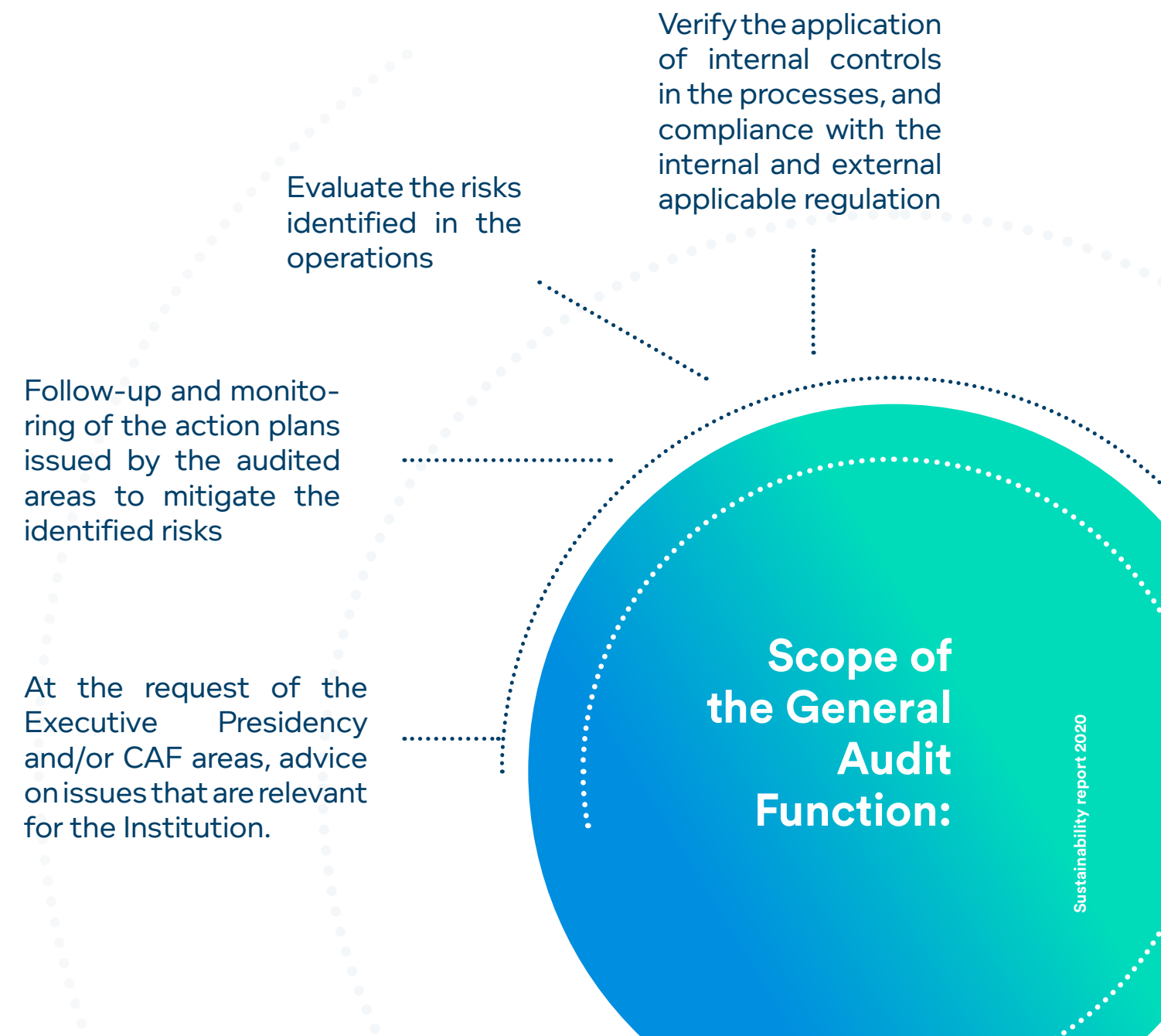
- Adjustments to the methodology to classify information assets, now by means of a process, in order to address those non-structured, sensitive, or confidential assets.
- Individual enablement of the characteristics of information labelling for its corresponding monitoring.
- Corporate awareness program disseminating messages and digital material to all staff to strengthen the risk management culture:
  - Safe use of devices and connections, set of recommendations to protect the information in personal and corporate devices.
  - Protection of Personal Data at CAF describes the measures to treat and protect personal data, according to provisions established in CAF's internal regulation.
  - TIPS to mitigate the Information Security Risks arising from telework, set of recommendations based on CAF's current regulations, for the safe management of corporate information in the Telework environment.

## General Audit

- COVID-19: Actions to mitigate information security risks, description of the main threats and attacks related to the pandemic, and reminder of the suggested protection measures.

During the year, there were no complaints or claims by third parties or regulatory bodies related to the leak or loss of data.

The general audit activities strengthen the governance, internal control, and risk management mechanisms at CAF. Its execution is based on the guidelines of the General Audit Management Manual, which facilitates the consistency and independence of its functions by applying procedures and following up indicators.



These actions are headed by the Executive President and the Audit Committee, followed by the General Auditor, who is in charge of defining and guiding the implementation of the Annual Audit Plan according to the results of the risk evaluation mechanisms. At the same time, this ensures the availability of the resources necessary for the implementation of the plan, and guarantees the adequacy and alignment with CAF's strategic direction.

The implementation enables the verification of compliance with the internal and external applicable regulations in the development of CAF's operations, as well as the evaluation of the effectiveness, efficiency, and economy of these operations, ensuring their alignment with the Institution's strategic objectives.

In 2020 the Annual Audit Plan included eighteen audit processes based on a risk analysis and critical business processes, which were 100% implemented. In addition, reviews requested by Senior Management were also addressed.

|  | 2018 | 2019 | 2020 |
|--|------|------|------|
| <b>Planned audit processes</b>             | 15   | 17   | 18   |
| <b>Implemented audit processes</b>         | 15   | 19   | 26   |
| <b>Compliance of the Annual Audit Plan</b> | 100% | 112% | 144% |

\* Due to strategic and confidential issues, this report does not include the audits implemented, the findings, or identified improvement opportunities.

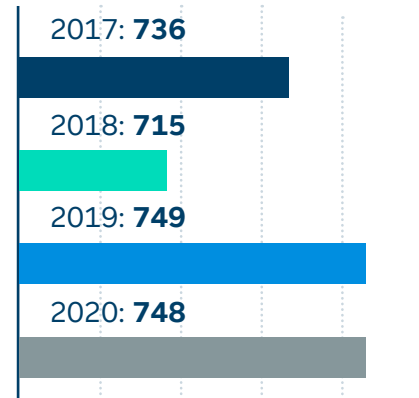
# HUMAN CAPITAL

## Staffing distribution

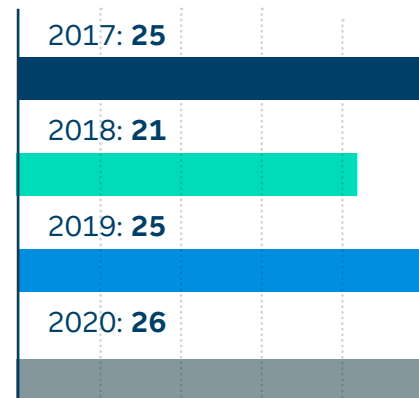
GRI 102-8

In 2020, CAF concluded the year with a working staff made up of **774 collaborators**, 97% hired directly, and 3% externally. None of the collaborators was hired part-time, and there were no contracts for specific projects.

### Direct collaborators

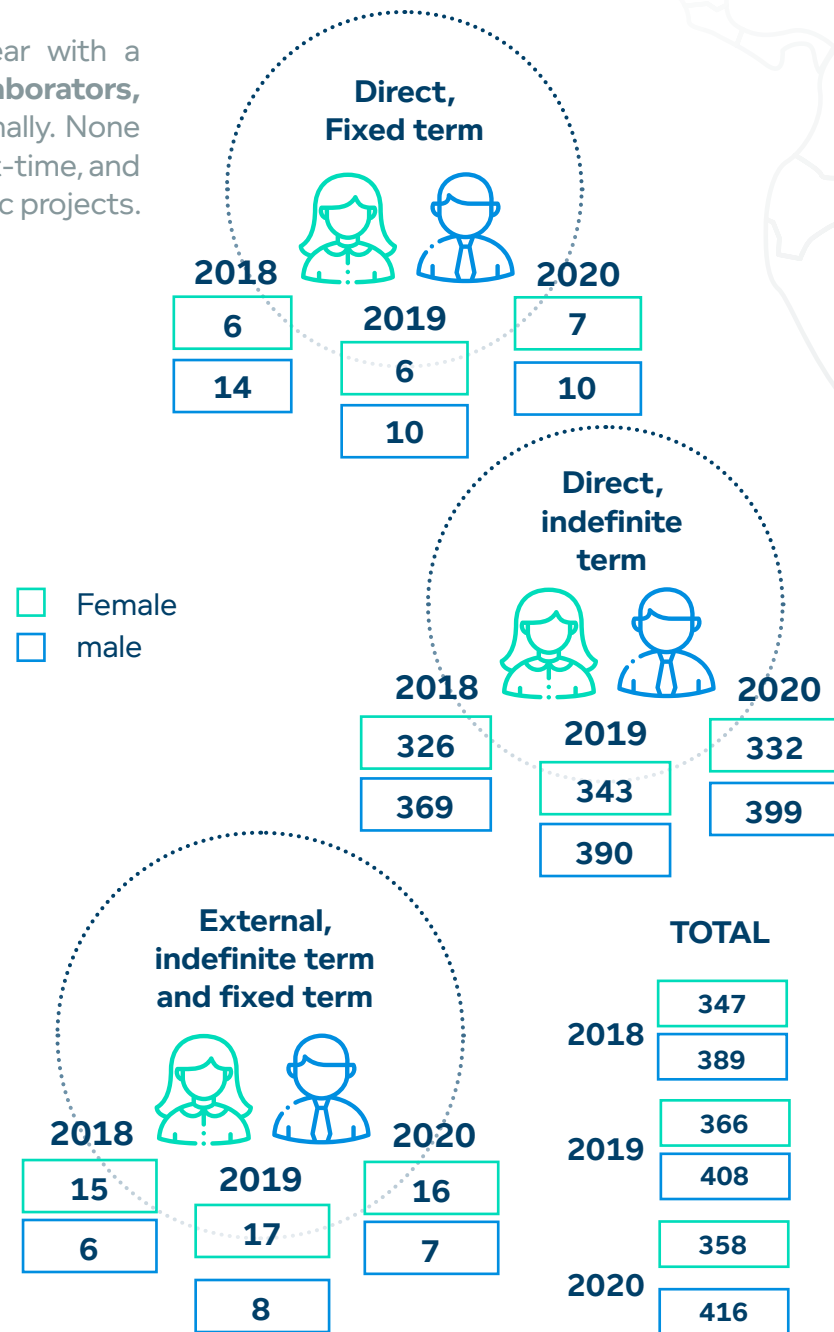


### External collaborators



## Distribution by type of contract and gender

Ninety-eight percent of direct collaborators are hired with indefinite contracts, while all the external collaborators are hired for a fixed term. The participation of women in the labor force reaches 46 percent.



## Distribution by region and type of contract

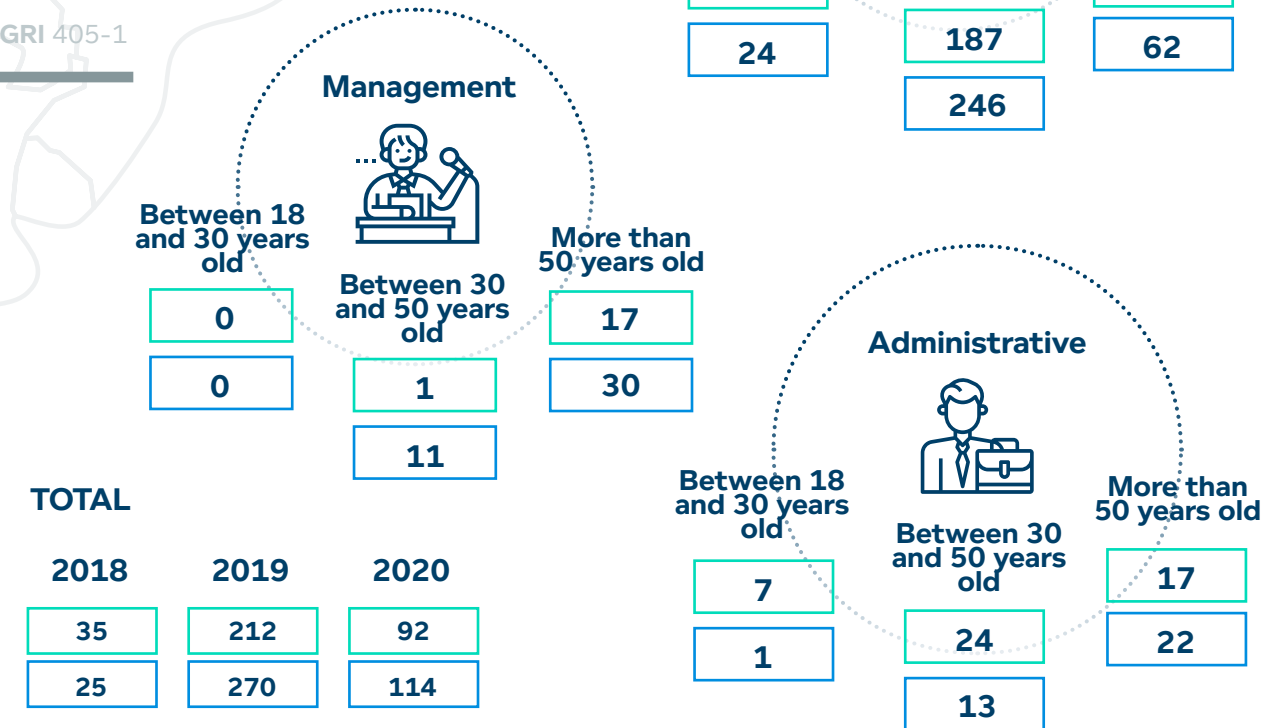
Forty-one percent of direct collaborators are located at Headquarters (Venezuela), followed by the northern region, with 36%, and the southern region, with 23

| Region        | 2018            |            | 2019            |            | 2020            |            |
|---------------|-----------------|------------|-----------------|------------|-----------------|------------|
|               | Indefinite term | Fixed term | Indefinite term | Fixed term | Indefinite term | Fixed term |
| Head-quarters | 309             | 12         | 310             | 10         | 301             | 8          |
| North         | 248             | 3          | 260             | 2          | 264             | 3          |
| South         | 138             | 5          | 163             | 4          | 166             | 6          |
| <b>Total</b>  | <b>695</b>      | <b>20</b>  | <b>733</b>      | <b>16</b>  | <b>731</b>      | <b>17</b>  |

## Distribution by working category, gender, and age-range

The participation of women in management positions reaches 30%, in professional positions 45%, and in administrative positions 57%. Sixty-four percent of collaborators are between 30 and 50 years old.

GRI 405-1



### Rotation

GRI 401-1

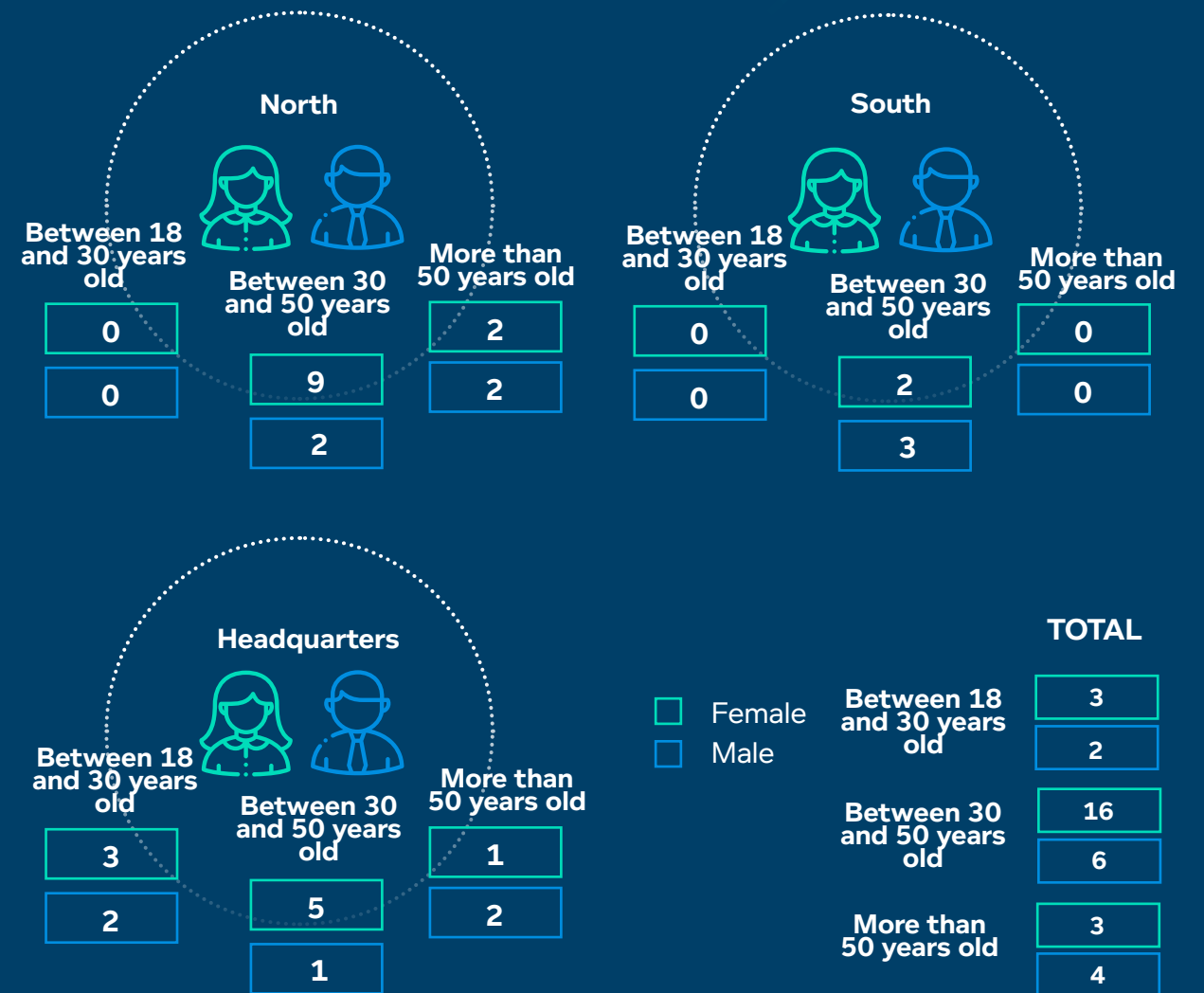
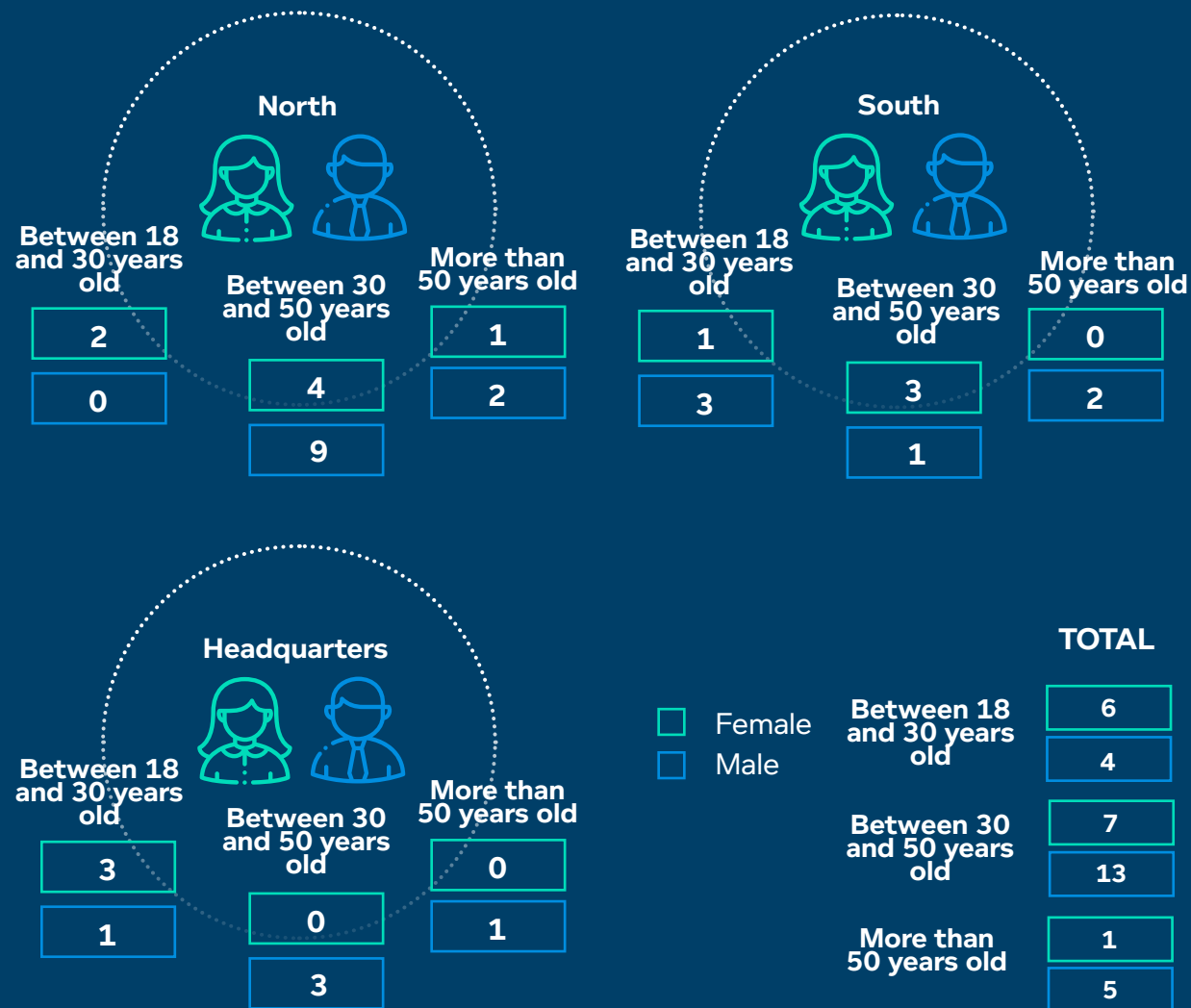
During the year, in the midst of the COVID-19 contingency, working conditions remained the same. The general rotation rate decreased by 50% compared with 2019.

#### New hires

|                                | 2018 | 2019 | 2020 |
|--------------------------------|------|------|------|
| <b>Number of new hires</b>     | 73   | 91   | 36   |
| <b>Rate of new contracting</b> | 0.8% | 1%   | 0.4% |

#### Resignations

|                               | 2018  | 2019 | 2020 |
|-------------------------------|-------|------|------|
| <b>Number of resignations</b> | 99    | 46   | 34   |
| <b>Rotation rate</b>          | 11.5% | 9.4% | 4.7% |






# Remunerations and wellbeing of collaborators

GRI 202-1, 405-2

CAF's salary policy maintains a competitive level in the labor market, with salary scales ranked at 50 percentile of the market, guaranteeing that salaries are above the minimum salary established in each country where it is present.





In addition, there are no salary differences by gender and no significant differences between the base salary and the total remuneration offered to males and females in each labor category.


| Labor category   | 2019  |  | 2020  |  |
|--|---|--|---|--|
|  | Difference in base salary between males and females | Difference in remuneration between males and females | Difference in base salary between males and females | Difference in remuneration between males and females |
| <br>High Management | -0.1%   | -0.1%  | 0.0%  | 0.0%   |
| <br>Management      | -0.1%   | -0.1%  | 0.1%  | 0.1%   |
| <br>Professionals   | 0%  | 0%   | 0.0%  | 0.0%   |

## Benefits for collaborators

GRI 401-2

Benefits are offered to all direct collaborators, with the exception of pension fund, family allowance, and educational subsidy, which only includes collaborators hired for an indefinite term.

| Benefit  | Description  |
|--|--|
| <br>Life insurance                  | All collaborators have a life insurance policy from the day they start work at the Institution. The cost of the premium is paid by CAF, with coverage for 48 basic salaries with a maximum of USD 800,000. |
| <br>Medical insurance             | Each collaborator pays one third of the value of the insurance premium and a percentage of the eligible medical expenses.  |
| <br>Disability coverage           | As in the case of the life insurance, everybody in the Institution has this benefit, included in the policy at the time of entry.  |
| <br>Maternity and paternity leave | Refers to the time provided for a mother or father to leave work in order to take care of the baby, which can be during the pregnancy or after the birth.  |

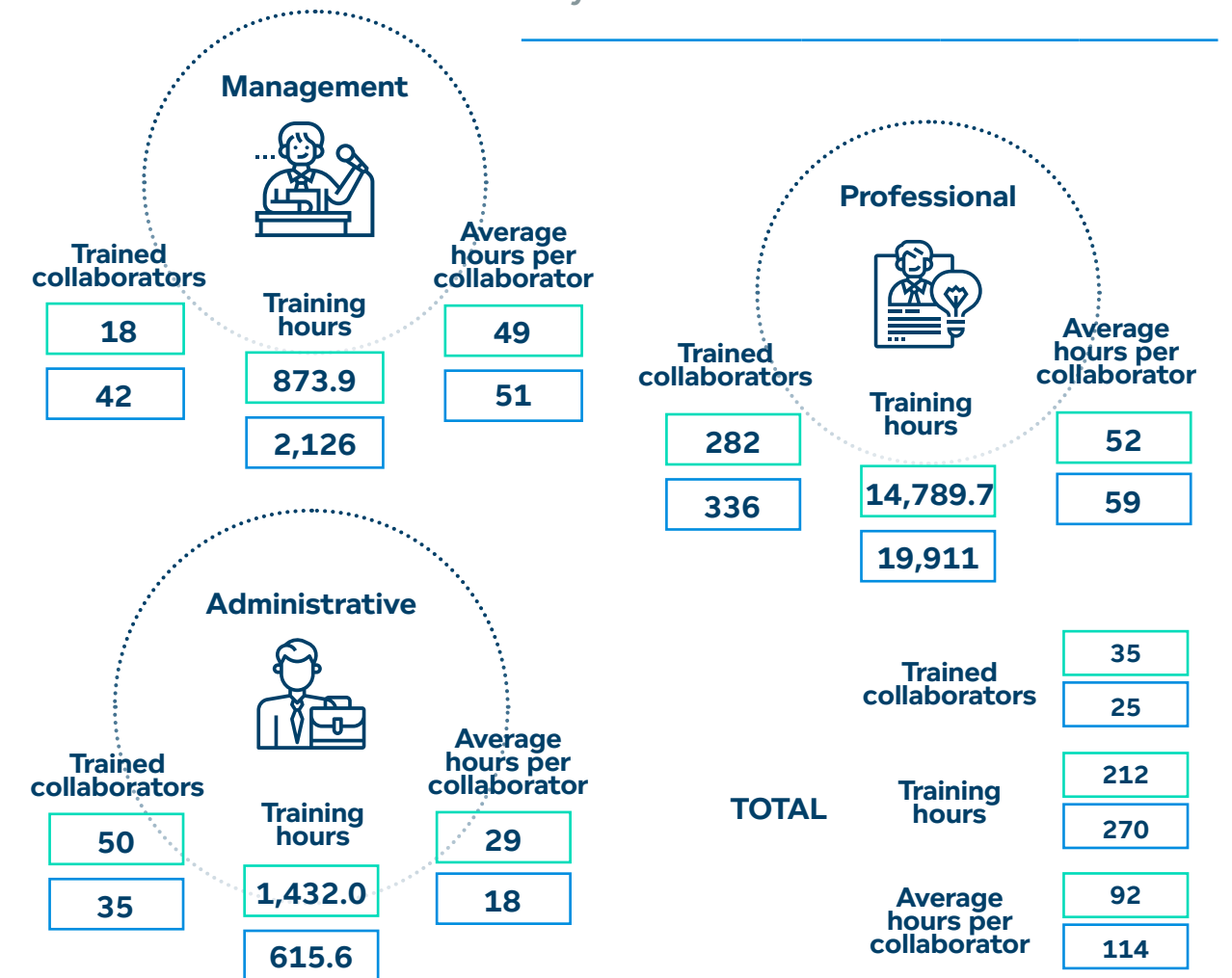
| Benefit   | Description   |
|---|---|
|  <p><b>Pension fund</b></p>          | Is made up by two contributions, one made by each staff member, corresponding to 7% of the basic salary, and another provided by CAF. The objective is to grant the benefit of a pension to collaborators when the time comes for their retirement, as well as in the case of a permanent disability. |
|  <p><b>Vacation bonus</b></p>        | The Institution grants a bonus equivalent to fifteen (15) days of salary for the first year in service, plus one (1) day for each year starting from the second year.   |
|  <p><b>Family allowance</b></p>    | Collaborators have the right to a family allowance for each dependent recognized by CAF.  |
|  <p><b>Educational subsidy</b></p> | Collaborators have the right to an educational subsidy that contributes to cover the financial obligations related to the education of dependent children.  |
|  <p><b>Seniority benefits</b></p>  | Equivalent to five days of remuneration for each month worked. In addition, after the first year of service, CAF pays the employee two days of salary for each year worked, until 30 days of additional remuneration are achieved.  |

## Training and performance

GRI 404-1

In comparison with the previous year, in 2020 the number of training hours for collaborators increased by 70%.



|   | 2018   | 2019   | 2020   |
|---|--------|--------|--------|
| <b>Trained collaborators</b>                  | 704    | 759    | 763    |
| <b>Hours of training</b>                      | 24,463 | 23,329 | 39,748 |
| <b>Average training hours by collaborator</b> | 34.74  | 31.14  | 52.1   |



## Performance Evaluation

GRI 404-3

Performance evaluations for collaborators take place once per year, with full knowledge of all the people involved, and are carried out under criteria that are well known by collaborators and their superiors. A new performance evaluation scheme was implemented in 2020 for all collaborators, aligned to the compliance with the corporate strategic objectives.

| Working category |  |  |
|------------------|---|---|
| Directors        | 6.16%   | 2.52%   |
| Professionals    | 43.13%  | 36.55%  |
| Administrative   | 5.04%   | 6.58%   |

# Procurement management

## Purchase and contracting of goods and service

GRI 102-9

The Direction of Logistic Administrative Services (DSLAs, for its acronym in Spanish), through its Coordination of Administrative Services and Purchases, supports cross-cutting processes such as the supplier registry, service contracting, and acquisition of goods that includes, but is not limited to:

specialized technological goods, maintenance and construction, as well as the elements that are necessary for the optimal operation of offices, inputs, and promotional materials, among others.

There are internal processes that guarantee compliance with the current regulations regarding acquisition of goods and contracting services.

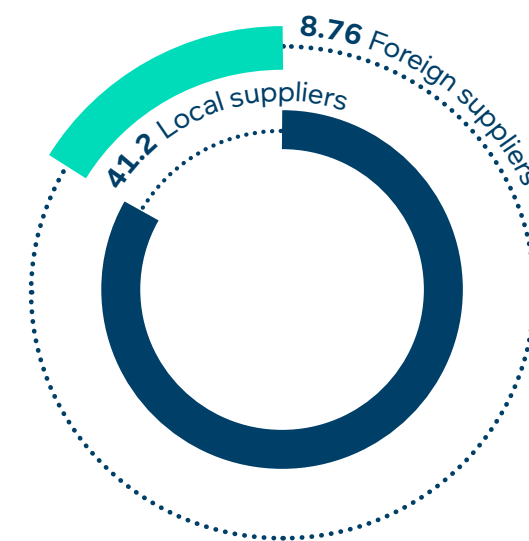
All suppliers are submitted to a rigorous due diligence process based on CAF's internal regulations, which guarantees the principles of administrative transparency, prevention of asset laundering, and risk management.

## Local suppliers

GRI 204-1

In 2020, CAF contracted goods and services for USD 49.96 million, of which 82.4% corresponded to local suppliers<sup>5</sup> and the remaining 17.5% to foreign suppliers.

### 2020 Distribution of purchases (USD million)



|  | 2018  | 2019  | 2020  |
|--|-------|-------|-------|
| Suppliers of goods with whom there is a commercial relationship                      | 324   | 262   | 239   |
| Percentage of suppliers of local goods   | 84%   | 83%   | 84%   |
| Total amount of contracted goods (USD million)                                       | 4.73  | 12.03 | 8.49  |
| Suppliers of services and consultancies with whom there is a commercial relationship | 788   | 725   | 698   |
| Percentage of suppliers of local services and consultancies                          | 80%   | 80%   | 81%   |
| Total amount of services and consultancies contracted (USD million)                  | 51.88 | 61.67 | 41.47 |

<sup>5</sup> Local suppliers: those that are physically constituted in countries where CAF has representation offices.

It should be noted that during the year, the number of suppliers located in CAF's member countries remained the same, evidencing the institutional support to the economies of the region and the continuous improvement of the services received.

It is important to highlight that the reductions in procurement volumes and supplier registries are mainly due to the COVID-19 pandemic, even though the effectiveness of service provisions

remained active in a high percentage as a result of telework.

Under this scenario strategies were implemented such as electronic signatures of contractual documents that allowed to guarantee the service, in compliance with the current regulations. This situation helped strengthen commercial relations with our strategic suppliers, generating trust in negotiations in times of uncertainty, as well as guaranteeing the service and supply of products.

## Supplier satisfaction

The satisfaction survey for suppliers was implemented in January 2021, regarding quality of service corresponding to the year 2020; 835 invitations were sent and 418 replies were received (49.7% participation).

The global result of the survey showed a degree of supplier satisfaction of 98.8%, compared with 98.3% in 2019.

One hundred and seven (107) comments were received, of which:

- 80% referred to satisfactory experiences regarding relationships with CAF, highlighting the responsibility of employees, compliance with contractual agreements, and timely payment of commitments.
- 9% associated to dissatisfaction, mainly for delays and complexity in the supplier registry process in the recently implemented platform.

## Knowledge management

The management of knowledge at CAF:

- Generates institutional capacities to support decision making, innovation, and improving internal processes.
- Promotes collaborative networks with different public and private actors in the region.
- Provides stakeholders with arguments for public discussion about the main issues that influence sustainable development in Latin America.
- Adds value to the development of its activities and operations.

At CAF, the management of knowledge is a set of systematic cross-cutting processes aimed at documenting, producing, analyzing, and disseminating the knowledge generated by the Institution in the development of its operations.

### At the internal level ▼

#### Double impact

- Facilitates institutional learning to improve internal processes and offer better services to clients and users.
- Allows for greater efficiency in structuring the operations and improves relationships with institutional actors and governments.





**At the external level ▼**

- **Adds value** to the projects and operations financed, with strategies based on structured diagnostics of the factors that limit the development of countries.
- It enables the **accumulation and capitalization of experiences** for the resolution of problems related to the development of the region, to be shared with governments and academic institutions to **support decision making**.

In this context, CAF's Vice-Presidency of Knowledge is in charge of generating, managing, and disseminating knowledge regarding subjects of interest and usefulness for shareholder countries, related mainly with the evaluation of public policies, macroeconomic and sectoral analysis, socio-economic and institutional development, and the agenda for the digital transformation of the State.

## Impact evaluations of public policies



**Impact evaluations measure, in a quantitative and qualitative manner, the effects of the implementation of a public policy or program on the final beneficiaries. They provide useful information to influence public decisions and policy improvements.**

<sup>6</sup>Headed by the Direction of Impact Evaluation and Policy Learning (DEIAP, for its acronym in Spanish).

|   | 2018 | 2019 | 2020 |
|---|------|------|------|
| <b>Requests for impact evaluations</b>            | 208  | 138  | 18   |
| <b>Internal requests</b>                          | 6    | 9    | 18   |
| External requests                                 | 202  | 129  | 0    |
| <b>Impact evaluations started during the year</b> | 10   | 11   | 10   |
| <b>Impact evaluations that are still active</b>   | 53   | 49   | 32   |
| <b>Finalized impact evaluations</b>               | 8    | 2    | 21   |

In 2020, 18 internal requests were received for impact evaluations related to the capacities of the State, education, social inclusion, infrastructure, productivity, and citizen security. In this area, the following stands out:

- The evaluations that began were selected based on the potential to generate institutional learning and on CAF's strategic interests.
- Nine projects included in the historic portfolio were suspended due to institutional limitations and/or management changes in the counterparts (public institutions in the region), or because it was determined that the technical feasibility of the evaluation was not possible.

At the same time, efforts were made to increase the capacities of public organizations with respect to the design of the evaluations, highlighting the Theory

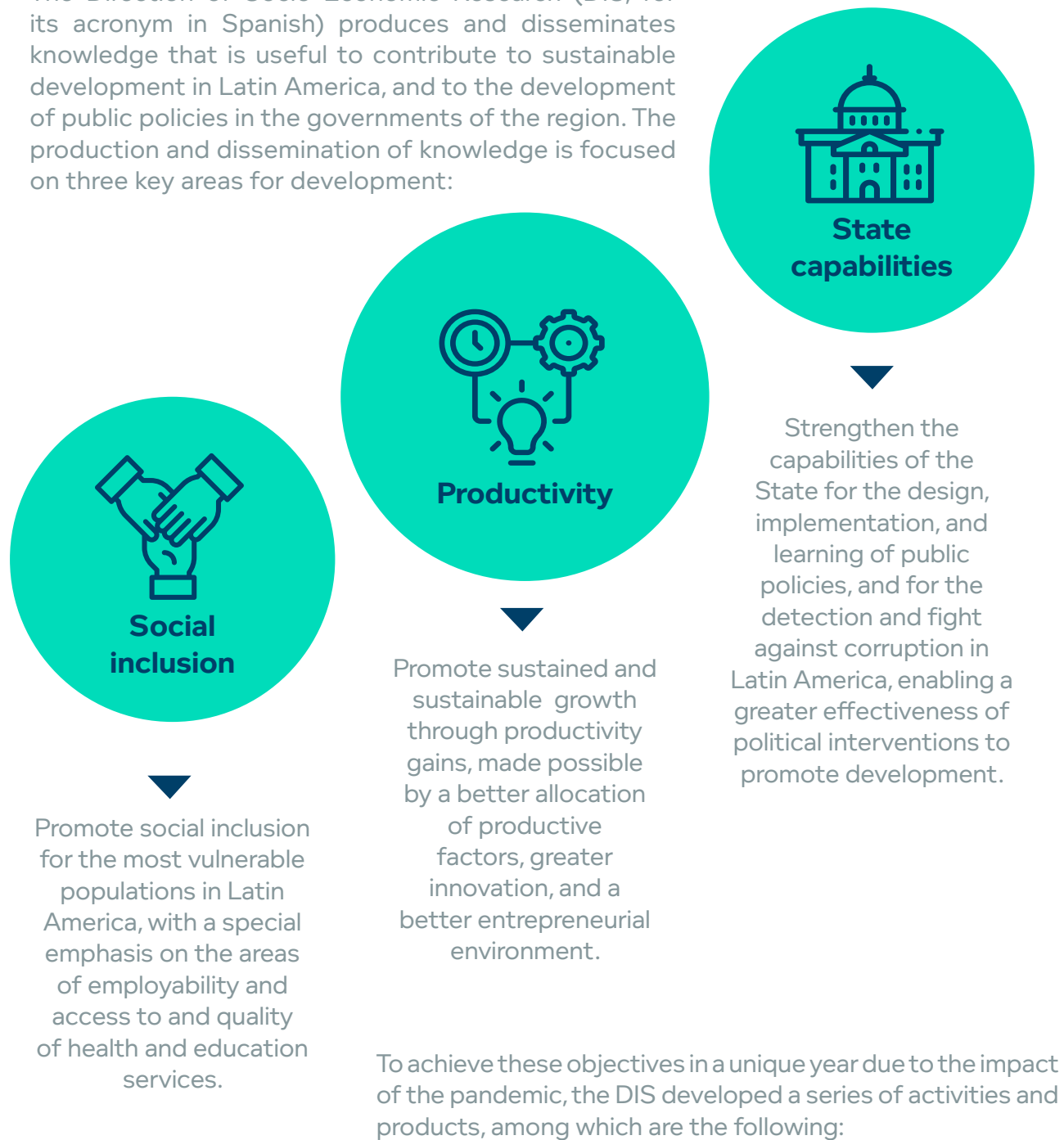
of Change Workshops (Talleres ToC), the Impact Evaluation Seminars (SEMIDE, for its acronym in Spanish), and the growth of the Global Evidence repository in Spanish at CAF's Scioteca, with the following results:

- 29 translations of impact evaluations at the Scioteca and 16 summaries of evaluations of policies implemented with CAF's support.
- "Panama SEMIDE 2.0" seminar, first on-line edition, with the participation of 35 public officials from different districts of Panama who received free on-line training.
- Since the creation of the Direction of Impact Evaluation and Policy Learning at CAF, close to 30 ToC Workshops have been promoted, 10 SEMIDE have been carried out with more than 300 participants, and close to 200 contents of Evidencia Global (Global Evidence) have been uploaded in Spanish to CAF's Scioteca.

<sup>7</sup> Available at: <https://scioteca.caf.com/handle/123456789/35>

# Socioeconomic Research

The Direction of Socio-Economic Research (DIS, for its acronym in Spanish) produces and disseminates knowledge that is useful to contribute to sustainable development in Latin America, and to the development of public policies in the governments of the region. The production and dissemination of knowledge is focused on three key areas for development:



| Product   | Year results  |
|---|---|
| Economy and Development Report (RED)  | <ul style="list-style-type: none"> <li>The <b>Reporte de Economía y Desarrollo 2020 (Economy and Development Report)</b> was launched. Pension and health services in Latin America: the challenges of aging, technology change, and informality.</li> <li>The dissemination agenda was moved forward for the <b>Reporte de Economía y Desarrollo 2019 – Integrity in public policies: keys to prevent corruption.</b></li> </ul>   |
| Scientific publications and management of CAF's Series of Working Documents | <ul style="list-style-type: none"> <li>Eleven titles were published in the <b>series of CAF's working documents</b>, six of them prepared by members of the DIS team, and five by external researchers.</li> <li>Five articles were published in academic refereed journals, including:                             <ul style="list-style-type: none"> <li><b>Journal of Public Economics</b></li> <li><b>Economic Development and Cultural Change</b></li> <li><b>Labour Economics</b></li> <li><b>B.E. Journal of Macroeconomics</b></li> <li><b>World Development</b></li> </ul> </li> <li>Participation in the preparation of seven policy documents associated to the post-pandemic agenda conceptualized by CAF.</li> </ul> |
| Generation of data and CAF Survey   | <ul style="list-style-type: none"> <li>Publication of the results of CAF's 2019 Survey – Annual survey to individuals in homes: Perceptions of Latin Americans regarding Pension, Health, and Care Systems, and also regarding Technological Advance in the Labor Market, <b>with free access data base for researchers. In this edition of the survey more than 11,00 inhabitants from 11 cities in the region were interviewed</b></li> </ul>   |

| Product                     | Year results   |
|-----------------------------|--|
| Call for research proposals | <ul style="list-style-type: none"> <li>• Call for proposal <u>“Integración en América Latina: el rol de las regulaciones, los procedimientos administrativos y la infraestructura física”</u> (Integration in Latin America: the role of regulations, administrative procedures, and physical infrastructure). One hundred and twenty-four proposals were received, of which three received full financing and four received partial financing.</li> <li>• Call for proposal <u>“Infraestructura de transporte para el desarrollo de América Latina”</u> (Transportation infrastructure for development in Latin America). One hundred and twenty proposals were received, and five projects were financed.</li> </ul> |
| Support to project areas    | <p>Four cross-cutting working groups were created in strategic areas, as places of interaction and collaboration with CAF’s strategic programs, from which a series of products were developed, such as:</p> <ul style="list-style-type: none"> <li>• Workshops aimed at teams of project areas.</li> <li>• Technical documents.</li> <li>• Specialized support regarding technical cooperation operations.</li> <li>• Presentations to external clients, requested by Project areas.</li> </ul>   |

## Hands on Data Initiative

Two editions of the Hands on Data initiative were developed, one in Colombia and another in Uruguay. The global sanitation context presented important challenges for its implementation. Thus, its strategy was reformulated, enabling compliance with the commitments with state counterparts: the implementation of both initiatives was developed 100% on line, and the Colombian edition was fully directed at projects that contributed to the Colombian State’s response to the pandemic.

### Edition

#### HoD Uruguay 2020: Implementation of artificial intelligence solutions and automatic learning for public policy problems.



### Results

- This edition was co-organized with two Uruguayan institutions: AGESIC and ICT4V.
- Five prototypes were developed by means of machine vision techniques, interpretation of natural language, and identification of clusters, among others:
  - Identification of the extension of informal urban settlements.
  - Location and quantification of electricity generation by means of solar panels.
  - Identification of type of sidewalk in Uruguayan rural roads.
  - Support for educational paths and prevention of school dropout.
  - Improvement of the citizen assistance services.
  - Anomaly detection model for the targeting of social programs.

## Edition

## HoD Colombia 2020: Improving the State's response capacity to COVID-19 by using AI/ML tools

## Results

- This edition was aimed exclusively at projects that support the State's response to the pandemic.
- Seven prototypes regarding diverse topics were developed, among others:
  - Follow-up of labor market indicators.
  - Demand projections associated to benefits of the Sistema Nacional de Cuidados (National Care System).
  - Monitoring of citizen safety indicators.

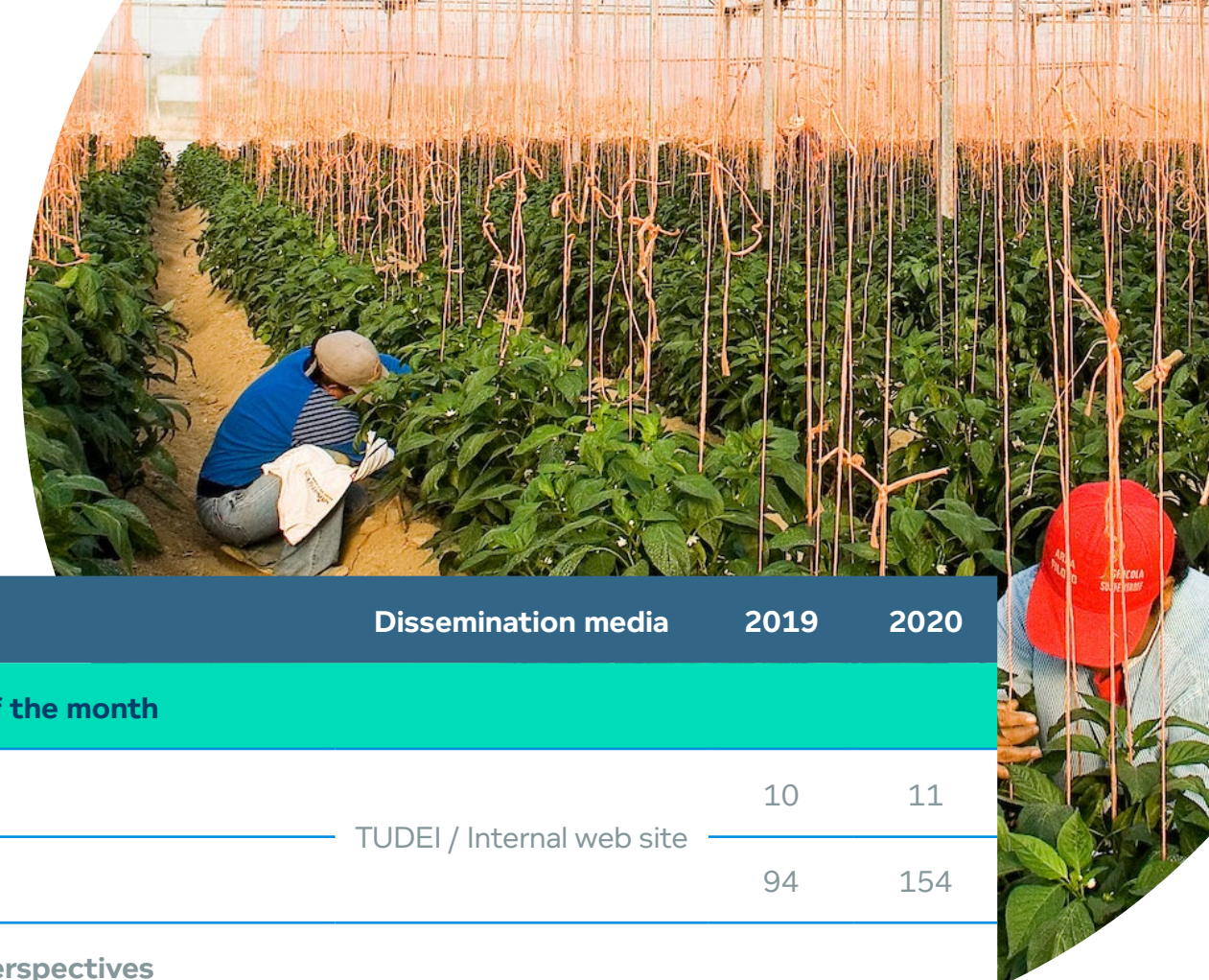
Without detriment to compliance with the programmed working agenda, the DIS team integrated to CAF's institutional efforts to provide a response to the sanitation crisis. In this respect:

- CAF contributed to the preparation of 13 entries in the blog Visiones and information media, and to six policy documents.
- Two academic policy documents of great relevance were prepared: first, an estimate and characterization of the barriers that homes face for on-line work; second, an estimate of the cost in contagions resulting from the reopening of economic activities.
- Development of an edition of the Hands on Date Initiative, focused on promoting the use of data science techniques by the State, solely focused on projects related to mitigation and response to COVID-19.

## Macroeconomic studies

The Direction of Macroeconomic Studies (DEM, for its acronym in Spanish) contributes to identify opportunities and risks for the Institution, arising from financing interventions, by means of a timely diagnosis of macroeconomic conditions and the challenges that limit development in the countries of the region.

In 2020 there was a significant increase in the demand for knowledge inputs due to the COVID-19 pandemic, which implied a larger number of editions of specific products, as well as the development of a series of podcasts to accompany regular publications:



|   | Dissemination media                | 2019           | 2020           |
|---|------------------------------------|----------------|----------------|
| <b>Highlights of the month</b>  |                                    |                |                |
| Editions  | TUDEI / Internal web site          | 10             | 11             |
| Reports   |                                    | 94             | 154            |
| <b>Report on Perspectives</b>   |                                    |                |                |
| Editions  | TUDEI / Internal web site          | 4              | 3              |
| Reports   |                                    | 60             | 45             |
| <b>Research notes</b>   | Internal web site                  | 7              | 4              |
| <b>Productivity notes</b>   | Internal web site                  | --             | 8              |
| <b>Economic Flashes</b>   | Corporate mail / Internal web site | 234            | 282            |
| <b>Editions of Macroeconomic Projections</b>  | Internal web site                  | 11             | 18             |
| <b>Document "Challenges and opportunities for development" (ROAD, for its acronym in Spanish)</b> | Internal web site                  | 3 <sup>8</sup> | 1 <sup>9</sup> |
| <b>Podcast</b>  | TUDEI / Internal web site          | --             | 38             |

<sup>8</sup> Argentina, Bolivia and Uruguay.

<sup>9</sup> Trinidad & Tobago



In addition, following are the results of the year, led by the DEM with an external impact:

- Panel with a summary of the main economic policy measures implemented by member countries to face the pandemic<sup>10</sup>.
- Beginning of the “Programa de estudios sobre reglas fiscales en América Latina” (Study Program on fiscal rules in Latin America), a research initiative that seeks to offer lessons on design, management, and challenges in the implementation of fiscal rules in the region.
- Beginning of six macroeconomic studies, three regional and three that provide a detailed analysis of the experience in Brazil, Ecuador, and Paraguay with macro-fiscal rules and their institutions.
- Development of the DEM’s internal Blog, Economic Flash, which systematizes the main news regarding economic matters by country, date, and topic.
- Participation in the report [“Perspectivas Económicas de América Latina 2020: Transformación digital para una mejor reconstrucción”](#)

[“Transformación digital para una mejor reconstrucción”](#) (2020 Economic Perspectives in Latin America: Digital transformation for a better reconstruction), a joint analysis of the Development Center of the OECD, ECLAC, and CAF.

At the internal level, it is noteworthy to mention:

- Presentations of the country strategy for officials from Argentina, Bolivia, Brazil, Ecuador, Paraguay, and Uruguay, in the framework of the corporate training initiative of the VPA “Conversatorios” (Talks/Conversations).
- Twenty-first edition of the annual Internal Workshop regarding the economies of the region, in on-line modality, with the participation of more than 150 staff members.
- Discussion seminar with the team of economists of the Vice-Presidency of Knowledge during November of 2020.

<sup>10</sup> The panel may be consulted in CAF’s web page: <https://www.caf.com/es/temas/c/covid19/>

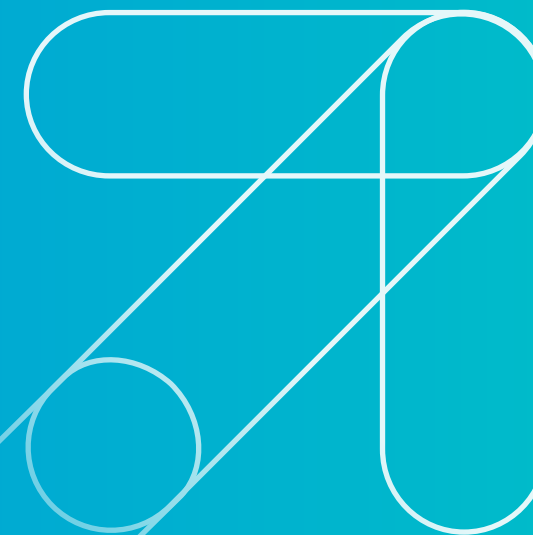
# 03



# PEOPLE

- Planet
- Prosperity
- Solid institutions
- Alliances

Equity and sustainable development  
 Social innovation  
 Financial inclusion



# Equity and sustainable development



The COVID-19 pandemic has had particular effects that directly and indirectly affect the health and education sectors, specifically in their capacity to provide care and adequate responses in the midst of uncertainty. The suspension of many activities with a profound impact on the socio-economic conditions, especially among vulnerable populations, as well as the new challenges presented by the change from a scheme of in-class education to an environment of on-

line or semi-virtual modality, and health care using new communication technologies, are priority matters in public agendas.

CAF's commitment to offer an adequate response to the countries in view of the new conditions of the environment, led us in 2020 to the expansion and adjustment of objectives, lines of action, and activities regarding the nutrition agenda toward a wider one in matters of health and nutrition

without neglecting specific actions to support a reduction of chronic malnutrition. In addition, it led us to emphasize the objectives of the education agenda, in order to provide timely and efficient financial and technical support to comply with actions that help face the pandemic and minimize its effects.

In the area of sanitation, technical criteria were defined for credit operations and technical cooperation for humanitarian aid, guiding the institutional response toward the need to address the crisis generated by the pandemic, mainly considering its direct effects over the disease and mortality of the population, as well as the indirect effects related to the disruptions of the health systems over programs that are essential to public health.

The educational agenda prioritizes issues of greater impact to mitigate the effects of the pandemic and support the educational systems in the process to continue educating and safe return to schools. In this respect, interventions were focused on the use and incorporation of technology as a learning tool, leveraged with technology and adjustments of the educational infrastructure, both with investment resources and technical assistance funds.

To strengthen CAF's actions regarding social policy, advances were made in a line of work linked to social protection, supporting with resources and technical assistance programs for food safety.

## Health and Nutrition

## 2020 Action Focus

## Education



- Support for the **reduction of the prevalence of chronic malnutrition** in children in Ecuador (technical cooperation and sectoral wide approach program).



- Support countries to **face the sanitary crisis resulting from the COVID-19 pandemic**, using technical cooperation resources and humanitarian aid.



- **Knowledge products:** MOOC regarding nutrition and webinars regarding key subjects related to the COVID-19 pandemic.



- **Incorporation of technology as a learning tool:** connectivity, equipment, platforms, contents, teacher and manager training.

- **Adjustment of the educational infrastructure:** water and sanitation, ecoefficiency, inclusion.

- **Knowledge products:** (webinars, notes, talks) regarding the continuity of learning and use of technology.

The coordinated work between sectoral agencies guarantees the design and implementation of articulated initiatives with greater impact, that strengthen a comprehensive development of childhood in all its stages, with inclusive approaches that prioritize vulnerable populations in the implementation of initiatives.

# Health and Nutrition

## Credit operations

**9** Credit operations approved

**790**  
USD million

## Noteworthy

 **340**  
USD million

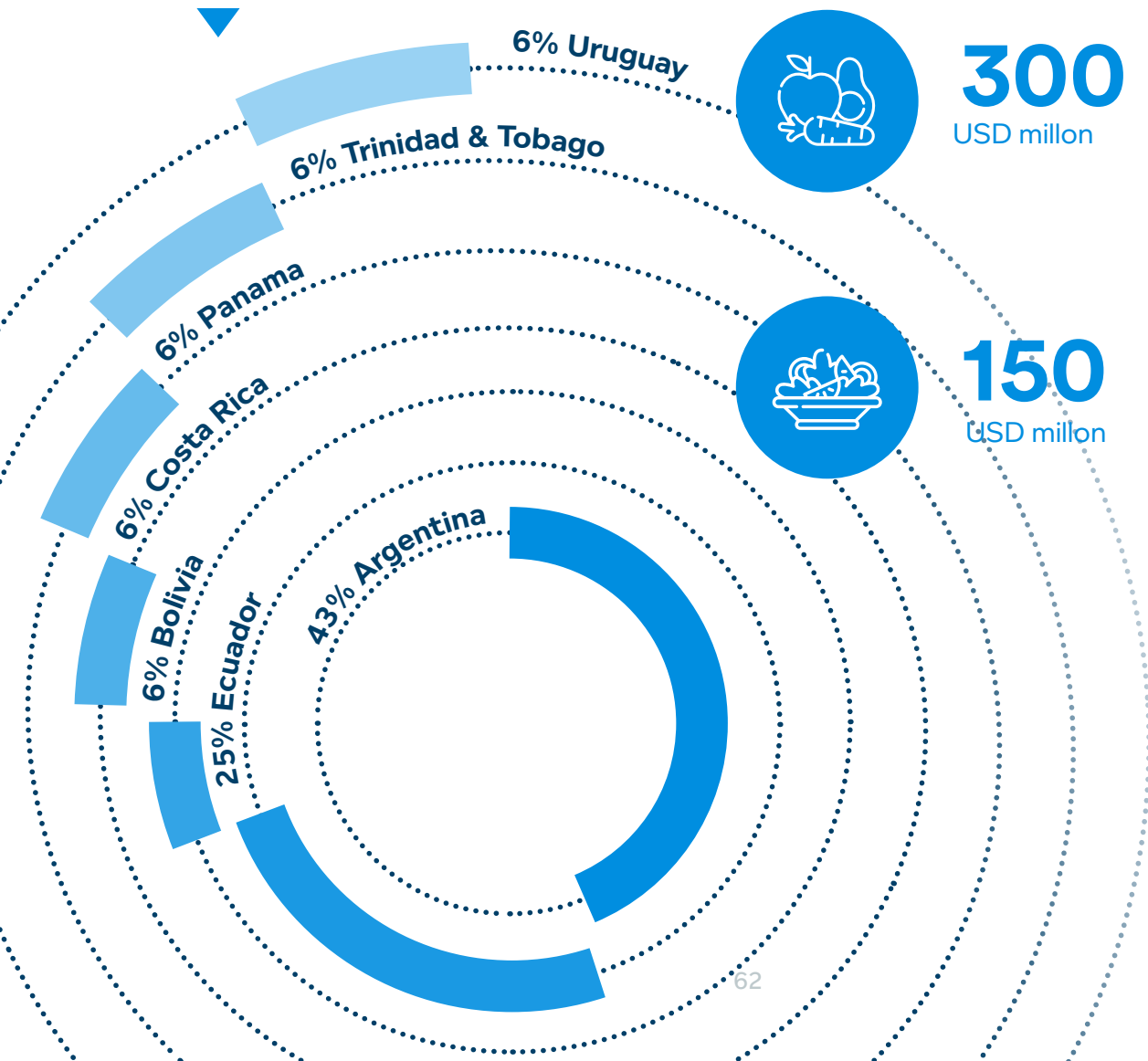
Contingent credit line due Covid-19

 **300**  
USD million

Credit to support the social protection program in Argentina, Tarjeta Alimentar (Food Card)

 **150**  
USD million

Sector wide approach credit to support the reduction of chronic malnutrition in Ecuador



## Technical cooperation

**23** Technical cooperation operations approved

**6.82** million  
USD

Support to countries due to the COVID emergency

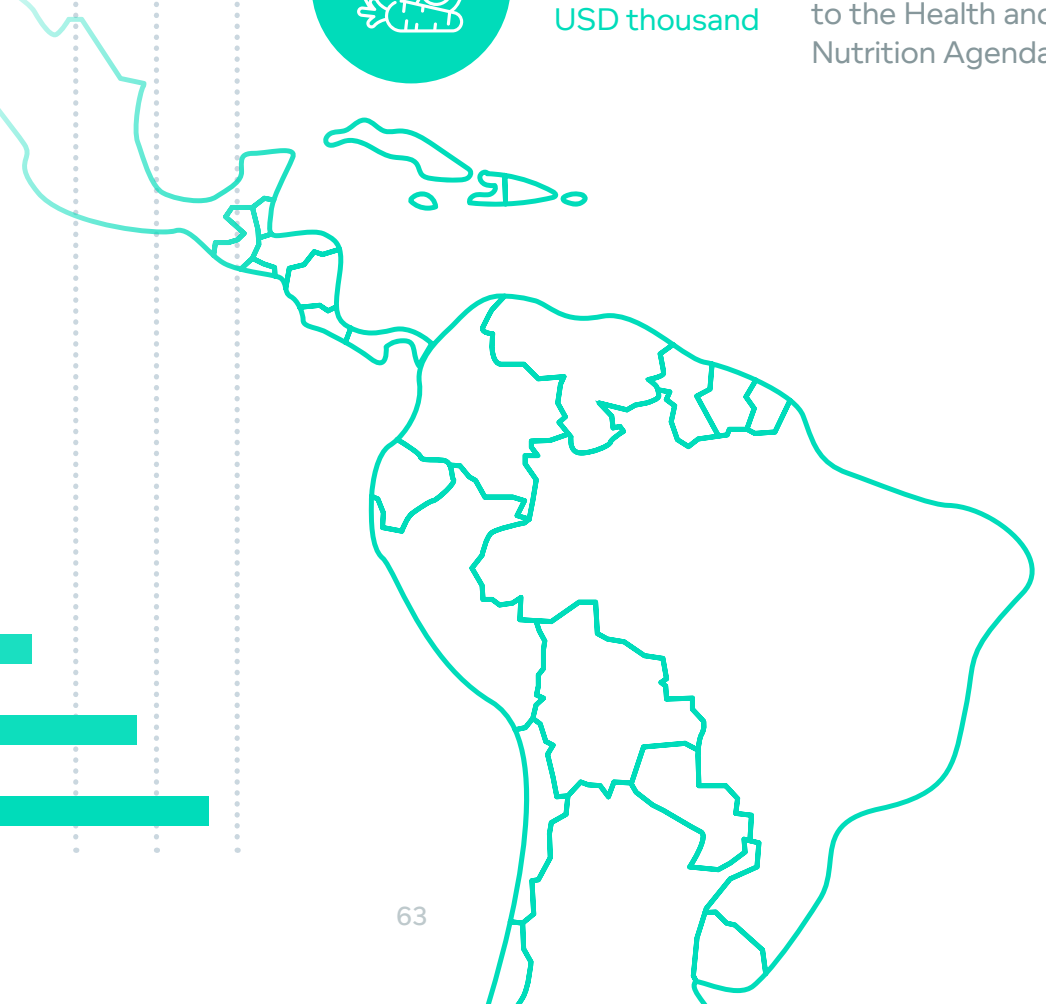
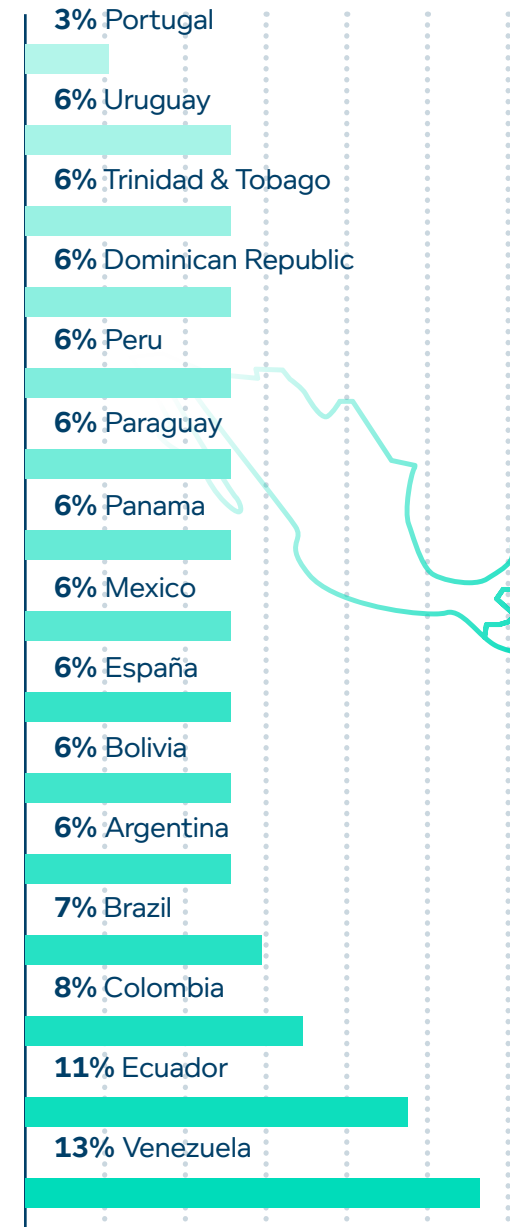
## Destaca:

 **6.59**  
USD million

To address the direct and indirect effects of the Covid-19

 **225**  
USD thousand

For technical cooperation operations related to the Health and Nutrition Agenda.





# Education

## Credit operations

**2** Credit operations approved for Argentina

USD **35** million

Education component in the "Santa Fe +Conectada" Program (Santa Fe + Connected) for Digital Inclusion and Educational Transformation.

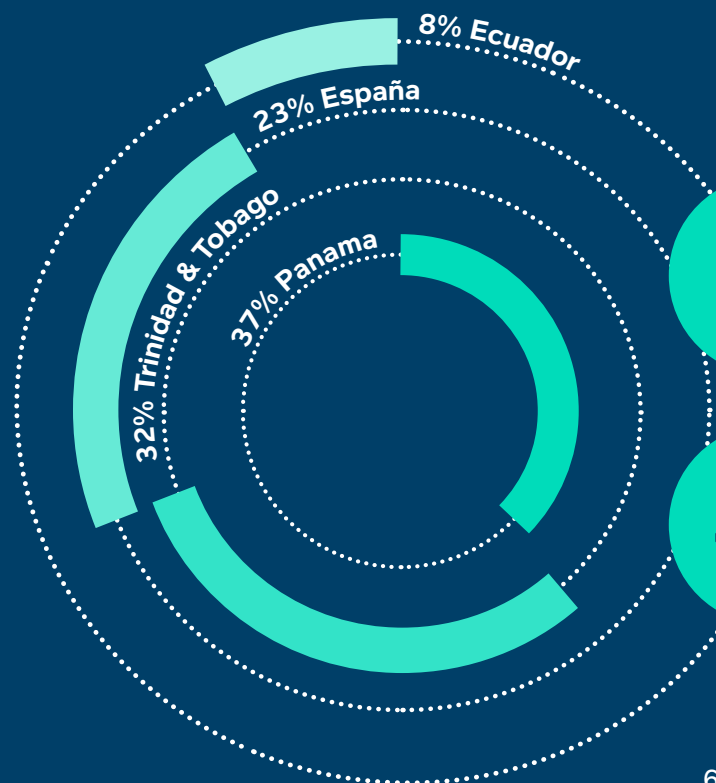
USD **110** million

**75** USD million

"Back to School Program" to strengthen educational infrastructure.

## Technical cooperation operations

**7** Approved technical cooperation operations ▶ **1.10** USD million



### Noteworthy:

**750** USD thousand

To address the effects of the Covid 19 with respect to technology and education

**359** USD thousand

To strengthen the management of operations



# Social Inclusion and Gender

The gender and social inclusion perspectives are incorporated in a cross-cutting manner in the different areas of CAF's work, with the purpose of supporting the countries of the region in the development of interventions that promote access to the rights under the law and equal opportunities for women and vulnerable populations.

## Components of the social inclusion and gender equity strategy

| Components | 2020 Results |
|------------|--------------|
|------------|--------------|

Promote the **incorporation of social inclusion and gender equity perspectives** in CAF's projects and programs

- Credit operations that include social inclusion and gender considerations:
  - Program in Support of the Argentinian National Plan against hunger for the socio-sanitary emergency resulting from the COVID-19 pandemic – Argentina
  - Broad support to reduce chronic malnutrition in Ecuador
  - Macro drainage Program and Environmental Recovery of the Municipality of Três Lagoas - Brazil
  - "Vuelta al Aula" Project (Back to School) to improve school infrastructures - Argentina
  - Sanitation and Urban Infrastructure Program – Brazil
  - "Santa Fe + Conectada" Program (Santa Fe + Connected) for Digital Inclusion and Educational Transformation
  - Green financing regional program for local financing institutions– Chile, Ecuador, Panama, Peru.
- Technical assistances to operations regarding social inclusion and gender:
  - 26 projects and programs.
  - 14 gree funds operations.
  - 11 technical cooperations.

| Components  | 2020 Results   |
|---|--|
| <p><b>Promote the generation of knowledge for social inclusion and gender</b></p>   | <ul style="list-style-type: none"> <li>• Six publications in the Visiones blog and CAF’s Scioteca on topics regarding gender discrimination, COVID-19, gender gaps in specific sectors, and economic reactivation.</li> <li>• Webinar “Insights on the health of women in the context of the COVID-19 pandemic” (Reflexiones sobre la salud de las mujeres en el contexto de la pandemia por el COVID-19), with 90 participants.</li> <li>• Training and sensitization sessions with the participation of more than 700 people including CAF personnel and external parties.</li> </ul>  |
| <p><b>Promote economic autonomy and financial inclusion of women and other populations with difficult access to these resources</b></p> | <ul style="list-style-type: none"> <li>• Approved technical cooperations:                             <ul style="list-style-type: none"> <li>• Institutional strengthening for the regulation and supervision of the popular and supportive financial sector, Ecuador.</li> <li>• Study based on experimental economy to identify gender gaps in the credit market of Colombia.</li> </ul> </li> <li>• Strengthening of client skills:                             <ul style="list-style-type: none"> <li>• Workshops in Ecuador regarding “Best practices and financing experiences with a gender approach in financial institutions” and “Economics of behavior and gender perspective in financial education programs”.</li> </ul> </li> <li>• Publication:                             <ul style="list-style-type: none"> <li>• <a href="#">Discriminación de género en el mercado de créditos de consumo en Chile</a> (Gender discrimination in the consumer credit market in Chile)</li> </ul> </li> </ul> |
| <p><b>Strengthen the mechanisms to fight against gender violence in the region</b></p>  | <p>Analysis and tools to strengthen state capacities for the prevention, care, and reparation of violence against women and girls (VCMN)<sup>11</sup>:</p> <ul style="list-style-type: none"> <li>• <a href="#">Desarrollo de capacidades institucionales para el abordaje de la violencia contra las mujeres y las niñas en América Latina</a>; (Development of institutional capacities to address violence against women and children in Latin America); policy document with cases and recommendations for Argentina, Ecuador, and Peru.</li> </ul>  |

| Components   | 2020 Results  |
|--|---|
| <p><b>Strengthen the mechanisms to fight against gender violence in the region</b></p> | <ul style="list-style-type: none"> <li>• <a href="#">Marco de abordaje integral para la prevención, atención y reparación de la violencia contra las mujeres y las niñas</a>; (Comprehensive approach for the prevention, care, and reparation of violence against women and girls); a tool to consider comprehensive elements in policy design.</li> <li>• <a href="#">Metodología de costeo de políticas públicas para el abordaje integral en los ejes de prevención, atención y reparación de la violencia contra las mujeres y niñas</a>; (Costing methodologies for public policies for a comprehensive approach in the prevention, care, and reparation axes of violence against women and girls); standard costing tool aimed at public officials.</li> </ul> |

SOCIAL INNOVATION



Social innovation is a complementary tool to promote sustainable development which contributes, in a small scale, to generate social inclusion and working opportunities for vulnerable groups. CAF’s Direction of Social Innovation operates as a lab to contribute with solutions to social problems of vulnerable groups in the region; its actions are guided from two complementary fields of action:

**Macro sphere**
▼

- Construction of **ecosystems** to promote new development paradigms and trends of change in the region.
- Promotion and test of **different ways to do things**, including poverty measurement methodologies.
- **Acquisition, dissemination, and management of new and practical knowledge** which may help other development and/or business actors to duplicate and/or escalate social innovation learnings.

Micro sphere ▼

- **Strengthening of individual and collective capacities**, from a perspective of right and gender, in order to generate inclusion opportunities
- **Territorial approach interventions** that address social problems of vulnerable groups through pilot actions.
- **Flexible processes of local cooperation**, as well as experimenting dynamics, research-action, and of permanent learning.
- Materialization of **alliances with relevant actors at several levels** that add to the collective impact of the interventions.

# In 2020:

**10** Social Innovation operations approved

**103.8**  
USD thousand



**10,880**  
Beneficiaries

**1.94** USD leveraged for each USD invested



## Macro sphere

In 2020, there are **eight alliances to strengthen social innovation ecosystems in the region, which promote new paradigms for development and change trends in Latin America.**

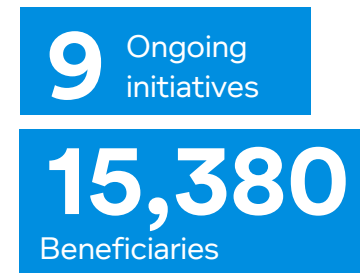
| Alliance  | 2020 Results  |
|---|---|
| <b>System B</b>   | <ul style="list-style-type: none"> <li>• 672 B companies certified in the region, 13,000 measure their social and environmental performance with the B evaluation, more than 1,700 researches join the B Academy, and training is provided for 2,500 new multipliers of the model.</li> <li>• Formulation of B legislation and strengthening of legal communities in several countries to influence public policies.</li> </ul>   |
| <b>Union of University Social Responsibility URSULA</b> | <ul style="list-style-type: none"> <li>• Launching of a publication on University Social Responsibility (RSU, for its acronym in Spanish) public policy in Latin America.</li> <li>• Participation in more than 20 events, seven open discussions regarding social innovation, ethics, and university social responsibility, and three events related to the COVID-19 pandemic.</li> <li>• Fifth annual forum of the Latin American Union of University Social Responsibility (URSULA, for its acronym in Spanish) with the presentation of the developed model and the state of the art of the RSU in 10 countries of the region.</li> </ul> |
| <b>ONCE and ILUNION social group</b>                    | <ul style="list-style-type: none"> <li>• Implementation of innovating models and solutions for people with disabilities, including the development of technology and training tools.</li> <li>• Structuring of the "Taller Regional de Movilidad Inclusiva: Innovación Social, Transporte y Discapacidad" (Regional Inclusive Mobility Workshop: Social Innovation, Transportation, and Disability). Identification of participating cities, authorities, and operators of urban private and public transportation in Argentina, Bolivia and Uruguay.</li> </ul>  |

| Alliance   | 2020 Results   |
|--|--|
| <b>Paraguaya Foundation</b>                                | <p>Dissemination and implementation of the methodology of the “Semáforo de la eliminación de la pobreza” (Traffic light for the elimination of poverty) in countries of the region:</p> <p><b>Colombia</b></p> <ul style="list-style-type: none"> <li>Adaptation of the traffic light for Colombian companies affiliated to the Caja de Compensación CAFAM (Compensation Fund).</li> </ul> <p><b>Ecuador</b></p> <ul style="list-style-type: none"> <li>Pilot of the traffic light in the framework of the BanEcuador program “Emprendedora Rural” (Rural Female Entrepreneur) with 100 participating women.</li> <li>Adaptation of the traffic light indicators with the Vice-Presidency of the country to be used by the national Government, and design of the training plan for its implementation.</li> <li>In alliance with the Ministry of Agriculture, started a training process for principals of agricultural schools as a replica of the Paraguayan model of Self-Sustaining Schools.</li> </ul> <p><b>Panamá</b></p> <ul style="list-style-type: none"> <li>Agreement with Universidad Santa María la Antigua to adjust the traffic light tool to the Panamanian context.</li> <li>Implementation of the traffic light with 200 families, with the support and follow-up of volunteers trained and certified by the University.</li> </ul> <p><b>Paraguay</b></p> <ul style="list-style-type: none"> <li>Publication of three additional versions of the Traffic Light:                             <ul style="list-style-type: none"> <li>COVID- 19 Traffic Light: measures the impact of the pandemic on families.</li> <li>Educational Traffic Lights: measures education of parents, teachers, and students.</li> <li>Migrant Traffic Lights: evaluates the use that migrants make of their financial resources.</li> </ul> </li> </ul> |
| <b>Enlace Hispano Americano de Salud (EHAS) Foundation</b> | <p>Development of a platform to strengthen capacities for on-line training regarding diagnosis of acute respiratory infections, including the diagnosis of pneumonia associated to COVID-19, aimed at general doctors and nurses that work in rural areas in Latin America.</p>  |

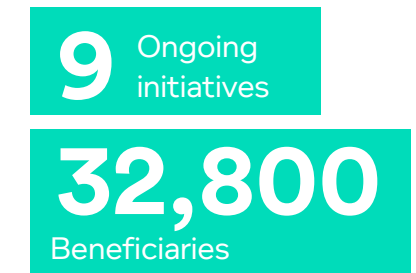
| Alliance   | 2020 Results  |
|--|---|
| <b>Telmed Foundation</b>   | <p>Strategic alliance with the Foundation and more than 200 radiologists to promote tele-x-ray and the remote preparation of medical reports associated with chest x-rays and computed tomography of the lung, including COVID-19 patients.</p>   |
| <b>ASHOKA</b>  | <ul style="list-style-type: none"> <li>Training and scale mentoring processes for 50 innovators and social entrepreneurs of the region, on topics regarding rural education and health, recycling, and work inclusion for people with disabilities, among others.</li> <li>On-line edition of the Ashoka-Globalizer Summit, including representatives of the public and private sectors, entrepreneur-monitors, and teaching team.</li> </ul> |
| <b>Fundación Compromiso y Transparencia (Commitment and Transparency Foundation)</b> | <p>Focus of the annual contest of the “ten most innovating initiatives of Latin America” seeking for best practices and innovative solutions with the potential for duplication, aimed at mitigating the effects of the pandemic in the most vulnerable populations of Latin America. Three hundred and fifty initiatives were presented in the areas of health, childhood care, nutrition and technology, of which ten were selected.</p>    |

## Micro Sphere: 8 countries

**Productive work and wellbeing of vulnerable populations**




**Essential services for majorities**







# Productive work and wellbeing of vulnerable populations

Population with disabilities





**Hands that Save Lives: from a disability to an ability**

- Colombia, Mexico



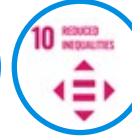
**Social innovation, inclusive mobility, and disability**

- Argentina, Uruguay, Bolivia





**Social innovation and digitalization for people with disabilities**

- Colombia









Youths at high risk



**Creative environments: art and education in innovation**

- Argentina

## Indigenous and rural populations



## Population in extreme poverty



### Social innovation with SMS's

- Ecuador



### Social innovation and circular economy: Exchange of food for residues

- Colombia



### Social innovation with rural communities in the Transchaco Route

- Paraguay



### Creation of neighborhood centres

- Argentina



# Essential services for majorities



## Bankomunales for the food emergency

- Colombia



## Social innovation, connectivity and health in the Peruvian Napo

- Peru



## Umana: Social innovation and inclusive health

- Argentina



## Social innovation platform to strengthen capacities and on-line training

- Regional



## Social innovation and tele-xray

- Argentina



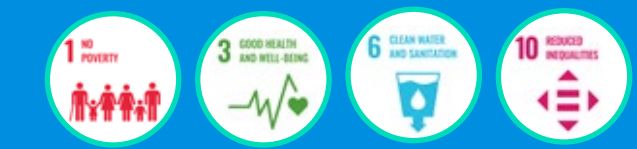
## Indigenous communities social innovation and telecommunications

- Mexico



## Community empowerment for access to water in high Andean areas

- Peru



## Circular economy and construction techniques for bricks made of recycled materials

- Colombia



## Social innovation and conditioning of vulnerable homes

- Argentina, Uruguay



## Main impact results

Productive work and wellbeing of vulnerable populations

| Initiative  | Impact results   |
|---|--|
| <b>Population with disabilities</b>                                       |  |
| <b>Hands that save lives: from a disability to an ability</b>             | Clinical studies about the effectiveness of the model, as well as adaptation of the course to on-line modality for Tactile Examining Assistants TEA.   |
| <b>Social innovation, inclusive mobility, and disability</b>              | Development of contents for the workshop, with the participation of local authorities and transportation operators in Argentina, Uruguay, and Bolivia. |
| <b>Social innovation and digitalization with people with disabilities</b> | Technological platform developed for entrepreneurs with visual disability.   |
| <b>Youths at high risk</b>  |  |
| <b>Creative environments CE art and innovation education</b>              | Digital transformation of the EC model, benefiting more than 3,000 students, 500 teachers, 20 social entities, and 5,000 people from the community.    |

| Initiative   | Impact results  |
|--|---|
| <b>Indigenous and rural population</b>                                       |   |
| <b>Social innovation with SMEs</b>   | 200 SMEs trained in the development of strategies to adapt to the new normality.  |
| <b>Social innovation and circular economy: Exchange of food for residues</b> | Implementation of the Alimercambio model, by exchanging more than 3,000 Kg. of residues for 50,000 liters of water and basic foodstuffs for Wayúu communities.  |
| <b>Social innovation with communities in Route 9.</b>                        | Successful testing of a honeybee productive model in Pilcomayo, looking to reproduce it along Route 9 – Transchaco, including the organic certification.  |
| <b>Población en extrema pobreza</b>  |   |
| <b>Social innovation with neighborhood centers</b>                           | <ul style="list-style-type: none"> <li>• 57 new neighborhood centers created in Argentina, and two additional in Uruguay and Paraguay.</li> <li>• Publication of the case study <i>Recibir la vida como viene, una estrategia de acompañamiento de poblaciones vulnerables</i> (Receive life as it comes, a strategy to support vulnerable populations).</li> </ul> |

Essential services for majorities

| Initiative  | Impact results   |
|---|--|
| <b>Education and financial inclusion</b>  |  |
| <b>Bankomunales and the food emergency</b>  | Rotating fund created to alleviate the food crisis in the context of the COVID-19 epidemic, granting credits without interests to purchase food and dynamize small businesses through the “virtual pocket”.  |
| <b>Connectivity and social inclusion</b>  |  |
| <b>Social innovation and indigenous telecommunication communities</b>             | Advances in the construction of a business model to enable growth and the sustainability of connectivity services in rural and isolated areas, simultaneously in 2G and 4G-LTE technologies.   |
| <b>Connectivity and health</b>  |  |
| <b>Social innovation, connectivity, and health in the Peruvian Napo</b>           | <ul style="list-style-type: none"> <li>Internet embryo for all, benefiting more than 15 communities of the Napo River basin, with access to telephone and internet services, and improvement of primary health care systems.</li> <li>Publication of the case study: “Social Innovation with Connectivity and Health in the Peruvian Amazon”.</li> </ul> |
| <b>Umana: Social innovation and inclusive health in Salta, Jujuy, and Tucumán</b> | 90,000 users associated to the health care model in 50 specialties, leveraged in a network of nine pharmacies, four opticians, six labs, and more than 200 professionals.  |
| <b>Social innovation and tele-x-rays</b>  | 21 connected hospitals incorporating tele-x-rays and 300 doctors active in the Telmed platform.  |
| <b>Social innovation and capacity strengthening and tele-training</b>             | On-line education platform and strategic advances for its replication in several countries of the region.  |

| Initiative  | Impact results   |
|---|--|
| <b>Agua</b>   |  |
| <b>Community empowerment for access to water in high Andean zones of Peru’s rural areas.</b>  | <ul style="list-style-type: none"> <li>Optimized potable water systems and strengthened capacities of local actors, benefitting more than 8,000 people and 13 administrative boards of rural water systems.</li> <li>Publication of the case study: <i>Aguarural: Innovación social en servicios de agua potable en localidades rurales del Perú</i> (Rural water: Social innovation in potable water services in rural communities in Peru).</li> </ul> |
| <b>Housing</b>  |  |
| <b>Circular economy and construction techniques using bricks made of recyclable materials</b> | <ul style="list-style-type: none"> <li>20 housing improvements and 55 builders trained on hydro-sanitary topics and biosafety protocols for construction.</li> <li>Documentation of the model through a technical manual, a pamphlet, and a promotional video.</li> </ul>  |
| <b>Social innovation and conditioning in vulnerable homes</b>                                 | Presentation of the results of the conditioning model to the country’s Ministry of Industry, Energy, and Mining.   |







# FINANCIAL INCLUSION



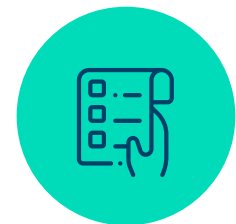
Objective

Promote financial inclusion in the region, in terms of access, use, and quality of financial products, through the design, promotion, and application of strategies and instruments that integrate the placement of financial resources by strengthening the capacities of people, companies, intermediaries, and institutions.



By means of...

1. **Financial products** to strengthen financial capabilities.
2. Strengthening financial systems.
3. Corporate government schemes of micro-financial institutions.
4. Strategies for financial education.
5. Research and development of economic and financial techniques to promote microfinances.



Action pillars

- Microfinances
- National strategies of financial inclusion
- Technologies for the expansion of financial inclusion

# In 2020:

## +184,000

Microentrepreneurs benefited from microcredits

**15** Microfinancial institutions benefited from these credits

**10** Beneficiary microfinancial institutions of the Digital Transformation Program

**4** National strategies for inclusion and financial education (Argentina, Colombia, Mexico and Peru)

**2** Surveys to measure financial capabilities in Brazil and Ecuador

Financial Inclusion Lab

▶ **395** registries

▶ **233** Fintech applications

# 04



○ People

# ○ PLANET

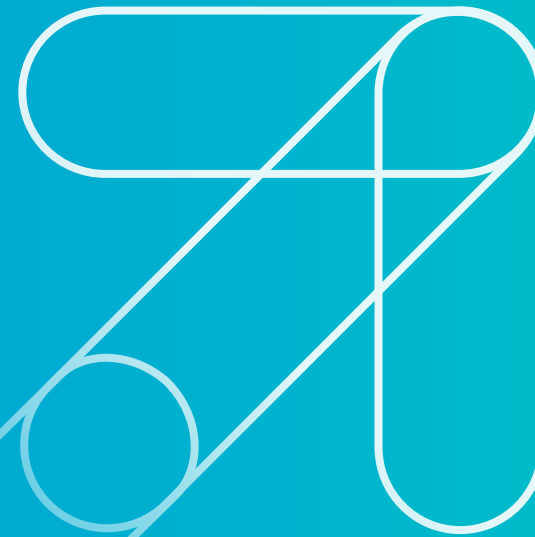
○ Prosperidad

○ Solid institutions

○ Alliance

CAF's green agenda

Water, sanitation, and irrigation



# CAF'S GREEN AGENDA



The recession faced by countries around the world due to the pandemic, may be seen as an opportunity for the design and implementation of policies and strategies aimed at economic and social reconstruction with sustainability and climate resistance criteria, which addresses among other important elements, the world climate and environmental commitments which are increasingly urgent.

The effects perceived from the health emergency and climate crisis reveal structural weaknesses which, to a greater or lesser degree, have influenced on the vulnerability of the countries of Latin America and the Caribbean, demanding investments and fiscal resources for the construction of resilience and sustainability, emphasizing the decarbonization of consumption and production models, as well as the diversification of energy matrices, in addition

to a detailed vision of the importance of biodiversity and ecosystem services in cities and marine-coastal environments.

To contribute in this area, through its Green Agenda CAF promotes solutions based on nature, aimed at the development of the region, as well as facilities for low in carbon growth resilient to climate change, by means of green financing instruments that engage the public and private sectors in complying with the goals and in overcoming the environmental and climate challenges.

In its implementation, CAF promotes structured actions to add value to the natural capital and its rational use, support the countries' mitigation and adaptation to climate change, and promote the productive transformation and sustainable development of Latin America.



Strategic

Objective

Promote the transition of shareholder countries toward a green, low in carbon economy, by valuing the natural capital and development of responsible climate measures, incorporating the environmental component in CAF's operations and mobilizing resources for green financing for inclusion and equity.

Intermediate

Ideas

Support the structuring of programs and projects with environmental and climate co-benefits and the mobilization of international resources aimed at green financing.

Support CAF's shareholder countries in their compliance with international environmental and climate commitments.

Promote CAF's internal environmental sustainability.

Programmatic

Lines

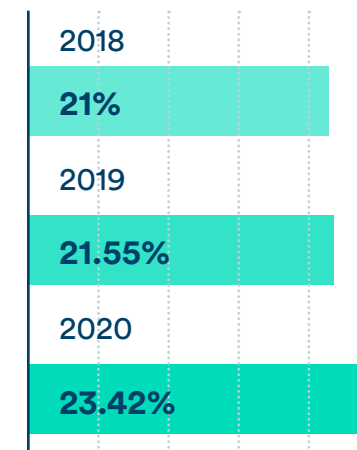
- ▶ Incorporation of environmental and climate change variables to the design and structuring of projects and programs.
- ▶ Acceleration of environmental and climate financing from green funds and concessional lines of credit.
- ▶ Development of policies, strategies, plans, and programs related to environmental and climate issues.
- ▶ Strengthening of institutional capacities to face the challenges and opportunities related to the environment and climate change.
- ▶ Coordination of the Institutional System for Environmental Management – SIGA (for its acronym in Spanish).
- ▶ Coordination of CAF's Sustainability Report.

# CAF's Green Agenda

## Environmental and climate financing

Green operations

**115** Approved green operations



Compared to the total amount of resources approved during the year

Investment programs and projects

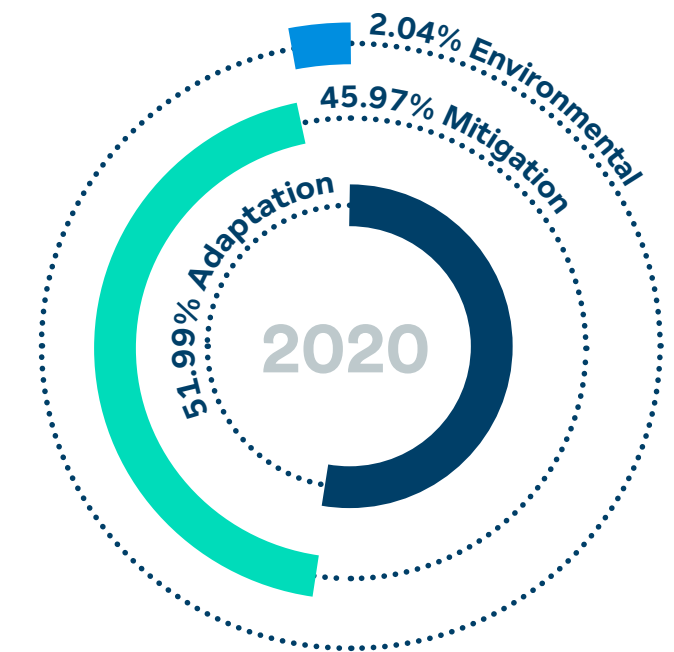
**1,307.42** USD million

Technical cooperation

**1,988.87** USD million

In 2020, environmental and climate financing reached **USD 3,312 million**, which is **23.42%** of the total amount of resources approved during the year.

**3,312** USD million



Financial products

**15.71** USD million



# Mobilization of third-party resources for environmental and climate financing

Mobilization and administration of GEF resources

GEF Portfolio

2020 Approvals:

USD million approved **22.3**

▶ USD million in PIF Phase **10.6**

▶ USD million in PRODOC phase **11.7**

Projects aligned with CAF's Green Agenda **4**

Countries in the region benefited **9**

In 2020, third-party resources were mobilized for environmental and climate financing, reaching USD 295.7 million, aimed at the development of initiatives aligned with the strategic components of CAF's Green Agenda

Projects under administration :

Projects in administration phase **5**



USD million **21.95**

Projects in administration phase **11**



- ▶ Biodiversity
- ▶ International waters
- ▶ Soil degradation
- ▶ Climate change

Impacted SDG



| Project   | Description  |
|---|--|
| <b>PRODOC<sup>11</sup> Approvals</b>  |  |
| <p><b>Sustainable landscape approach of the Amazon in the plurinational system of protected areas and strategic ecosystems in Bolivia</b></p> | <p><b>Bolivia</b></p> <p><b>Expected impacts:</b></p> <ul style="list-style-type: none"> <li>• 6,201,415 protected land hectares with management and conservation best practices.</li> <li>• 7,124,915 hectares of landscape under improved practices</li> <li>• 3,850 people benefited</li> </ul> <p><b>Approved resources:</b></p> <ul style="list-style-type: none"> <li>• USD 11.19 million</li> </ul>   |
|   | <p><b>Colombia</b></p> <p><b>UAVs/drones for an equitable adaptation to climate change: Participative risk management through landslides and monitoring of the flow of debris, Mocoa-Colombia</b></p> <p><b>Expected impacts:</b></p> <ul style="list-style-type: none"> <li>• A methodological tool that enables the reduction of vulnerabilities to climate change, and which can be used by non-expert members of the community</li> <li>• 45,000 people will reduce their vulnerability to climate change</li> </ul> <p><b>Approved resources:</b></p> <ul style="list-style-type: none"> <li>• USD 549,905</li> </ul> |

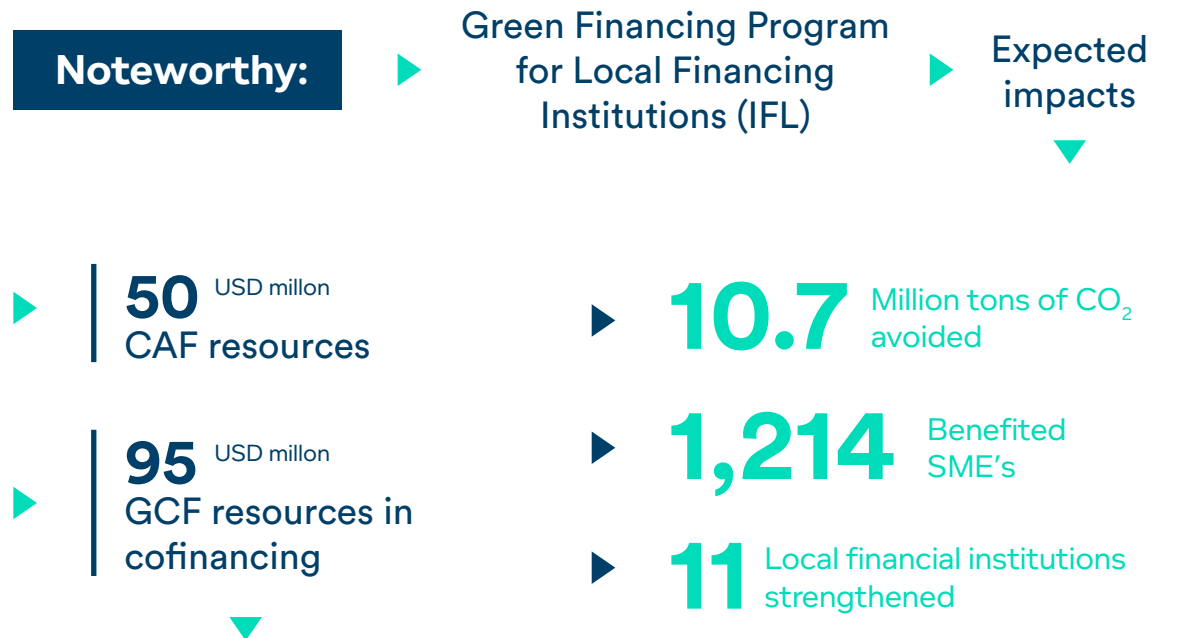
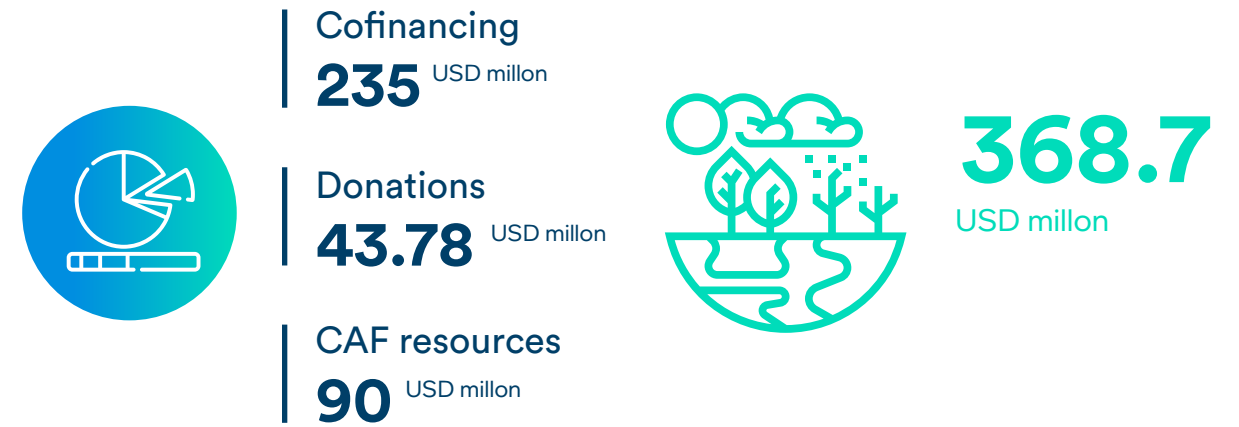
<sup>11</sup>PRODOC: Documento de proyecto

| Project  | Description  |
|--|--|
| <b>PIF Approval<sup>12</sup></b>   |  |
| <p><b>Blue economy project and sustainable fishing in the Caribbean</b></p>   | <p><b>Barbados, Belize, Guyana, Jamaica, Santa Lucia, and Panama</b></p> <p><b>Expected impacts:</b></p> <ul style="list-style-type: none"> <li>• 231,000 marine hectares will benefit from management and conservation best practices</li> </ul> <p><b>Approved resources:</b></p> <ul style="list-style-type: none"> <li>• USD 7,74 million</li> </ul> |
| <p><b>Development of a favorable environment for sustainable companies based on the native biodiversity of Ecuador.</b></p>  | <p><b>Ecuador</b></p> <p><b>Expected impacts:</b></p> <ul style="list-style-type: none"> <li>• 7,000 hectares of landscape under best practices</li> <li>• 5,000 people benefited</li> </ul> <p><b>Approved resources:</b></p> <ul style="list-style-type: none"> <li>• USD 3,61 million</li> </ul>  |

<sup>12</sup> PIF: Formulario de identificación de proyecto

### Third-party resources for climate action

#### Mobilization of resources for conditioning



For concessional financing to SME's and promotion of investments in **renewable energies, efficiency, and use of the land** in Chile, Ecuador, Panama and Peru.

| Initiative   | Description   |
|--|---|
| <b>Climate Financing Facility based on the Performance between CAF and KFW</b>         | <ul style="list-style-type: none"> <li>Approval of the Project “Cogeneration Plant” using biogas from the plant for the treatment of industrial residual waters of Alpina S.A. in Sopó, Colombia.</li> <li>The Project approved in the framework of the Facility, may receive up to <b>EUR 689,840</b> for incentive payments associated to the reduction of <b>114,974 tons of CO<sub>2</sub>-e.</b></li> </ul>  |
| <b>LAIF Financing Facility subscribed with AFD regarding Cities and Climate Change</b> | <ul style="list-style-type: none"> <li>Urban climate diagnostic studies concluded in five cities of the region, for a total of <b>EUR 695,804</b>, as well as two pre-investment projects with climate co-benefits for a total of <b>EUR 471,038.</b></li> <li>Two pre-investment studies were contracted and started, for a total of <b>EUR 389,222</b> and one related to strengthening CAF’s capabilities, for <b>EUR 70,000.</b></li> <li>Additional pre-investment studies were contracted, for <b>EUR 1,214,845</b> as well as for the management of knowledge activities, for <b>EUR 200,000.</b></li> </ul> |

### Follow-up of financed initiatives

#### Green Climate Fund – GCF

| Initiative  | Description  |
|---|--|
| <b>Program for Climate Action and Development of Solar Energy in the Region of Tarapaca, in Chile</b> | <ul style="list-style-type: none"> <li>Conclusion of the construction of the photovoltaic solar plant with 150 MW of installed capacity. This will enable the production of 470 GWh of clean energy, and will prevent the emission of <b>196,930 tons of CO<sub>2</sub>-e per year.</b></li> </ul> |

| Iniciativa  | Descripción  |
|---|--|
| <b>Program for Climate Action and Development of Solar Energy in the Region of Tarapaca, in Chile</b>   | <ul style="list-style-type: none"> <li>To achieve this objective, <b>USD 39,128,243</b> were disbursed in co-financing:                             <ul style="list-style-type: none"> <li><b>USD 28,864,966</b> from the Green Fund for Climate.</li> <li><b>USD 10,263,277</b> from local banks and CAF.</li> </ul> </li> </ul>  |
| <b>Sustainable Transportation Program for Intermediate Cities in Colombia: Montería, Pasto, Pereira, and Valledupar</b>                             | <ul style="list-style-type: none"> <li>Conclusion of studies for the structuring of project portfolios for <b>USD 50 million</b>, with the potential to reduce <b>500,000 tons of CO<sub>2</sub></b> in ten years.</li> <li>The studies and their results, which included a tool to monitor and report the reduction of emissions, were delivered and socialized with the new administrations in each one of the four cities.</li> </ul>   |
| <b>Low in emissions agriculture and resilient to variability and climate change in Colombia</b>   | <ul style="list-style-type: none"> <li>The technical preparation of the project in the framework of the PPF concluded, in collaboration with the Ministry of Agriculture and Rural Development, the National Department of Planning, CIAT Biodiversity Alliance, and the producer associations.</li> <li>The National Government prioritized eight productive chains to consider in the project: rice, corn, banana-plantain, sugar cane, panela cane, coffee, potato, meat and milk.</li> <li>It is estimated that 160,000 producers will benefit directly</li> </ul> |
| <b>Readiness CHI 004 – Support to strengthen the public-private planning processes at a subnational level for the development of local programs</b> | <ul style="list-style-type: none"> <li>Vulnerability and mitigation studies concluded in four regions in Chile.</li> <li>The action plans were formulated for the regions of O’Higgins, Atacama, Los Lagos, and Los Ríos.</li> </ul>   |

| Initiative   | Description  |
|--|--|
| <b>Readiness PRY 001 – Strengthening of the AND and Country Program (Paraguay)</b> | <ul style="list-style-type: none"> <li>At the close of 2020, 91% of the Budget had been committed, and of this percentage, 78% had been executed.</li> </ul> <p>Completion of the consultancies for the establishment of a national coordination mechanism and inter-ministerial meetings, in addition to all consultancy activities related to access to financing, with the involvement of parties interested in participative processes, such as gender strategy, and annual project portfolio, among others.</p> <ul style="list-style-type: none"> <li>As of the transition of the Designated National Authority, the scope of the results numbers 4 and 5 were reviewed with the approach of the new authority. Support was provided for the new authority, by contracting two consultants to assist in the project's management and conclusion of the Country Program.</li> </ul> |
| <b>Readiness CRI 001 – Strengthening of the AND and Country Program</b>            | <ul style="list-style-type: none"> <li>At the close of 2020, 80% has been committed, and of that percentage, 25% has been executed.</li> <li>Consultants were recruited for the Logistic Support consultancy, a Communications expert, and a General Assistant.</li> <li>Advances have been made with the initial strategic evaluation, the design of the AND, technical aspects of the FVC, development of capabilities, and priorities of climate financing.</li> </ul>  |
| <b>Readiness PAN-RS-001 – Strengthening of the AND and Country Program</b>         | <ul style="list-style-type: none"> <li>The bidding and contracting process of the consortium for the execution of activities stated in the program was carried out.</li> </ul>   |

## United Nations Adaptation Fund

| Initiative   | Description  |
|--|--|
| <b>Regional Project Chile – Ecuador</b><br><b>Reduction of vulnerability to climate and risk of flooding in urban and semi-urban coastal areas of cities in Latin America.</b>   | <ul style="list-style-type: none"> <li>The first disbursement was carried out, for <b>USD 1,181,487</b> to the UNDP as executing agent of the project.</li> <li>There were delays in the execution to the COVID-19, but several workshops and activities took place using the on-line modality.</li> </ul>   |
| <b>National Project of Ecuador</b><br><b>Increase of the adaptation capacity of local communities, ecosystems, and hydroelectric systems in the upper basin of Rio Blanco (Toachi-Pilatón basin)</b>   | <ul style="list-style-type: none"> <li>Subscription of the agreement between CAF and Argentina's Ministry of the Environment and Sustainable Development, for a total amount of <b>USD 5,385,729</b>.</li> <li>Subscription of the agreement between CAF and Uruguay's Ministry of the Environment and Uruguay's National Corporation for Development, for a total amount of <b>USD 5,026,729</b>.</li> </ul>  |
| <b>Ayninacuy</b><br><b>Strengthening of the means of livelihood 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 – Peru National Project</b> | <p>As measures aimed at strengthening the means of livelihood and income sources for the vulnerable Alpaca producing communities, the following advances in the execution of the project were achieved:</p> <ul style="list-style-type: none"> <li>Construction of sheds, shelter for the Alpacas in cold weather.</li> <li>72 hectares were fenced.</li> <li>6,559 Alpacas were treated, to boost the sanitary conditions of these animals to withstand the intense cold, decreasing cases of pneumonia, among other diseases.</li> </ul> |



| Initiative   | Description  |
|--|--|
| <p><b>Ayninacuy</b></p> <p><b>Strengthening of the means of livelihood 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 – Peru National Project<sup>13</sup></b></p> | <ul style="list-style-type: none"> <li>• 31% advance in sowing fodder cereals, improved grasses, and re-sowing of wetlands.</li> <li>• 36 pressurized irrigation systems were installed.</li> <li>• 11 rustic reservoirs were improved.</li> <li>• 36 rural homes were improved, installing water purification systems, bio-digesters, improved gas stoves, photovoltaic panels, and Trombe walls.</li> </ul> <p>Due to the pandemic and restrictions on meetings and events, there were delays in training activities. In the face of this situation, radio micro programs will be implemented, hoping to increase the number of beneficiaries, as it is the communication means of greater audience in high Andean communities.</p> <p>During the execution, compliance was achieved with the Surveillance Plan and Biosecurity Protocol in the face of COVID-19, linked to compliance with the Public Health Safeguards, which has been considered in this period.</p> <p>Resources of the Adaptation Fund were executed for a total amount of <b>USD 975,172</b>, during the second year of the project’s execution.</p> |

**Latin America Investment Facility (LAIF) “Cities and Climate Change”**

The LAIF initiative Cities and Climate Change is financed by the European Union, managed by the French Development Agency – AFD, and executed by CAF. In the framework of its execution, in 2020 six ongoing studies were concluded, one (1) additional study was approved, two (2) projects with urban co-beneficiaries were contracted, plus two (2) additional contracts:

<sup>13</sup> Advances in this project are measured in cuts going from October to October. The results presented correspond to those achieved between October 2019 and October 2020.



| Initiative  | Amount approved | Amount contracted |
|---|-----------------|-------------------|
| <b>Structuring of an intermodal network of cycle corridors integrated to the public transportation modes of Bogota and neighboring municipalities in the Region of Bogota - Cundinamarca</b>              | USD 450,000     | --                |
| <b>Technical, legal, financial, social, and environmental structuring for the electrification of the fleet of public buses in the city of Buenos Aires, Argentina.</b>                                    | --              | EUR 140,279       |
| <b>Improvement of the tool to calculate the carbon footprint.</b>   | --              | EUR 70,000        |
| <b>MOOC cities and climate change – development of contents.</b>  | --              | EUR 54,000        |
| <b>Study concerning the opportunity and feasibility for the development of an urban park in the area where currently the oxidation ponds are located, northwest of the city of Monteria, in Colombia.</b> | --              | EUR 240,000       |

## Incorporation of the environmental and climate change variables in the design and structuring of projects

During the year, technological and shared management tools were developed for the early incorporation of the environmental and climate change variables to CAF's credit operations.

The criteria of natural capital were incorporated to credit operations to finance initiatives aimed at the restoration of degraded areas, solutions based on nature, tree planting, and recovery of green spaces in six municipalities and states of Brazil, for **USD 220.21 million**:



| Initiative   | Description   |
|--|---|
| <b>Estrutura Alagoas Program – State of Alagoas.</b> | <ul style="list-style-type: none"> <li>• Benefits for approximately 1,199,704 inhabitants.</li> <li>• Total Green financing for this operations reached USD 36.57 million, of which USD 5.2 million will be for the rehabilitation of urban parks.</li> </ul> |

| Initiative  | Description   |
|---|---|
| <b>+Mogi Ecotieté, Mogi das Cruzes Program</b>  | <ul style="list-style-type: none"> <li>• Direct benefit for approximately 220,000 inhabitants.</li> <li>• Total Green financing for this operation reached USD 41.28 million, of which USD 4.17 million are aimed at the construction of parks and the recovery of creek margins.</li> </ul>  |
| <b>Macro drainage Program and Control of Floods of the Rio Baquirivú-Guaçúcu in Guarulhos</b> | <ul style="list-style-type: none"> <li>• Direct benefits for 326,799 inhabitants.</li> <li>• Total Green financing for this operation reached USD 71.79 million, of which USD 4.13 million are aimed at the implementation of the lineal park with the absorption of GHG through drains.</li> </ul>   |
| <b>Urban Infrastructure Program of Iguatú - PROINFI</b>                                       | <ul style="list-style-type: none"> <li>• Direct benefits for 80,000 inhabitants with potable water supply.</li> <li>• The total green financing for this operation reached USD 21.38 million, of which USD 1 million are aimed at the construction and rehabilitation of parks.</li> </ul>  |
| <b>Macro drainage Program and environmental recovery of the Municipality of Três Lagoas</b>   | <ul style="list-style-type: none"> <li>• Direct benefits for 45,791 inhabitants.</li> <li>• The total Green financing for this operation were for the urbanization of the base of the Valle del Arroyo Onça, including urban tree planting.</li> </ul>  |
| <b>Sanitation and Urban Infrastructure Program, Juazeiro do Norte</b>                         | <ul style="list-style-type: none"> <li>• Direct benefits for 124,282 inhabitants resulting from the macro drainage works and urban mobility, as well as for 54,252 inhabitants with the urban and social infrastructure.</li> <li>• Total Green financing for this operation reached USD 39.60 million, of which USD 1.02 million were for the implementation of green corridors for urban connectivity.</li> </ul> |

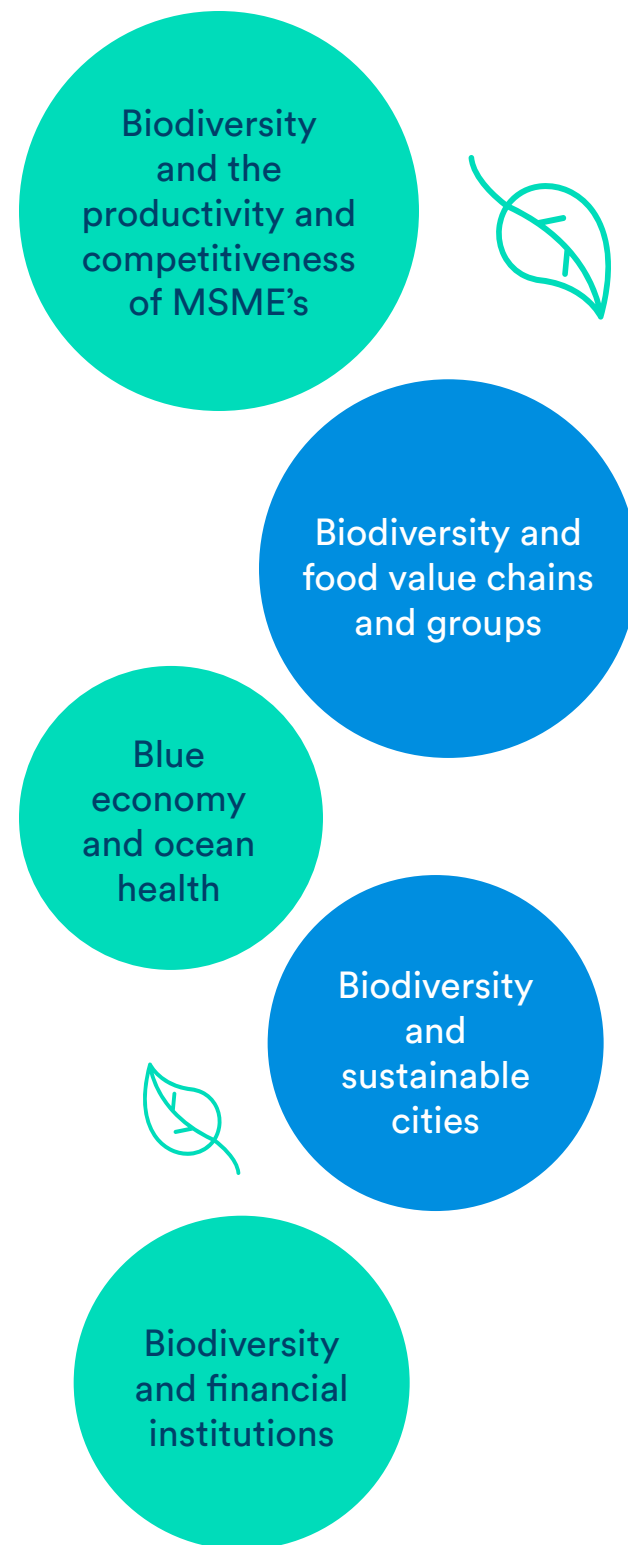
## Strengthening of capabilities

CAF supports the countries of the region in the preparation of policies and programs to face environmental and climate change challenges, by implementing strategic programs for the public and private sectors. These actions support compliance with the Sustainable Development Goals (SDG), and of international environmental agreements defined in the Nationally Determined Contributions (NDC) of the Paris Agreement and the Aichi Biodiversity Targets, among others.

### Strategic Biodiversity Initiative

The Strategic Biodiversity Initiative was updated in 2020, including a new work cycle for the 2021-2025 period, in order to support the countries in the region to advance in the Sustainable Development Goals (SDG), and the World Biodiversity Framework (MMB, for its acronym in Spanish) post-2020.

The initiative is designed to address the constant loss of species, the degradation of ecosystems, and the intensification of climate change in Latin America, which threatens to derail economic growth and revert the advances in social development. It combines a cross-cutting approach



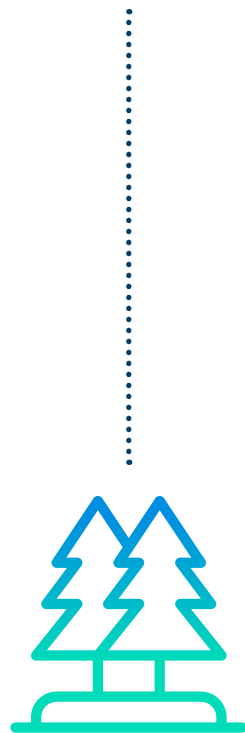
# In 2020:

- Two technical cooperation operations were approved, one for a total amount of **USD 147,700** to prepare the bases for the implementation of adaptive management actions and restoration of the National Park Isla del Coco, in Costa Rica, and the second for a total of **USD 43,200** to support the institutional strengthening for the productive reconversion of the sugar cane harvest in the State of Jalisco, Mexico.
- Five technical cooperation operations under execution in Peru and Ecuador for **USD 510,100** for water conservation, management of protected marine-coastal areas, ecotourism bio-businesses and sustainable agriculture.
- There are eight GEF projects, for a total amount of **USD 41.8 million**, of which four are regional projects; three in the implementation phase, addressing sustainable management of water resources, and one in the design phase aimed at sustainable fishing topics.

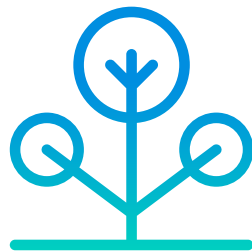
## CAF's Forest Initiative

In 2020 CAF's Forestry Program was updated under the title "CAF's Forestry Initiative", keeping the structure of the program with an information base of the forestry resources of the region, updated in the context of the whole regional scenario of 2019. It maintained the five REDD+ components, aligned with CAF's cycle of operations, emphasizing the sources of co-financing and the sources of non-reimbursable resources such as green funds:

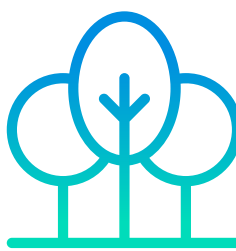
**Reduction of emissions due to prevented deforestation and degradation of forests**



**Green businesses with non-wood forestry products**



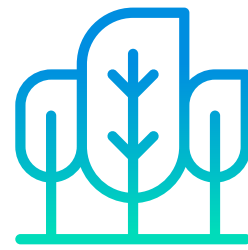
**Restoration of forests, tired and degraded soils**



**Establishment and improvement of urban forests and green spaces**



**Improvement of the eco-efficiency of de forestry industry**



In 2020:

- Update of the document **Puesta en Valor de Bosques Urbanos y Espacios Verdes**, (Valuing Urban Forests and Green Spaces), which states the approach, address, challenges, and associated actions for the region, as well as their interrelationship with all the programs promoted by CAF.

- Preparation of guidelines and technical documents for executives, clients, and municipalities, to support processes related to the **insertion of urban forests and green spaces** in municipal planning.
- Provision of technical guidance to prepare a master plan for **green spaces for public use and urban trees in the city of Guayaquil, Ecuador**, in the framework of the LAIF Initiative Cities and Climate Change.
- Approval of six credit operations with urban forests and green spaces components in Brazil, for **USD 18.3 million**.
- There are five technical cooperation operations in the implementation phase in Brazil, Peru, and Ecuador, for a total amount of **USD 645,984** regarding urban forests, forestry management, and comprehensive management of fire.
- There is one GEF project for **USD 11,197,246**, directed at the sustainable landscape approach of the Amazon, in the Plurinational System of Protected Areas and Strategic Ecosystems of Bolivia. Programa para el Fortalecimiento de Capacidades para Instituciones Financieras y Programa Verde CAF

## Program to Strengthen Capacities for Financial Institutions and CAF Green Program

With this program, CAF supports the countries of the region in the design of sustainable policies and programs, as well as in strengthening capacities for the management of environmental, social, and governance risks of financial institutions in the framework of their credit and evaluation processes.

A technical cooperation **operation was approved for USD 70,000** for the implementation of green lines of financing in CONAFIPS to support sustainable development in Ecuador.



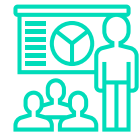
Objectives

Strengthen capacities of the financial sector and regulatory entities for the management of environmental, social, and governance risks in the framework of their credit and evaluation processes, as well as improve the environmental risk management standards in order to attract resources from international green funds.

Implement financial products to finance energy efficiency measures of private and public energy companies and other public entities in CAF's shareholder countries.

Results  
2020

1,492 trained individuals



23 webinars



1 in-class workshop



166 Financial Institutions involved



15 countries of the region

In addition, a technical cooperation operation was approved for the integration of the Sustainable Development Objectives as a framework to measure the effectiveness of national and subnational development financial institutions of Brazil (IFDNeS), with the following characteristics:

- Benefits for the partner Banks of the Brazilian Association of Development Banks – ABDE
- CAF support amounting to USD 50,000 for pilot programs in Development Banks in Brazil which are CAF partners.
- Strategic Alliance with ABDE – GIZ, with co-financing of USD 124,574.

## Environmental and social safeguards

CAF's environmental and social safeguards translate the principles promoted by the institution regarding environmental sustainability, climate change, responsibility, and social inclusion. These safeguards specify the management technical standards regarding environmental, social, and gender matters that the borrower and/or executing organization must observe and comply with in all the operations financed.

For its application, CAF demands the borrowers to carry out environmental and social evaluations of the operations to be financed, in agreement with the local applicable regulations. At the same time, the institution conducts its own due diligence analysis regarding environmental and social matters during all the credit cycle, in agreement with the regulations of the environmental and social framework.

| Stages of the credit cycle | Scope of the management of environmental and social risks in the operations   |
|----------------------------|---|
| Origination                | <p>A preliminary analysis is carried out, regarding the environmental, social, and climate risks of each operation to be financed, in order to contribute elements of judgement for the incorporation (or not) of the operation to CAF's Inventory of Operations. The analysis includes:</p> <ul style="list-style-type: none"> <li>• A screening process to assign an environmental, social, and climate risk rating according to the type of project/program and the sensitivity of the environment (Physical, biotic, and socioeconomic factors).</li> </ul> |

| Stages of the credit cycle | Scope of the management of environmental and social risks in the operations   |
|----------------------------|---|
| <b>Origination</b>         | <ul style="list-style-type: none"> <li>• An analysis of the information provided by the borrower with respect to environmental and social risks and impacts of the operation, the institutional framework related to said operation and the capacities of the client to apply an adequate management of the operation.</li> <li>• In accordance with the above, a preliminary identification of the critical aspects of the operation in social and environmental terms.</li> <li>• Recommendations, if any, with respect to the scope that the environmental and social due diligence must have during the evaluation stage.</li> </ul>  |
| <b>Evaluation</b>          | <p>A due diligence process is carried out for each operation to be financed, on the basis of the environmental and social evaluation carried out by the borrower, with a framework focused on compliance with the local, current, and applicable legislation, as well as CAF's Environmental and Social Safeguards. The objective of the due diligence is the identification, evaluation, and formulation of the mitigation proposals for environmental and social risks of the operation. This analysis includes:</p> <ul style="list-style-type: none"> <li>• A critical evaluation of the environmental studies prepared by the client.</li> <li>• A field mission to talk with key actors and make an in situ recognition of the main environmental, social, cultural and economic aspects of the operation.</li> </ul> |

| Stages of the credit cycle | Scope of the management of environmental and social risks in the operations   |
|----------------------------|---|
| <b>Evaluation</b>          | <ul style="list-style-type: none"> <li>• The identification, evaluation, and prioritization of the main environmental and social risks, including those related to inclusion and gender.</li> <li>• Establishment of an Action Plan with the respective mitigation measures, so that the operation fits the Environmental and Social Safeguards of the Institution, which is part of the Loan Contract.</li> </ul>  |
| <b>Formalization</b>       | <p>In this stage, the environmental and social conditions of the program are negotiated with the client (Action Plan) and its incorporation is verified in the Loan Contract.</p>   |
| <b>Administration</b>      | <p>The objective is to carry out a follow-up to the performance of the environmental and social management of the operation, in agreement with the requirements established in the loan agreement (Action Plan) and the applicable Environmental and Social Safeguards. This stage includes:</p> <ul style="list-style-type: none"> <li>• Review of the periodic reports sent by the borrower.</li> <li>• Implementation of follow-up missions to verify the application of the established measures.</li> <li>• Technical advice to the executives who are responsible for the operations with respect to the performance of the environmental and social management to guide the disbursement processes and other key landmarks.</li> </ul> |

During 2020, in agreement with CAF's protocol on corporate actions facing the COVID-19 pandemic, alternative remote working methodologies were implemented for the environmental and social follow-up of operations. The use of technologies and on-line working tools

was prioritized, supported by interviews to the environmental and social teams in the executing organizations, in addition to analysis of information gathered from the periodic reports and historical registries on the performance of environmental and social management.



## Institutional environmental management system (SIGA, in Spanish)

|  |  |  |   |
|--|--|--|---|
|  | <p><b>Management cycle</b></p> <ul style="list-style-type: none"> <li>• ISO 14001</li> <li>• Continuous Improvement</li> </ul> |  | <p><b>Management of the Carbon Footprint</b></p> <ul style="list-style-type: none"> <li>• Indicators</li> <li>• Compensation</li> </ul> |
|  | <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>• Practices in the offices</li> </ul>                    |  | <p><b>Sensitization/ training</b></p> <ul style="list-style-type: none"> <li>• Environmental Culture</li> </ul>                         |

### SIGA Components

### 2020 Results

#### Management cycle

Seeking a continuous improvement of the system through:

- Execution of processes established in the ISO 14001.
- Update of the regulation associated to the system.
- Application of analysis instruments to review the accomplishment of objectives and goals.

Identification of 11 actions to improve the system, of which eight were implemented during the year.

#### Management of the carbon footprint

- Incorporation of new management reports to visualize and compare the system's indicators.
- Emissions of GHG reached 2.549 ton CO<sub>2</sub>-e:
  - Scope 1: 44.49 Ton CO<sub>2</sub>-e
  - Scope 2: 1.307.34 Ton CO<sub>2</sub>-e
  - Scope 3: 1.197.19 Ton CO<sub>2</sub>-e

#### Waste management

Appropriate management of **12,853.30 Kg** of dangerous and no-dangerous waste, 12.8% less than in 2019:

- Paper and carton – 6,887.05 kg
- Organic – 3,140.15 kg
- Plastic – 1,600.35 kg
- Used fluorescents – 720 kg
- Glass – 322.25 kg
- Batteries and cells – 120.4 kg
- Aluminum – 49.5 kg
- Tetrapack – 13.60 kg

**The paper and carton correctly managed by CAF during 2020 is equivalent to 11.2 tons CO<sub>2</sub>-e in avoided emissions.**

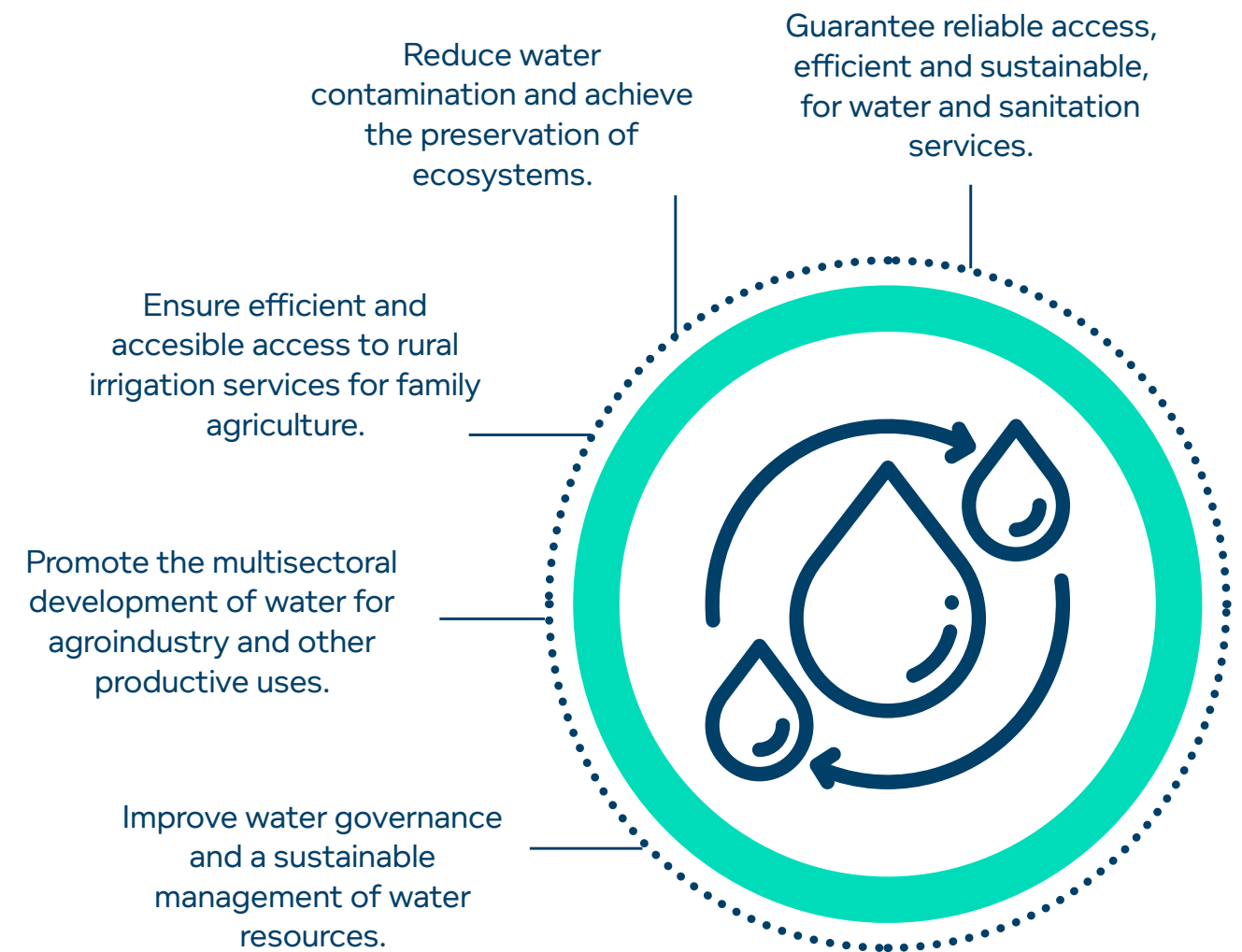
| SIGA Components            | 2020 Results  |
|----------------------------|---|
| Sensitization and training | <ul style="list-style-type: none"> <li>Implementation of 12 sensitization activities for staff:                             <ul style="list-style-type: none"> <li>Seven specific for offices.</li> <li>Four reaching the 13 offices at CAF.</li> <li>One extra-situ, referring to reforestation in the city of Quito, in the Ecological Reserve Cayambe-Coca.</li> </ul> </li> <li>Continuity of the corporate messages scheme, addressing different environmental events, as well as training for staff newly joining the institution through the SIGA course available in the UVCAF platform.</li> </ul> |

As a noteworthy event, during the year CAF's carbon footprint was compensated, reaching 10,810 tons CO<sub>2</sub>-e for 2019, by means of the acquisition of carbon credits of the REDD+ Jari Pará Project, located in the municipality of Almeirim In the state of Pará, Brazil, remaining a carbon neutral organization.

# WATER, SANITATION, AND IRRIGATION



CAF's 2019-2020 water strategy establishes five strategic objectives with an integrating approach of water security:





Credit operations

7 Credit operations approved

678.23

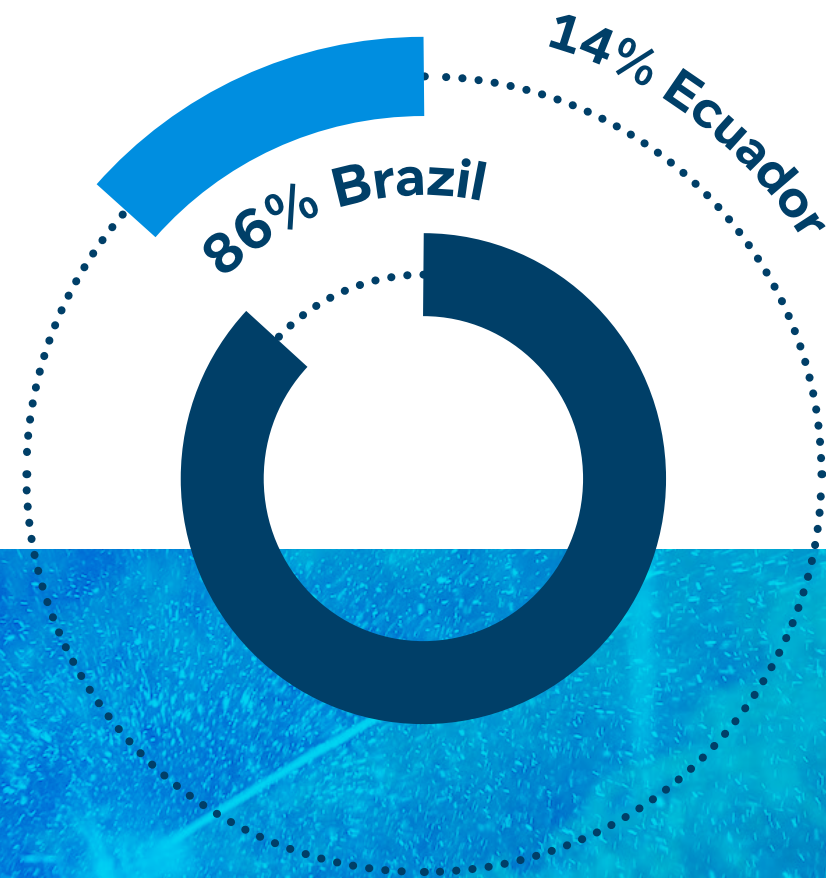
USD million

267.6

USD million aimed at the specific destination of the water agenda

Noteworthy

- A Liquidity Facility was available, for USD 200 million for the financial recovery of water companies in the face of the pandemic.
- Phase 3 of the Pre-investment Program for the Water Sector, (PPSA, for its acronym in Spanish) for USD 5 million to carry out a detailed engineering study.



Technical cooperations

4 Approved technical cooperation operations

5.98

USD million

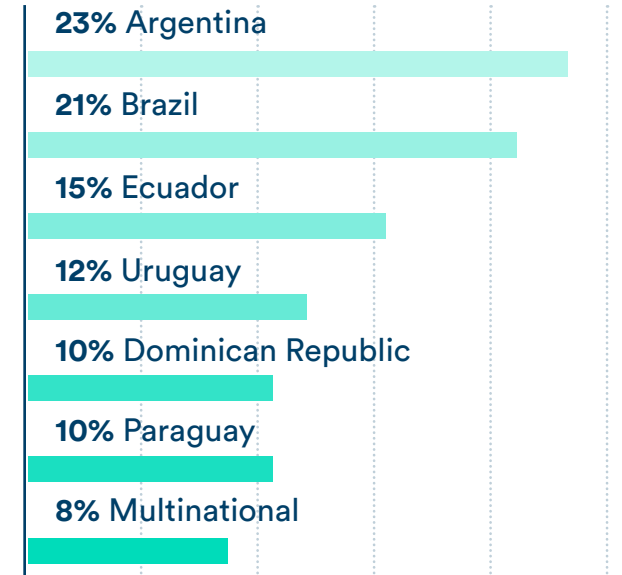
Noteworthy



5 USD million

Pre-investment program for the water sector – CAF PPSA III

Technical cooperation operations approved in the framework of the CAF-PPSA II Program



4.98 USD million

For eight technical cooperation operations in the framework of the CAF PPSA II Program



the provision of water services for a proper hygiene was the first defense front against the pandemic, which evidenced its relevance and made it a priority to advance in the universality of access to water in the region.

The CAF-PPSA Facility (Pre-investment Program for the Water Sector) which is being currently implemented, provides non-reimbursable resources to finance pre-investment studies whose results provide detailed information and enough elements for the accuracy of the evaluations of the programs or linked projects; this, added to the Risk Management Matrix, facilitates a better execution and performance.

Thus, during the year, approval was granted to nine PPSA studies, one corresponding to Phase I of the PPSA1, and eight to Phase 2 of the PPSA2, which will generate a potential investment with CAF resources for **USD 400 million**, benefiting **4.6 million people with new or improved potable water services and sanitation**. It should be mentioned that one of the studies that was approved will be co-financed by the French Development Agency.

At the same time, several tools and instrument were concluded, strengthening the evaluation and due diligence of investment projects, such as:

- Institutional guidelines for executing entities and water and sanitation companies.
- Technical contract models based on results.
- Evaluation guide for residual water treatment plants.
- Regional regulatory analysis regarding quality control of the residual water discharges.

- Tools for the diagnosis of the status and development of digital transformation in water companies.
- Profiles of short-term measures and rapid impact for the recovery of water services after the pandemic.

The pandemic environment implied an adaptation and innovation challenge, seeking alternatives that would enable to continue work despite the limitations imposed. In this respect, it was necessary to take advantage of technological tools that provide a better use of on-line and collaborative work, materialized by follow-ups or evaluation missions by means of video conferences and the use of work spaces in the cloud.

Specifically, the provision of water services for a proper hygiene was the first defense front against the pandemic, which evidenced its relevance and made it a priority to advance in the universality of access to water in the region.

Likewise, the detection of the COVID-19 by means of sanitation systems, constitutes a follow-up and traceability mechanism for the virus, with a high potential of becoming a means for the early warning to the population, redirecting the planning of epidemiological surveillance systems in the countries.

# 05



- People
- Planet

# ○ PROSPERITY

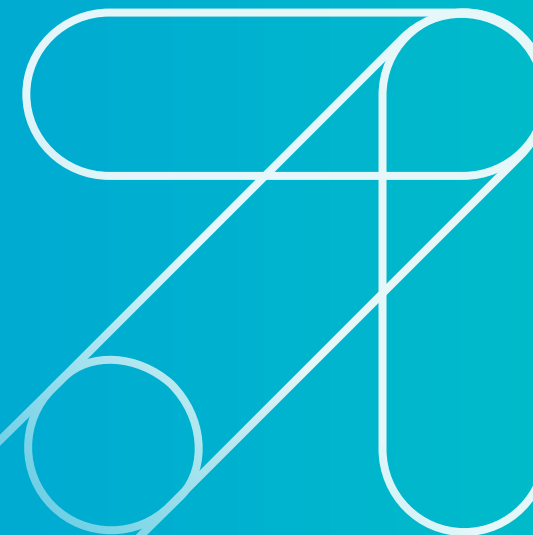
- Solid institutions
- Alliances

Infrastructure development

Productivity and competitiveness pact

Urban development

Regional integration



# INFRASTRUCTURE DEVELOPMENT



CAF's infrastructure agenda promotes the competitive insertion of the countries of the region to global markets, using mechanisms and solutions that seek to close the gaps identified in infrastructure and competitiveness. Its strategic components are:

- **Development of road and productive infrastructure** that favors mobility and logistic processes in the countries.
- **Unfolding of quality digital infrastructures and technologies that accelerate the competitiveness and productivity of the economies and promote social equity** by extending the services based on the Internet for homes, governments, and companies.
- **Development of logistic integration corridors** that reduce logistic costs and

improve infrastructure services in the productive sector.

- **Integration solutions** that increase energy coverage and maximize the use of the available energy resources.
- **Incorporation of technologies and digital platforms in the traditional infrastructure sectors to improve the service offers in the areas of mobility, energy, transportation, and logistics, promoting their environmental sustainability.**

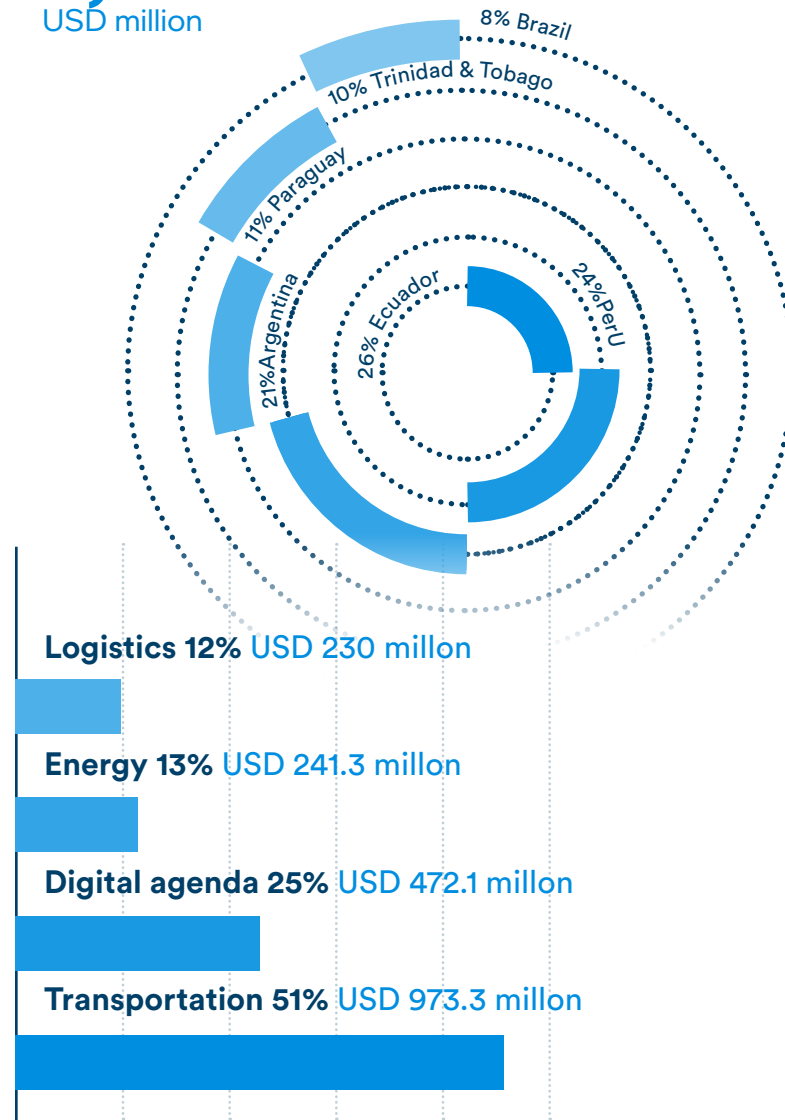
In this context, and as a response to the effects of the pandemic, in 2020 strategies were promoted to support the countries in their economic recovery, and boost the development of infrastructure in the region.

## Results 2020

Credit operations

20 Approved credit operations

1,916.7 USD million



### Noteworthy:

Regional support line for USD 1,200 million for public service companies facing the effects of the COVID-19 pandemic.

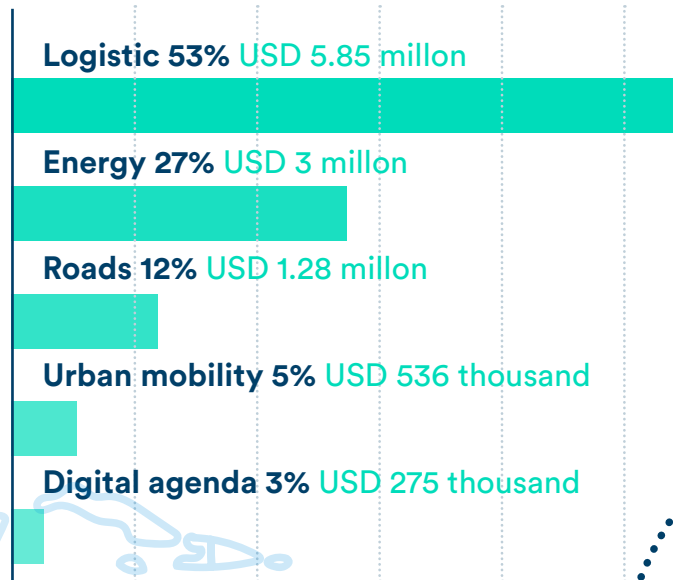
- Ecuador** Sectoral Wide Approach Program in Support of the National Connectivity Agenda, **USD 138 million**
- Peru** Road Infrastructure Program for Regional Competitiveness Phase 1, **USD 373.41 million**
- Argentina** Construction and launching of a second generation geostationary satellite ARSAT SG-1, **USD 243.8 million**.
- Paraguay** Program to improve the electricity transportation and distribution system, and modernization of distribution management, **USD 114.3 million**
- Trinidad & Tobago** Sectoral Program for the Development of Air and Maritime Transportation, **USD 200 million**
- Brazil** Six credit operations in favor of states and municipalities in the urban road and mobility sectors, **USD 156.5 million**

Technical cooperation operations

10 Technical cooperation operations approved

10.95

USD million

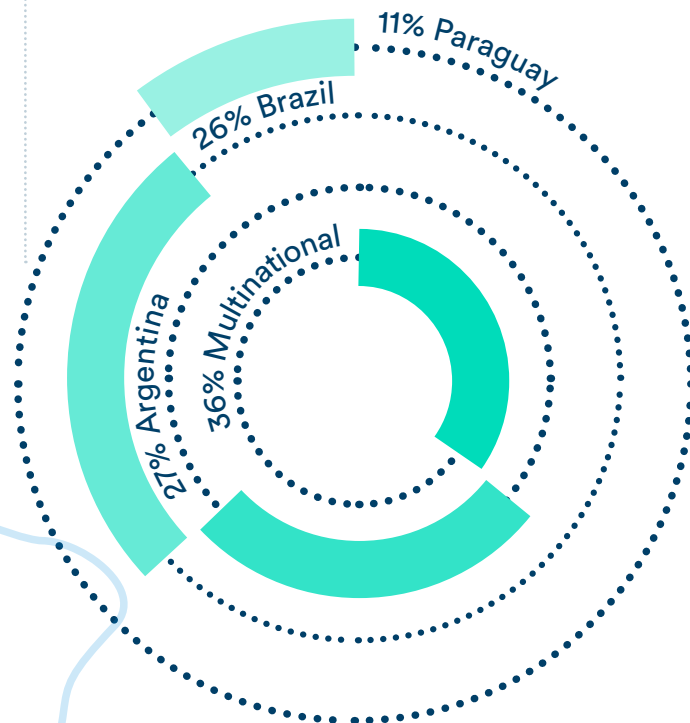


Noteworthy:

**Argentina** Priority programs for the development of **Logistic Integration Corridors** in the North of Argentina

**Brazil** **Western Railway Network:** Sao Paulo-Corumbá (Bolivia)/Ponta Pora (Paraguay).

**Paraguay** Access to the second **International Bridge over the Paraná River.** (Presidente Franco-Foz de Iguazú)

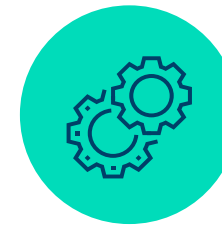


# DIGITAL AGENDA



Objective

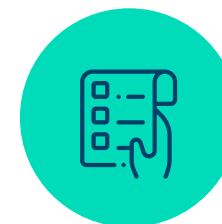
**Expand the digital ecosystem** in Latin America by means of broadband telecommunication infrastructures that support the extension of **internet based services for homes, governments, and enterprises.**



By means of....

- **CAF's Digital Ecosystem Observatory**
- **Portfolio of Strategies** at a regional level and by country
- **Regional alliances** with public and private organizations of the ICT sector
- **Strengthening of capacities** for public authorities and regulators

Digitalization of homes, production, State, and public services by means of:



Action pillars

- Deployment of **digital infrastructures**
- Institutional modernization of the **digital economy**
- Development of **digital industries**
- **Connectivity to close the digital gap**
- **Digital transformation** of the productivity sectors
- Strengthening of human capital for the **development of the digital economy**

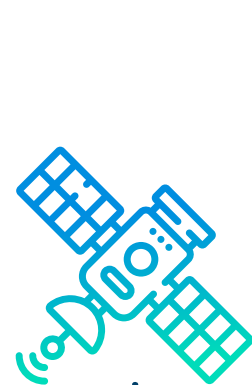
## Results 2020

With respect to quality digital infrastructures, through CAF's Digital Agenda a series of critical initiatives were developed as a response to the sanitary crisis and the need to contribute with initiatives for public policies supporting economic reactivation including, among others:

- Financing for the deployment of broadband connectivity for homes and the educational sector.

- Promoting the digital transformation of value chains.
- Technical support to countries for the regulatory modernization that allows to move decisively toward the digital transformation of the region.

Regarding **program financing**, resources were allocated for the universalization of internet access and educational digital transformation. Among these, the following stand out:



**Project to launch and place in orbit a high performance satellite** which will provide high speed internet to close to one million people in Argentina.



Santa Fe + Conectada, program to **expand and modernize the infrastructure of 3,400 km of optic fiber** in Argentina, jointly with an **inclusion model of digital technologies for** public schools.



Program in **support of the National Connectivity Agenda of Ecuador** which recognizes the efforts the country has made to bring about massive access to internet for the population and the advance in the comprehensive policy of digital transformation.



**Deployment of the internet network for Todos (IpT) en Perú**, seeking to cover close to **30,000 rural locations with access to internet** benefiting six million people.

One of the critical initiatives promoted by CAF through its Digital Agenda, is the configuration of a **Regional Digital Market in Latin America** which facilitates on-line exchange of goods and services. In 2020:

- Advances were made in the feasibility study for **USD 3 million** of the Submarine Cable Integration Project "Digital Door Asia – South America".
- Successful conclusion of the feasibility study **Digital interconexión hub in Panama, for USD 0.52 million**, which would give the region the opportunity to improve the capacity and quality of connectivity to internet, reduce the access barriers to the service, as well as derive impacts on the services of digital government, the local digital economy, and the development of regional content.
- Support the **Governmental Innovation Authority of Panama (AIG, for its acronym in Spanish)** for the implementation of the Digital Hub, which also includes a regional strategy for electronic commerce.
- Jointly with the Pacific Alliance, advances were made in the first phases of the **technical study for the elimination of international roaming charges** in the countries of the block, allowing for the integration of a single telecommunications market.

After the negative impacts of the COVID-19, recovering the economic growth path will depend critically on the capacity of the economies to increase their productivity and for the different sectoral chains to adapt to new functioning schemes characterized by low contact. To face this:



- Launching of the **Regional strategy for digital transformation in the productive sectors** with a practical application to the digitalization of the agro-industrial chain of the Valle de Ica in Peru.
- A technical cooperation was approved for the development of two road maps that guide this type of digital transformation for to production chains in Ecuador.

In addition, it is noteworthy to mention the development of a comprehensive agenda of knowledge and technical support to CAF's member countries, in the face of the challenges imposed by the pandemic, expecting to leverage the economic reactivation processes, among which, the following stand out:

- The update of **CAF's Digital Ecosystem Observatory** concluded in 2020, enabling an objective approximation to the degree of digital maturity of the countries in the region, and suggest intervention actions of great value in the regional and national sphere.
- Technical cooperation resources were approved to help design a Comprehensive Program for Digital

Transformation and Inclusion for Bolivia in 2021, and a technical assistance which will develop the "Digitalization Strategy to strengthen decentralized public management in the Regional Governments of Chile - SUBDERE".

- A study started at a regional level for the **development of 5G networks in Latin America**, with applications to use in closing the digital gap, connectivity to productive ecosystems, and development of intelligent cities.
- Support was provided to the development of a regional study regarding **Technological infrastructure for remote and blended learning in Latin America**, jointly with the Centro para la Cuarta Revolución (Center for the Fourth Revolution) of Colombia and Intel.
- Support was provided to the technical analysis for a Learning Management System (LMS) Platform, focused on sustaining on-line and remote education under the conditions of isolation resulting from the pandemic in Costa Rica.

# PRODUCTIVITY AND COMPETITIVENESS PACT



During 2020, CAF promoted a productivity and competitiveness agenda for the private sector, aimed mainly at supporting the economic reactivation processes after the restrictions generated by the COVID-19 pandemic, focused specially on the productive integration of MSME's to the value chains, the development of private infrastructure projects for strategic sectors such as health and energy, and strengthening of the financial sector to facilitate the access of people and enterprises to more and better resources.



## Productivity of MSME's

- Promote the productivity and competitiveness of MSME's, by means of new technologies, internationalization, entrepreneurial innovation, and productive integration in value chains and clusters.



## Access to financial resources

- Design and implement innovative instruments that promote the **access, and quality of financial products for people and enterprises**, in the framework of the current conditions of productive and commercial restrictions.



## Private infrastructure

- Strengthen the participation and contribution of the private sector in the development of **infrastructure projects**, and support governments in their structuring.

Thus, the Vice-Presidency of the Private Sector aimed its actions to financing microfinancing entities through lines of credit, investment funds, and fintechs, as well as provide capacities to MSEM's for the management of innovation with a programmatic approach focused on gains in productivity and competitiveness.

# Results 2020

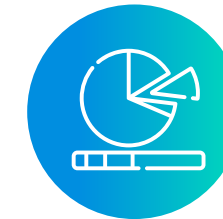
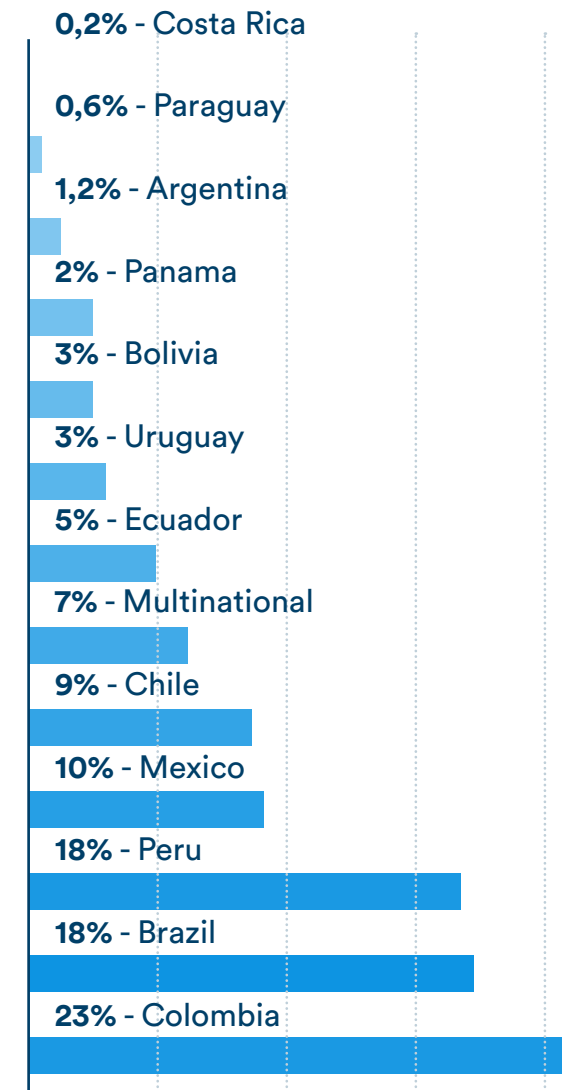
During the year, **81 credit operations for USD 6,204 million** were approved; 3.8% less than the previous year, resulting from a goal adjustment and the pandemic crisis, with greater efforts in the approvals to direct the credit lines with development banks toward foreign trade, SME's, and gender, among others.

At the same time, **USD 3.45 million in technical cooperation operations** were approved; 45% less than in 2019, as a consequence of the focalization on credit operations. It should be noted that multinational approvals increased, promoting far-reaching initiatives seeking to benefit the greatest possible number of countries.

## Credit operations

**81** Approved credit operations

**6,204** USD million



Financial development  
**3,075** USD million

Productivity  
**2,835** USD million

Financial inclusion  
**273** USD million

Private infrastructure  
**21** USD million

### Noteworthy:

Regional anticyclical support program for microfinancial entities in the region, for the development of digital business models that reduce costs, increase efficiency, and benefit vulnerable people.

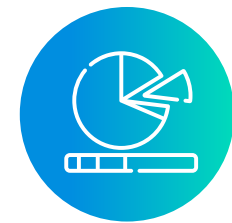
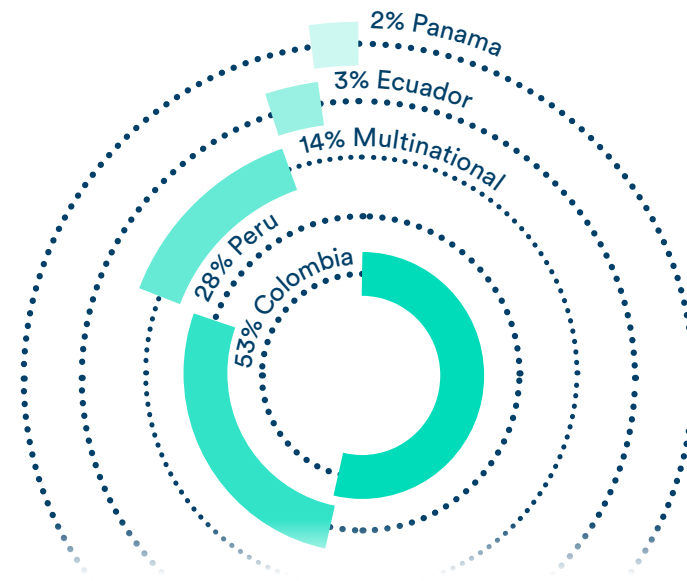
Regional Program to support local Development Banks, for USD \$1,600 million, to address the emergency of vulnerable populations and support companies from affected strategic sectors, with a special emphasis on the health sector value chain and the productive reactivation of SME's



Technical cooperation operations

12 Approved technical cooperation operations

3.45 USD million



Private infrastructure  
**1.67** USD million

Financial Inclusion  
**0.36** USD million

Productivity  
**1.28** USD million

Private infrastructure  
**0.13** USD million

# URBAN DEVELOPMENT



CAF's strategies for cities seek to contribute to the improvement of inclusion and productivity levels of Latin America, through actions that facilitate access to the opportunities offered by cities to the individuals that live in said cities and enterprises, and urban interventions that include strengthening resiliency and metropolitan governance.

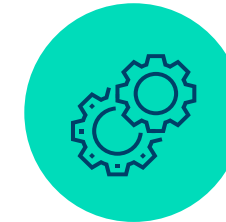


# CITIES WITH A FUTURE



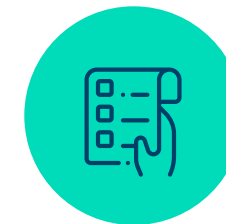
Objective

Promote an **efficient urban management model** to improve access to quality services, productivity, social inclusion, and resilience in the cities of Latin America..



By means of...

- **Financing** for multisectoral projects
- **Urban interventions** that prioritize **vulnerable** populations
- Support to strengthen **public management**



Action pillars

- Structuring and financing of **urban development projects**
- Activities to identify projects, policies, and measures that **improve access to opportunities**
- **Efficiency of public management** in local governments

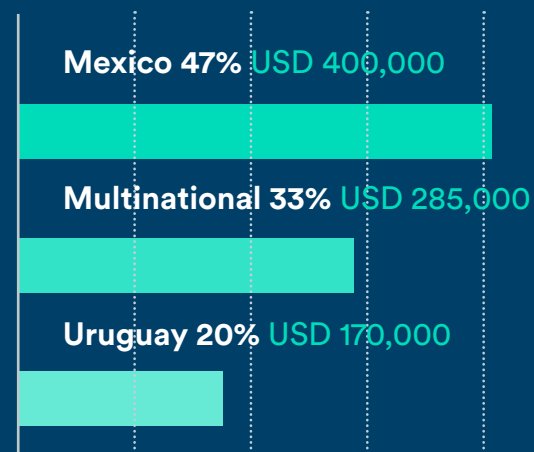
**Year results**  
Coordination of Urban Development

**1** Approved credit operation

**200**  
USD million

**3** Approved technical cooperation operations

**855**  
USD thousand



**Argentina**  
Development program for municipal infrastructure— Stage 1, **USD 200 million**

**Mexico**  
**Comprehensive Development Project Tabasco, USD 400,000**

- interventions that promote productivity in the southern border and facilitate trade, especially with Central America

**Multinational**  
**LOGUS, USD 285,000**

- Development and deployment of an Intervention Strategy in Urban Sustainable Logistics (LOGUS) for the development of cities in Latin America

**Uruguay**  
**Old city, USD 170,000**

- Critical evaluation and definition of base guidelines and strategies for the Special Plan for the Organization, Protection, and Improvement of the Old City, Montevideo.

**Structuring of urban development projects:**

- Technical advice and cross-cutting support to structure seven credit operations.
- Workshops for the identification of urban intervention projects in Cordoba, (Argentina) and Villahermosa (Mexico).
- Conclusion of four sectoral studies and management tools for urban development, aimed at addressing specific needs in Ecuador, Argentina and Brazil.

**Support for efficiency in public management:**

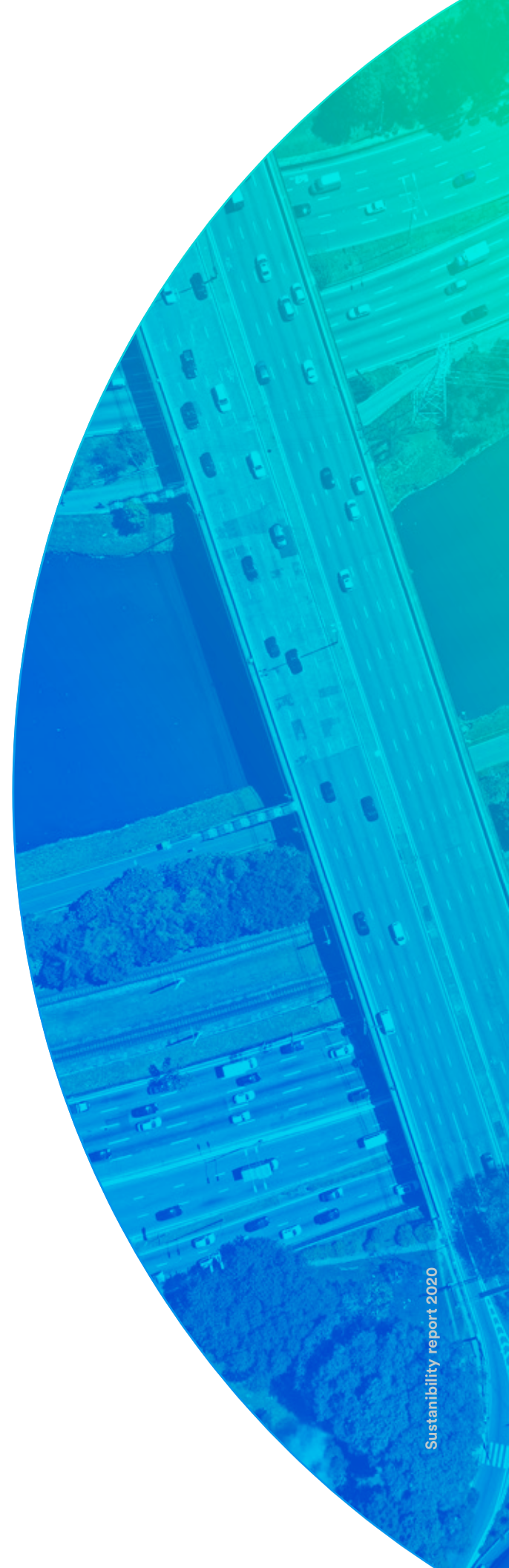
- Four workshops to address demands for specific knowledge, aimed at 200 officials of the Ministry of Housing, City and Territory of Colombia, the Ministry of Finance of Ecuador, the Municipal Council of Montevideo, and the Municipality of Cordoba.

**Facing the needs in the context of the COVID-19:**

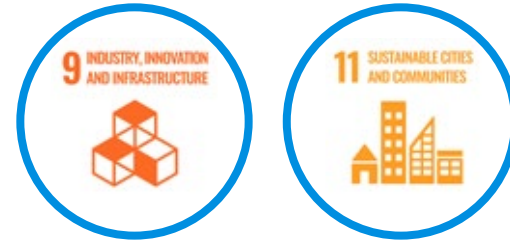
- Seven exchange sessions between more than 150 municipal and national officials of 20 cities and 9 countries of the region, jointly with the Red de Ciudades Resilientes (Network of Resilient Cities).
- Ideas Contest “COVID-19: New opportunities for sustainable cities”, with more than 300 proposals from 20 countries.

**Support for the coordination of Cities with a Future**

To carry out an operation follow-up of the Working Plan of the Initiative Cities with a Future, in 2020, the Work Group Cities with a Future CwF was formally activated as an instance for cross-cutting coordination in charge of monitoring advances, evaluating opportunities for collaboration between the areas involved, sharing relevant information regarding management, and preparing the annual activities report.



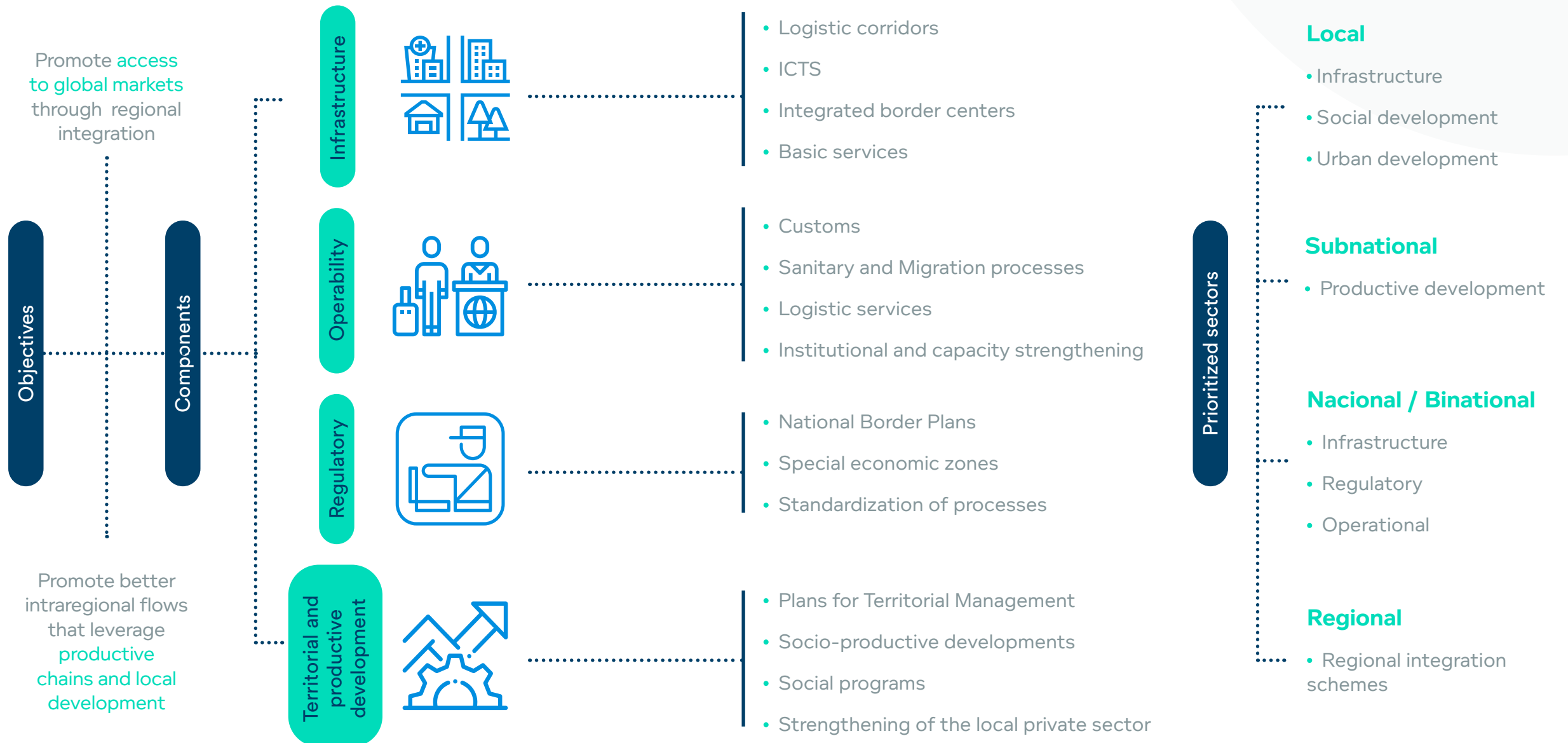
# REGIONAL INTEGRATION



CAF's Program for the Comprehensive Management of Borders seeks to support -countries in the region to provide answers to current integration challenges, through the adoption of a comprehensive approach for the management of borders as articulators of the productivity ecosystems.

In its development, it seeks to prioritize strategic interventions that provide solutions to the identified problems, from a territorial vision that integrates different sectors and relevant actors

## Program for the Comprehensive Management of Borders – PROGIF (for its acronym in Spanish)



Prioritized interventions

Logistic Infrastructure Program

Optimize the operation of the Binational Center for Border Services (CEBAF, for its acronym in Spanish) in Rumichaca, and stimulate local development.

1. Credit operation for the construction and operation of the CEFAF in Rumichaca
2. Support to strengthen the impact of infrastructure on the economic development of Tulcán and Ipiales

Binational Cross-Cutting Plan

Facilitate trade, build productive chains, and develop areas of border integration.

1. **Amazon Region:** interventions that stimulate regional value chains and greater commercial exchanges
2. **Highland Region:** management of binational water resources and impulse to the sustainable pisciculture trout chain
3. **Peru:** Structuring of Border Fund to strengthen border areas in the country

Comprehensive development project in Tabasco

Stimulate commercial flows from Tabasco to Central America and other international markets

1. Logistic corridor
2. Provision of potable water to a border city
3. Productive and social development of cities
4. TIF Trace
5. Irrigation district of Usumacinta
6. Usumacinta

Second bridge over the Parana River

Promote economic development and commercial flows of the triple border to complement the investments made for integration infrastructure.

1. Support for the construction of the Second International Bridge Over the Parana River (Paraguay-Brazil)
2. Development of a border center for integrated services and optimization of operations



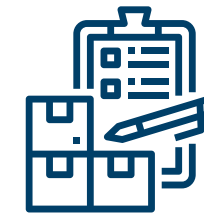
## CAF's pre-investment programs for infrastructure and water

Among the most important programs financed with own Technical Cooperation resources are the **Pre-investment Program for Regional Infrastructure** (PPIR, for its acronym in Spanish) and the **Pre-investment Program for the Water Sector** (PPSA, for its acronym in Spanish), seeking to support economic integration of the countries in the region and close the gaps in access to water for their populations.

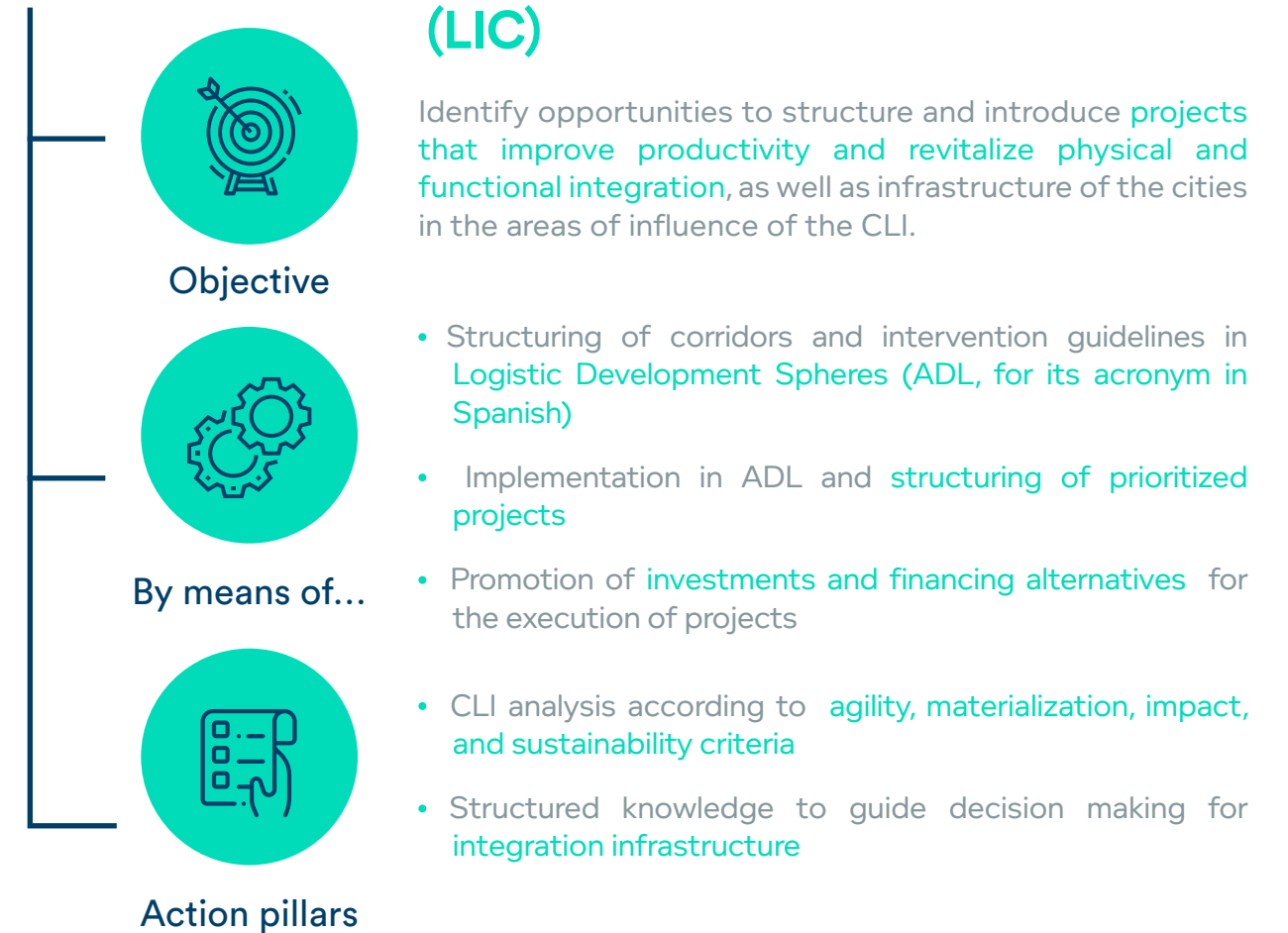
At the close of 2020 the amounts approved for said programs reached USD 35 million, of which USD 20 million correspond to the PPI (Approved in 2017 and 2019), and USD 15 million corresponding to the PPSA (Approved in 2018, 2019, 2020).

During the year, 13 projects were approved to be financed with resources of the PPI and PPSA programs:

| Program   | Projects   | Amounts approved (USD) |
|---|--|------------------------|
| <b>Pre-investment program for Regional Infrastructure - PPI</b> | Access to the second international bridge over the Parana River  | 2,585,000              |
|   | Priority programs for the development of logistic integration programs in Northern Argentina   | 3,000,000              |
|   | Colombia – Panama electricity interconnection program  | 3,000,000              |
|   | Western railroad network: São Paulo (Brazil) – Corumbá (Bolivia) / Ponta Porã (Paraguay)   | 2,855,000              |
| <b>Pre-investment Program for the Water Sector - PPSA</b>       | Final design of the project for the Carachimayo irrigation system and dam  | 748,300                |
|   | Bidding agents and external supervision services for the CAF-PPSA studies  | 400,000                |
|   | Feasibility studies and basic designs for the sanitation systems for four intermediate cities in Paraguay – Phase II                 | 500,000                |
|   | Final designs for water and sanitation works in the tourist town of Ceará  | 500,000                |
|   | Design of works for the management of rainwater surpluses in the Municipality of Santo André   | 570,000                |
|   | Executive project for the final disposal of the muds from the running water treatment plant  | 598,750                |
|   | Final designs for the new outgoing pumping station San Martin plant, and expansion of the Ferrari treatment plant for sewage liquids | 1,150,000              |
|   | Final design of the treatment plant for residual waters for the city of Portoviejo   | 770,000                |



# LOGISTIC INTEGRATION CORRIDORS



## In 2020:

- The application of the CAF-CLI methodology started in Mexico, to analyze the integration corridor of the Tehuantepec Isthmus (CIIT), under an improved approach that incorporates the vision of territorial planning in the Comprehensive Development Spheres (ADI, for its acronym in Spanish) prioritized in the area of influence of the corridor.
- In collaboration with CAF’s Digital Transformation Program, support was provided for the development of the logistic perspective associated to the new methodology for the digitalization of productive chains, with a practical case in the agro-exporting and logistic chain in the Peruvian region of Ica.



# 06

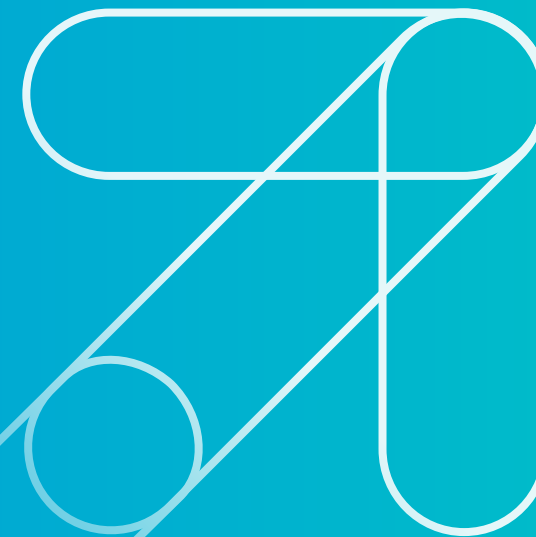
- People
- Planet
- Prosperity

# ○ SOLID INSTITUTIONS

- Alliances

Digital transformation and public innovation

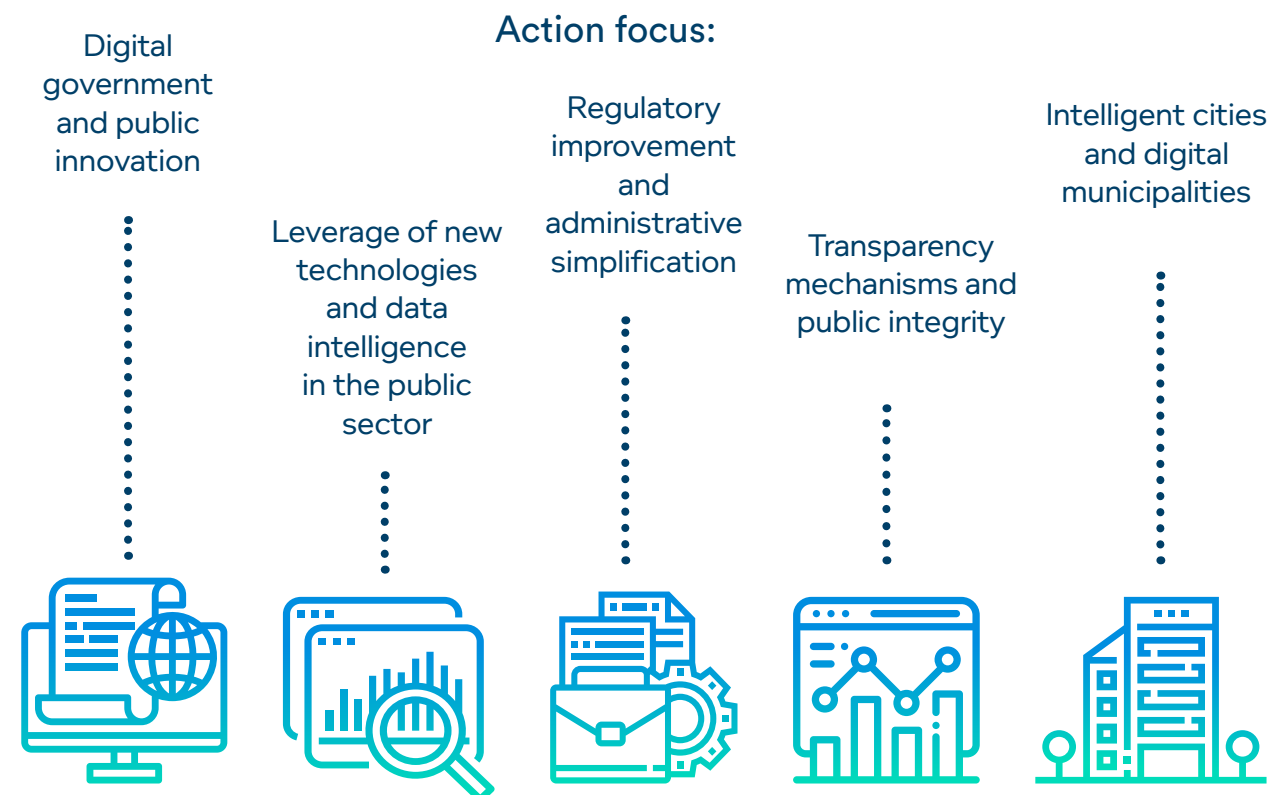
Virtual training for public management



# DIGITAL TRANSFORMATION AND PUBLIC INNOVATION



CAF contributes to the challenge of introducing and strengthening public innovation through digital solutions that improve efficiency and quality of the services provided by governments, while promoting the modernization of the State and institutional strengthening supported by new technologies and data intelligence.



The dynamics generated by the COVID-19 emergency, showed the need of countries to facilitate the interaction between citizens and State institutions. The context of the pandemic was favorable to recognize obsolete interactions and accessibility problems in the services provided by the States, while at the same time, it generated greater citizen expectations with respect to their readiness and timeliness.

At the same time, to face the sanitary, social, and economic consequences of the pandemic, governments reviewed and prioritized their actions to allocate most of their resources to address the emergency. In this scenario, technology and the use of data have been instrumental for the countries to generate the capacities needed to circumvent this moment of crisis.

## Financing

During the year, CAF approved **four credit operations with digital transformation and public innovation components**, with own resources reaching **USD 380 million**, for the development of projects that strengthen the management of State services with digital tools in Argentina and Brazil.

In addition, **20 technical cooperation operations were approved for USD 3 million**, 85% more than in 2019, to support eight countries in the promotion of the States' digital transformation.

SOLID INSTITUTIONS

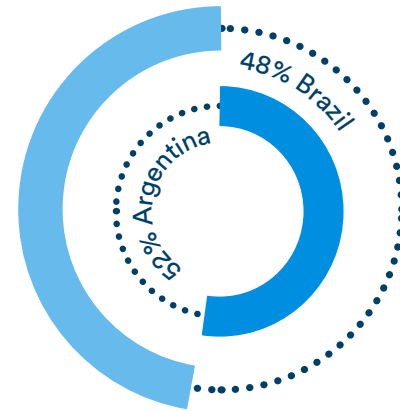
Credit operations



Intelligent cities and digital municipalities

4 Credit operations approved

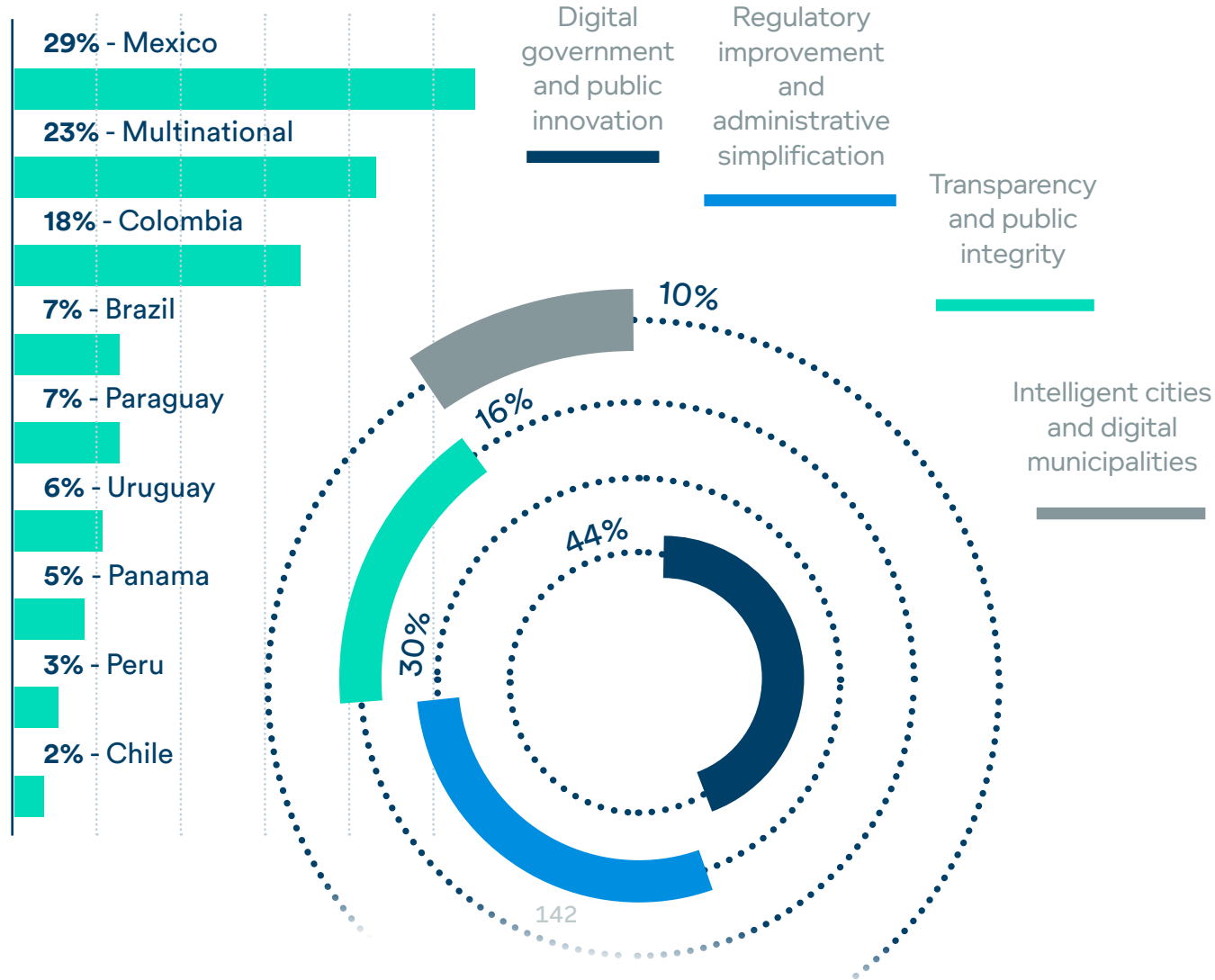
380 USD million



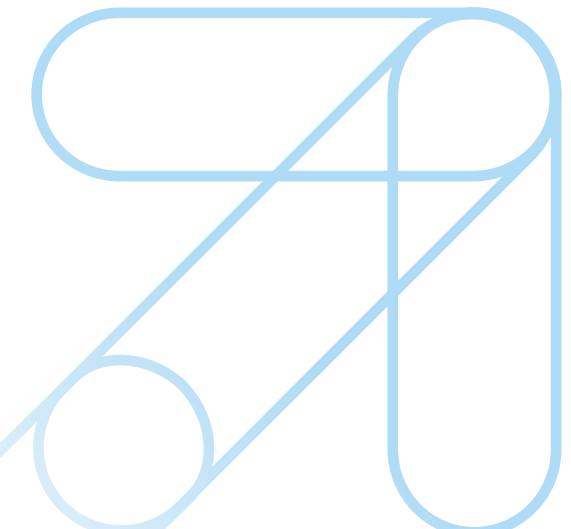
Technical cooperations

20 Approved technical cooperations

3 USD million



In addition, there are six operations linked to the digital transformation of the State in the administration phase in municipalities of Brazil and Ecuador, as well as 28 technical cooperation operations that support reforms and projects of the governments of Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.



# Highlights of the year

| Strategic axis                                  | Highlighted actions   |
|---|---|
| <b>Digital government and public innovation</b> | <ul style="list-style-type: none"> <li>Structuring of dialogue tools, and advisory services to the governments of Brazil, Chile, Colombia, Panama, Peru and Uruguay.</li> <li>Two regional ongoing initiatives:                             <ul style="list-style-type: none"> <li>Report called Going Digital: The State of the Digital Government in Latin America in 2020.</li> <li>Regional initiative for the promotion of the strategic use of data and artificial intelligence in the public sector in Latin America, in collaboration with the Center for the Fourth Industrial Revolution (C4RI, for its acronym in Spanish), Microsoft and Telefónica.</li> </ul> </li> <li>Event "La gran aceleración digital en Iberoamérica ¿Cómo poner el Estado en modo startup para la recuperación?" (The great digital acceleration in Ibero-America. How to place the State in startup mode for the recovery?) jointly with the Presidency of the Republic of Colombia.</li> </ul> |

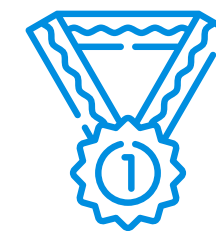


| Strategic axis  | Highlighted actions  |
|---|--|
| <b>Regulatory improvement and administrative simplification</b> | <ul style="list-style-type: none"> <li>• Beginning of the regional regulatory digital innovation project, to speed the response of governments regarding economic reactivation.</li> <li>• Support for the integrity and open government policy in Argentina.</li> <li>• Strengthening of the national strategy for regulatory improvements in Mexico. .</li> </ul>  |
| <b>Governmental transparency and public integrity</b>           | <ul style="list-style-type: none"> <li>• Collaborative work with purchasing agencies and public contracting in the countries of the region, for the implementation of artificial intelligence technologies and data analysis in order to reduce the exposure to risks of corruption in public purchases. Coordinated with the OAS and the RICG.</li> <li>• Support for the regional agenda regarding open public contracting in Mexico City, for the development of modules of the digital system for public contracting and of an algorithm that detects corruption risks in contracting.</li> <li>• Support for the development of the integrity agenda in Bogota, through technical assistance for the preparation of Decree 189 of 2020 as the main anti-corruption measure and for the implementation of international transparency initiatives.</li> </ul> |
| <b>Data intelligence and new technologies</b>                   | <ul style="list-style-type: none"> <li>• Launching of CAF's <a href="#">Govtechlab platform</a> as a mechanism to facilitate the relationship between governments and startup technologies, in order to improve the efficiency and quality of public services in the countries of the region.</li> <li>• Participation in the development of the <a href="#">Barómetro de Datos Abierto 2020</a>, (2020 Open Data Barometer) jointly with the Open Data Latin American Initiative, the IDB, the World Bank, IDRC, and Luminare.</li> </ul>   |

| Strategic axis                                       | Highlighted actions  |
|--|--|
| <b>Intelligent cities and digital municipalities</b> | <ul style="list-style-type: none"> <li>• Associations with municipalities in Argentina, Brazil, Chile, and Mexico for the development of knowledge initiatives related to digital innovation at a municipal level.</li> <li>• Participation in the preparation of the Guia 10 PASSOS para a transformação digital em estados e municípios and other spaces for dialogue with the Secretariat for Digital Government of the Ministry of the Economy in Brazil.</li> <li>• Support for the preparation of the Master Technology Plan Salvador Intelligent City, Brazil.</li> </ul> |

**Regional contest to promote the strategic use of data and artificial intelligence at a municipal level**

**89** Proposals received    ▶    **+70** Participating cities and municipalities    ▶    **11** Countries in the region



**Winning proposal**

**Artificial intelligence to predict irregularities and inefficiencies in public contracting in Bogota**

- District Supervision of Bogotá



**Recognition**

**Early Intelligent Alert (Proyecto Alerta Temprana Inteligente - ATI)**, early detection of infectious-contagious sources or potential epidemic outbreaks in the Municipality of San Martin, Argentina.

## CAF'S GOVTECHLAB PLATFORM

### Govtech Report and the future government

With specific recommendations regarding government, startups, and public contracting.

### 2020 Govtech Index

First sectoral index, which measures the use of digital solutions in the public sector and the maturity of innovating entrepreneurship that add value to the management of governments, jointly with Oxford Insights.

### Govtech Observatory

Collaborative Platform to georeference the govtech startups in the region, as well as to get to know and promote their products and services (2021).

### Support to countries

Specialized technical assistance mechanisms to structure operations with an impact on govtech.

### With respect to assistance to countries facing COVID-19

#### **Peru in your hands against COVID-19**

- Technical cooperation with elements to strengthen the laboratory and digital transformation of the Government of Peru

#### **Data intelligence to respond to COVID-19**

- Consultancies to support the hospital occupancy model through the analysis of data regarding mobility and hospital usage during the pandemic, with the Government of Mexico City

#### **Public purchasing agencies**

- Initiative to implement best practices for open contracting and opening of data when faced to emergency public purchases, specially due to the COVID-19 in Colombia, Ecuador, Panama and Paraguay

#### **Events**

- Digital resilience in times of COVID-19, with the National Authority for Governmental Innovation in Panama
- Data and artificial intelligence during and after the pandemic: uses, learning, and perspectives for the public sector, with OPSI and C4RI





# VIRTUAL TRAINING FOR PUBLIC MANAGEMENT



Since 2017, CAF has implemented its Virtual Training Program aimed mainly at public servants, and young and small and medium sized enterprises, with the objective of contributing to development and integration, promoting institutional frameworks and efficiency in public management, as well as contributing to substantial improvements in productivity in all the countries of the region.

The training offered by CAF is characterized by a "Learning by Doing" approach. The courses emphasize the specific needs of the region, using case studies and specific examples, practical work, lessons learned,

and the knowledge generated by CAF. Thus, it constitutes an effective mechanism for the transfer of knowledge, creation of skills, and generation of specialized networks of contacts.

The program is developed through the following products: large-scale, open, free online courses (MOOCs) and micro-credentials, closed courses with tutors, diploma courses and university training courses in Economics, which strengthen applied knowledge and the competencies of participants.

<sup>14</sup> Massive Open Online Course

## Large scale, open, and free on-line courses - MOOCs

Since 2017

**60** MOOCs ▶ **+80,000** Registered

In 2020

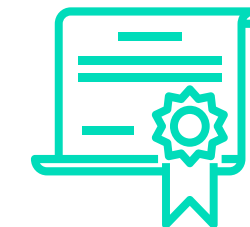
**33** MOOCs / microcredentials ▶ **+30,000** Registered

## Diploma courses

In 2020

**2** Diploma courses ▼

**633** Students



**Diploma course on public-private associations** (1st and 2nd edition)

**481** students

**Diploma course on financial inclusion** (1st edition)

**152** students

Temas desarrollados

- Patents
- Productive chains and clusters
- Sustainable highways
- Safety in dams and reservoirs
- Rural potable water and sanitation
- Financial inclusion
- Reduction of chronic childhood malnutrition
- Project management
- Impact evaluation for public management
- Public-private associations
- Energy efficiency
- Gender
- Educational infrastructure
- Low traffic highways
- Entrepreneurial innovation

Closed courses with a tutor

In 2020

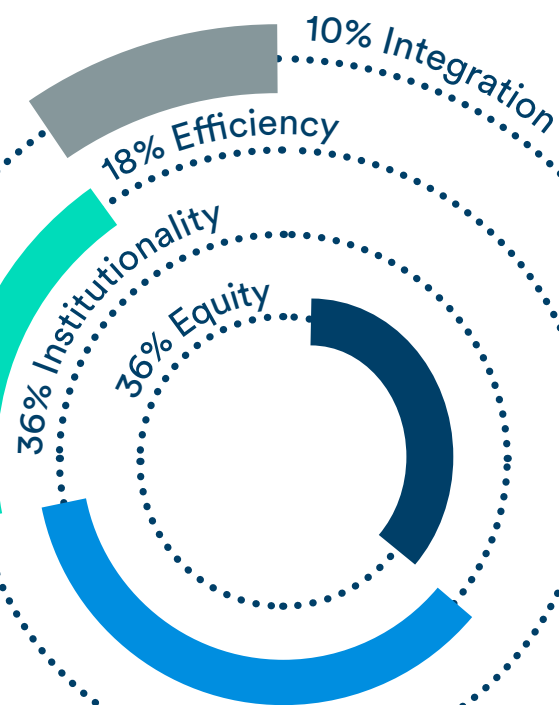
3 On-line courses

141 Registered

Courses:

- ▶ Seminar on impact measurements for development
- ▶ Mobility from a gender perspective
- ▶ Urban female leaders: Mobility and gender in Latin America

Alignment with CAF's strategic spheres (MOOC's, diploma and closed courses)

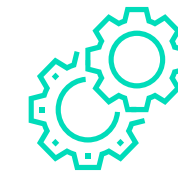


# ON-LINE REINFORCEMENT OF THE ECONOMICS CURRICULUM IN LATIN AMERICAN PUBLIC UNIVERSITIES



Objective

Strengthen the human capital potential in the region, through the education of Economics university students for a more productive performance in their work life



By means of...

On-line free education, regarding topics that are complementary to the teaching in classrooms



Contents

- 11 basic economic courses
- 13 optional specialized courses
- Digital training for teachers
- On-line learning platform
- On site and on-line specialized tutoring
- Acces to bibliographic materials

# Since 2019:

**13** Participating public universities

**5** Bolivia

**4** Peru

**2** Ecuador

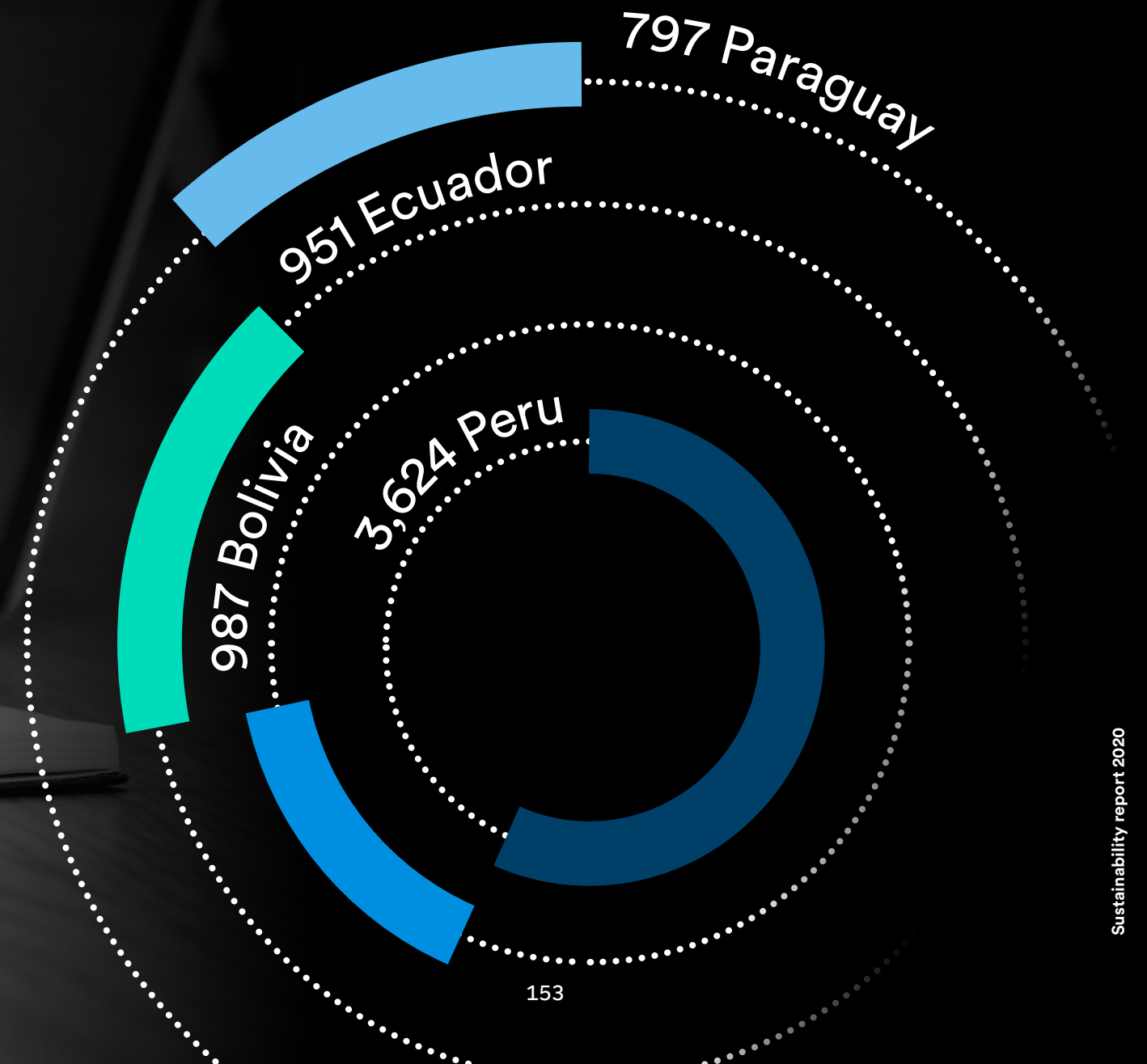
**2** Paraguay



**6,359** Associated students and teachers

**6,158** Students

**201** Trained local teachers





# 07

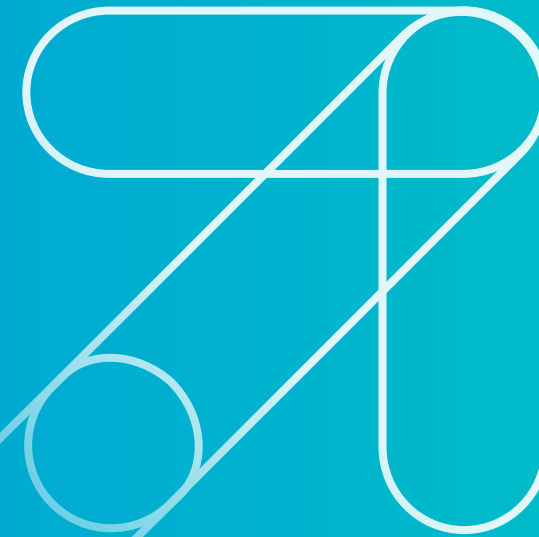
- People
- Planet
- Prosperity
- Solid institutions

## ○ ALLIANCES

Alliances for sustainable development

Mobilization of third-party resources

Fund raising and management of financial resources



# ALLIANCES FOR SUSTAINABLE DEVELOPMENT

GRI 102-12, 102-13



CAF promotes institutional relationships with shareholder countries and institutions, as well as with organizations that contribute financial, human, technical, or knowledge based resources, to create synergies that strengthen the opportunities to leverage sustainable development in the region.

The main allies and organizations to which CAF belongs are:

## Multilateral Banking:

- CAF – KfW Strategic Alliance
- International Development Finance Club (IDFC)
- Climate Change Adaptation Fund
- Global Environment Facility (GEF)
- Green Climate Fund (GCF)
- Asia Pacific Economic Cooperation (APEC)

## Academia:

- Center for Latin American Monetary Studies (CEMLA, in Spanish)
- Enterprise Institute
- Royal Elcano Institute
- Carolina Foundation
- Union of Latin American and Caribbean Universities
- Latin American and Caribbean Academic Network – China

## Commercial and development banking:

- Latin American Association of Financial Institutions for Development
- Latin American Banking Federation
- Institute of International Finance (IIF)

## NGO:

- Association of Certified Anti-Money Laundering Specialists (ACAMS)
- Canning House – Hispanic and Luso Brazilian Council
- House of America

- Euroamerica Foundation
- Ibero-American Entrepreneurial Foundation
- *Promoção da América Latina e Caraíbas* (IPDAL)

## THINK TANK

- Chatham House – The Royal Institute of International Affairs
- Interamerican Dialogue

## Other strategic allies:

- United Nations (UN)
- Organization of American States (OAS)
- International Italian-Latin American Organization
- Organization for Economic Cooperation and Development (OECD)
- Latin American and Caribbean Economic System



# MOBILIZATION OF THIRD-PARTY RESOURCES



As part of its institutional mission, CAF mobilizes resources from different sources in order to maximize the impact of its operations, accelerate the achievement of the Sustainable Development Objectives and contribute to the compliance of the Paris Agreement. Among these actions, co-financing, syndications, and portfolio sales are mechanisms that benefit all the actors involved in the operation, as they facilitate the leverage of financial resources and the transfer of knowledge and technology to clients and their communities, while at the same time allows those involved as third parties to reach the countries and communities to which they had no access, avoiding the duplication of efforts.

The COVID-19 pandemic generated significant global challenges in terms of health, the economy, and social impact, which are more notorious in Latin America, whose need for investments grows, requiring the establishment of strategic alliances between various sectors, including other public and private

development institutions and commercial banks, as well as the development and implementation of coordinated solutions.

In times of crisis and economic recession, when the need for investments and liquidity is greater and resources are scarce, the mobilization of resources is increasingly important for the development of coordinated solutions that enable the maximization of the impact of the operations.

Thus, in 2020 the mobilization strategy for third-party resources concentrated on three fundamental pillars:

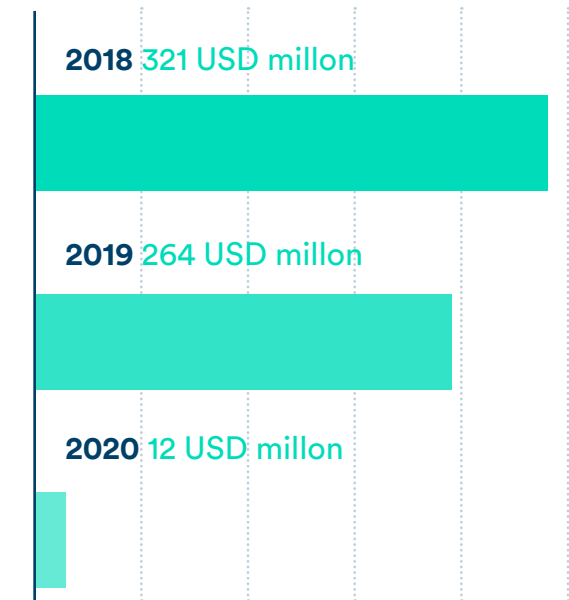
- The mitigation of economic and social effects generated by the pandemic, and the future economic reactivation.
- The development of sustainable infrastructure, including the provision of basic services.
- Mitigation and adaptation to climate change.

## Co-financing in numbers

The impact generated by the pandemic was not slow in coming to the economies of the region. Thus, CAF acted swiftly to offer a response to the needs of its member countries, which implied that on many occasions it could not wait for co-financing agencies.

In this respect, in 2020 it materialized a co-financing operation for USD 12 million aimed at responding immediately to the sanitation and public health crisis unleashed by the COVID-19 in Argentina.

Annual sovereign co-financing



Program financed

Co-financing entity

Fonplata



COVID-19 emergency in Argentina

CAF resources

USD 40 million



Co-financed resources

USD 12 million



## Credit lines with development agencies

In addition, in the midst of a situation unleashed by the pandemic, in 2020 the Direction of Institutional Financial Resources aimed its efforts toward the consolidation of strategic alliances that generate value added, as well as raising financial resources in very competitive terms that enable CAF to increase its impact and number of operations.

Thus, at the close of the year, record numbers were reached in the value of the new credit facilities established and in the number of new regional and extra regional allies with whom contact is maintained.

In 2020, **USD 1,381 million** in credit lines were agreed, including facilities in foreign and local currency, contracted with development agencies and banks, as well as allies of the commercial banking sector for the development of projects that seek to mitigate the economic, social, and health impacts of the pandemic, support countries in their fight against climate change, and promote economic integration.

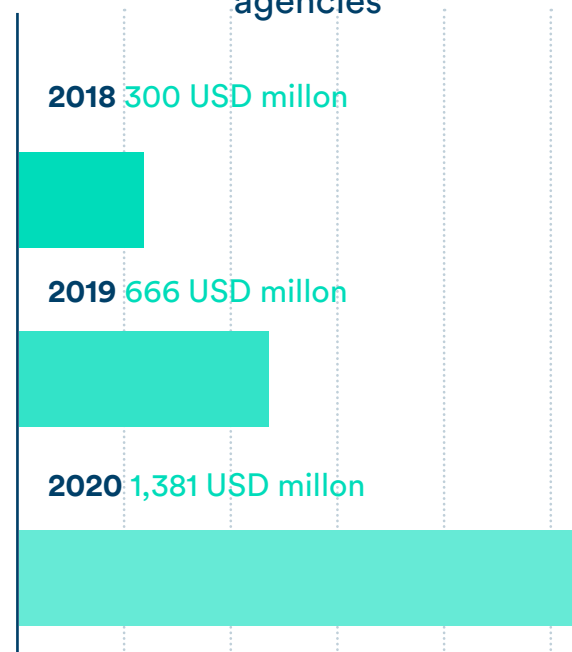
### Development agencies and banks:

- *Japan Bank for International Cooperation*
- *Korea Eximbank*
- *Cassa Depositi e Prestiti*
- German Development Bank – KfW
- French Development Agency, among others.

### Commercial banking:

- Banco Bilbao Vizcaya Argentaria- BBVA
- BBVA México
- Banco Guayaquil

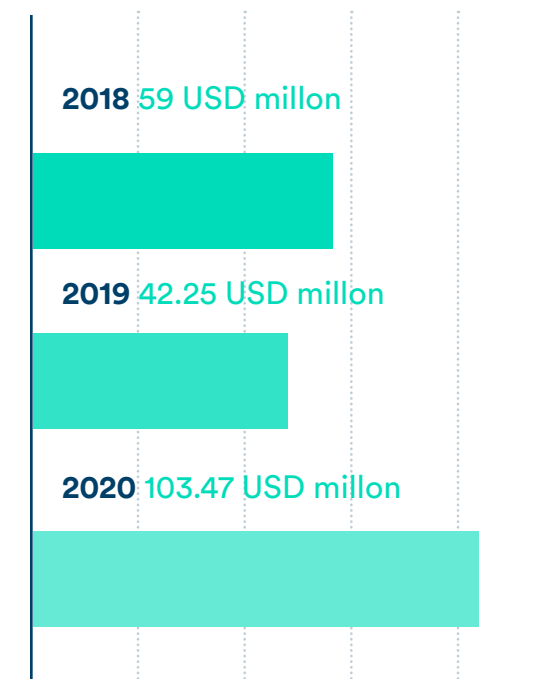
Credit lines with development agencies



## Portfolio sale

CAF's Direction of Financial Policies and International Emissions focused its efforts toward the sale of portfolio, achieving a record result in past years, which allowed it to optimize the use of capital and support the business areas to complete their placement goals, particularly for the private sector, freeing exposures in specific countries and/or clients.

Portfolio sale

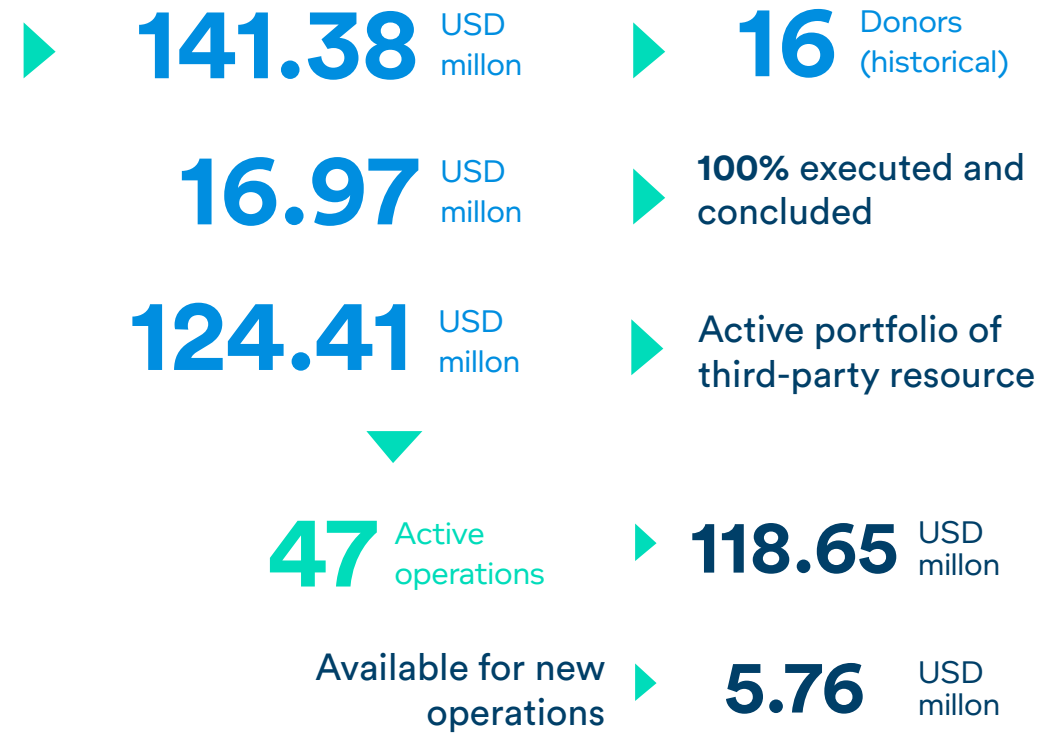


These results also allowed CAF to raise funds from different commercial banks in the region, highlighting banks in Panama and Colombia, as well as promote operations in Brazil, Colombia, Ecuador, Paraguay, and Peru.

# Third-party resources managed by CAF

## Third-party resources managed by CAF

Portfolio of third-party resources managed by CAF



## In 2020



It is important to note the incorporation of the German International Agency - Deutsche Gesellschaft Für Internationale Zusammenarbeit (GIZ) to the portfolio of active donors, with the approval of EUR 548,548 aimed at financing new operations focused on responding to the needs of the countries facing the negative effects of the COVID-19 pandemic.

Operations with third-party funds approved during the year

| Fund  | Approved operations | Amounts approved (USD) |
|---|---------------------|------------------------|
| Global Environment Facility - GEF (Trust Fund - SCCF) | 2                   | 4,249,905              |
| British Prosperity Fund (BPF)                         | 4                   | 1,932,075              |
| Microsoft   | 1                   | 15,000                 |
| AFD Trustfund - 2                                     | 1                   | 450,000                |
| <b>Total</b>  | <b>8</b>            | <b>6,646,980</b>       |

## Portfolio of third party funds managed by CAF

| Donor  | Fund  | Amounts approved (origin currency) |
|--|---|------------------------------------|
| <b>French Development Agency</b>               | French Development Agency - <i>Trustfund</i> 1 and 2 (AFD)                                      | EUR 2,500,000                      |
| <b>Adaptation Fund</b>                         | Adaptation Fund (AF)  | USD 33,441,215                     |
| <b>Government of Great Britain</b>             | British Prosperity Fund (BPF)   | GBP 7,696,511                      |
| <b>Government of Italy</b>                     | <i>General Cooperation Fund of Italy</i> (FGCI)   | EUR 5,000,000                      |
| <b>French Ministry of Economy and Finances</b> | <i>French Treasury FASEP Facility</i> (FASEP)   | EUR 2,000,000                      |
| <b>Global Environment Facility</b>             | <i>Global Environment Facility Trust Fund</i> (GEF) y <i>Special Climate Change Fund</i> (SCCF) | USD 43,144,895                     |
| <b>Green Climate Fund</b>                      | <i>Green Climate Fund</i> (GCF)   | USD 5,254,017                      |

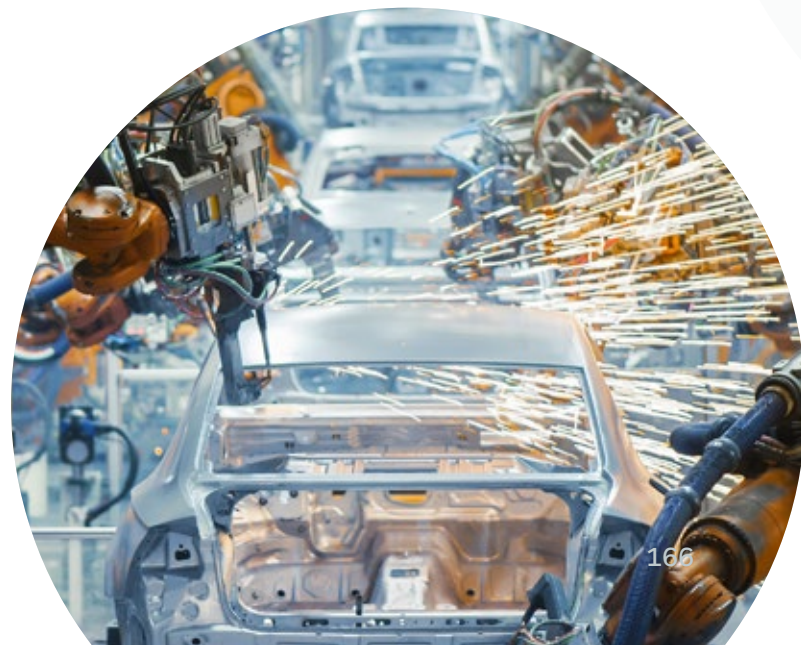
|   |  |                |
|---|--|----------------|
| <b>Federal Ministry of Economic Cooperation and Development</b> | Federal Ministry of Economic Cooperation and Development (BMZ - KFW - GIZ - Cybersecurity) | EUR 1,414,977  |
| <b>OPEC</b>   | <i>OPEC Fund for International Development</i> (OFID)                                      | USD 800,000    |
| <b>European Union</b>   | European Union (LAIF-AFD and KFW)  | EUR 26,900,000 |
| <b>German International Agency - GIZ</b>                        | GIZ – Post COVID-19 sanitation   | EUR 548,548    |
| <b>Microsoft</b>  | Microsoft – Data strategy  | USD 15,000     |
| <b>Government of Panama and Paraguay</b>                        | CAFMethod - Patents (CONACYT - SENACYT)  | USD 1,100,000  |

During the year, CAF strengthened its role as an implementing agency of third-party resources, achieving its re-accreditation for five more years before the Adaptation Fund and the accreditation before the Caribbean Investment Facility (CIF).

# RAISING AND MANAGING FINANCIAL RESOURCES

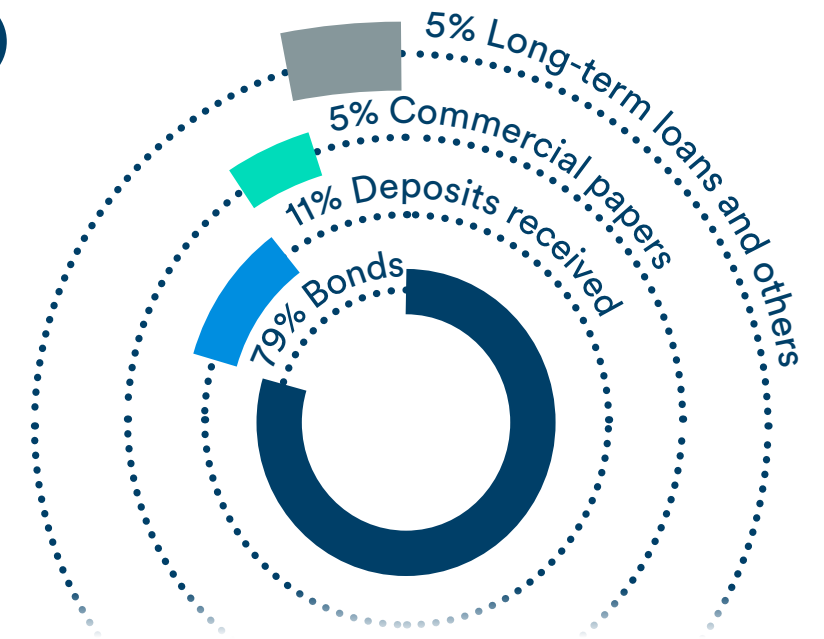
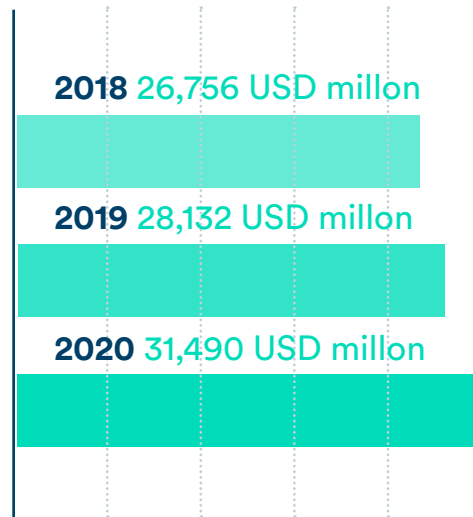
## Origin of the resources

At the close of the year, 84% of CAF's indebtedness came from international capital markets (79% from bond issues and 5% of commercial paper issues), 11% from deposits received from institutional investments, and 5% from long-term loans and credit lines.



The theoretical framework of the Social Bonds program was created in 2020. It was reviewed and certified by Sustainalytics, in line with the "Principles of Social Bonds", consolidating CAF as a leading issuer in the region for socially responsible debt instruments.

### Financial liabilities



### Noteworthy:

**29** Transactions

**3,950** USD million

Includes one emission in the European market and two in the US market

**2,320** USD million

**1st**

CAF's Public Social Bond in the European market



To respond to the sanitary and economic emergency generated by the COVID-19 in member countries

**1st**

Issue of Green Bonds in the Swiss market

**350** CHF million

**16**

Currencies in the portfolio of current bonds

**In addition:**

- Strengthening of relationships with existing allies, financial development institutions from industrialized countries, international agencies, and other multilateral banks. The objective was to support the current initiatives and strategic priorities in the institution's business areas.
- Prioritization of financing contracts in local currency to support the projects that CAF finances in the region.
- New facilities were signed for projects with green content, that mitigate the effects of climate change, with the following entities:
  - Japanese Bank for International Cooperation (JBIC).
  - French Development Agency (AFD).
  - Cassa Depositi e Prestiti (CDP).

**Risk Ratings**

**Moody's:**  
**Aa3**  
**Stable**  
**perspective**

**Standard & Poor's:** **A+**  
**Stable**  
**perspective**

**JCR:** **AA**  
**Stable**  
**perspective**

**Fitch:** **A+**  
**Negative**  
**perspective**

During the year, CAF's credit ratings were ratified by the international agencies Standard & Poor's, Moody's and JCR, while Fitch downgraded the rating to A+ with a negative perspective due mainly to the reduction in the ratings of some shareholder countries.

In June, Standard & Poor's improved the perspective from negative to stable, highlighting the support of the shareholders, the high levels of liquidity, and the robust and diversified financing profile. Moody's and JCR maintained a stable perspective for the institution.

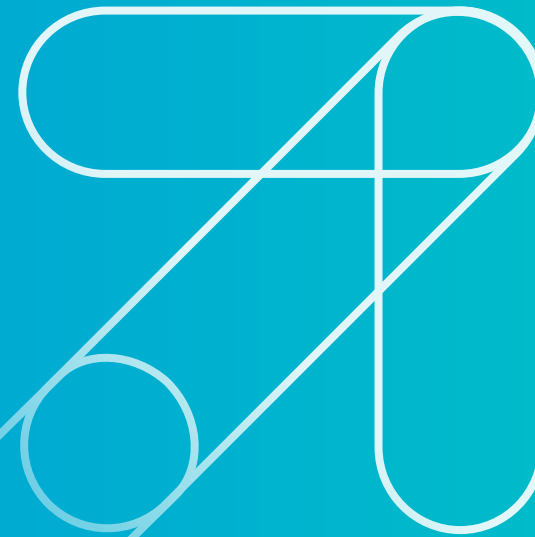
The current risk ratings place CAF among the best rated issuers of the region, reflecting the continuous support of the shareholders, the equity strengthening, the prudent management of liquidity, and the diversification of the loan portfolio.

Current risk ratings place CAF among the best rated issuer in the region, reflecting the continuous support of the shareholders, equity strengthening, prudent management of liquidity, and the diversification of the loan portfolio.

<sup>14</sup> In January 2021, Fitch rating agency published its annual report ratifying CAF's rating at A+, thus improving the perspective from negative to stable.

# 08

## ○ GRI CONTENT INDEX



| GRI Standards                       | Disclosure   | Location    |
|-------------------------------------|--|-------------|
|                                     | <b>Organizational profile</b>  | <b>Page</b> |
|                                     | <b>102-1</b> Name of the organization                                      | p. 6        |
|                                     | <b>102-2</b> Activities, brands, products, and services                    | p. 6, 7     |
|                                     | <b>102-3</b> Location of headquarters                                      | p. 6, 7     |
|                                     | <b>102-4</b> Location of operations  | p. 6, 7     |
|                                     | <b>102-5</b> Ownership and legal form                                      | p. 21       |
|                                     | <b>102-6</b> Markets served  | p. 6, 7     |
| <b>GRI 102: General Disclosures</b> | <b>102-7</b> Scale of the organization                                     | p. 8-11     |
|                                     | <b>102-8</b> Information on employees and other workers                    | p. 36, 37   |
|                                     | <b>102-9</b> Supply chain  | p. 44       |
|                                     | <b>102-10</b> Significant changes to the organization and its supply chain | p. 20       |
|                                     | <b>102-11</b> Precautionary Principle or approach                          | p. 105-108  |
|                                     | <b>102-12</b> External initiatives   | p. 156, 157 |
|                                     | <b>102-13</b> Membership of associations                                   | p. 156, 157 |

| GRI Standards                       | Disclosure   | Location   |
|-------------------------------------|--|--|
|                                     | <b>Strategy</b>  |  |
|                                     | <b>102-14</b> Statement from senior decision-maker                                 | p. 4, 5  |
|                                     | <b>Ethics and integrity</b>  |  |
|                                     | <b>102-16</b> Values, principles, standards, and norms of behavior                 | p. 22  |
|                                     | <b>Governance</b>  |  |
|                                     | <b>102-18</b> Governance structure   | p. 20  |
|                                     | <b>102-19</b> Delegating authority   | p. 20  |
| <b>GRI 102: General Disclosures</b> | <b>102-29</b> Identifying and managing economic, environmental, and social impacts | p. 26-31   |
|                                     | <b>102-30</b> Effectiveness of risk management processes                           | p. 26-31   |
|                                     | <b>Stakeholder engagement</b>  |  |
|                                     | <b>102-40</b> List of stakeholder groups   | p. 14, 15  |
|                                     | <b>102-41</b> Collective bargaining agreements                                     | CAF has not developed collective bargaining agreements with its employees. |

| GRI Standards                       | Disclosure   | Location  |
|-------------------------------------|--|---|
|                                     | <b>Stakeholder engagement</b>  | <b>Page</b>   |
|                                     | <b>102-42</b> Identifying and selecting stakeholders                     | p. 14, 15   |
|                                     | <b>102-43</b> Approach to stakeholder engagement                         | p. 14, 15   |
|                                     | <b>102-44</b> Key topics and concerns raised                             | p. 17, 18   |
| <b>GRI 102: General Disclosures</b> | <b>Reporting practice</b>  |   |
|                                     | <b>102-45</b> Entities included in the consolidated financial statements | CAF - development bank of Latin America                         |
|                                     | <b>102-46</b> Defining report content and topic Boundaries               | p. 15-19  |
|                                     | <b>102-47</b> List of material topics                                    | p. 16   |
|                                     | <b>102-48</b> Restatements of information                                | There was no place to restate information from previous periods |

| GRI Standards                       | Disclosure                               | Location  |
|-------------------------------------|--|---|
|                                     | <b>Reporting practice</b>                | <b>Page</b>   |
|                                     | <b>102-49</b> Changes in reporting       | For this Report, the methodological criteria of the GRI Standards are maintained, which have been refined to identify and parameterize disclosures that make it possible to demonstrate CAF's contribution to sustainable development. For this period, the report was structured taking into account the contributions to the SDGs. All the GRI Standards used in this publication correspond to the 2016 version. |
| <b>GRI 102: General Disclosures</b> | <b>102-50</b> Reporting period           | 2020  |
|                                     | <b>102-51</b> Date of most recent report | Published in 2020, for the period 2019  |



| GRI Standards                       | Disclosure   | Location   |
|-------------------------------------|--|--|
|                                     | <b>Reporting practice</b>  | <b>Page</b>  |
|                                     | <b>102-52</b> Reporting cycle  | Annual   |
|                                     | <b>102-53</b> Contact point for questions regarding the report         | Any concern or request for additional information can be communicated to Nina Bastos, Principal Executive of the Directorate of Sustainability, Inclusion and Climate Change, to the email nbastos@caf.com |
| <b>GRI 102: General Disclosures</b> | <b>102-54</b> Claims of reporting in accordance with the GRI Standards | This report has been prepared in accordance with the GRI Standards: Core Option.   |
|                                     | <b>102-55</b> GRI content index  | p. 172   |
|                                     | <b>102-56</b> External assurance                                       | The report was not subject to external verification. The information is secured internally through procedures specific to each area. GRI Report quality principles were applied                            |

| GRI Standards  | Disclosure  | Location    |
|--|---|-------------|
| <b>Material topic: Development of infrastructure</b> |   |             |
|  | <b>103-1</b> Explanation of the material topic and its Boundary                 | p. 118      |
| <b>GRI 103: Management Approach</b>                  | <b>103-2</b> The management approach and its components                         | p. 118      |
|  | <b>103-3</b> Evaluation of the management approach                              | p. 105-108  |
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