

Annual Report 2011

CAF DEVELOPMENT BANK
OF LATIN AMERICA

Annual Report 2011





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

The Institution serves the public and private sectors, providing a variety of products and services to a broad portfolio of clients, including shareholder states, private companies and financial institutions. Social and environmental benefits are at the core of the Institution's management policies, and it strives for eco-efficiency and sustainability in all its operations.

As a financial intermediary, CAF mobilizes resources from international markets to parties in Latin America, promoting investments and business opportunities.

Shareholder Countries 2011



2001 | 1970 | 1995 | 1992 | 1970 | 2002 | 1970 | 2002 | 1999 | 1990
Argentina | Bolivia | Brazil | Chile | Colombia | Costa Rica | Ecuador | Spain | Jamaica | Mexico



1997 | 1997 | 1970 | 2009 | 2004 | 1994 | 2001 | 1970
Panama | Paraguay | Peru | Portugal | Dominican Republic | Trinidad & Tobago | Uruguay | Venezuela



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Message from the executive president

I am pleased to present the Annual Report and audited financial statements for the year 2011.

It has been a good year for Latin America in terms of growth and macroeconomic stability. In a period in which the global economy is under great uncertainty, emerging economies, especially those in Asia and Latin America, have experienced sustained economic growth.

This has been the result of a combination of good news in the global and domestic markets. Latin America has benefitted from high prices of the commodities it exports and from the expansion of domestic demand. No less important are the prudent fiscal and monetary policies implemented in most economies of the region.

However, the current positive scenario in most countries provides no room for complacency, as advances in recent years are insufficient.

If Latin America wants to converge with the advanced economies and solve the most serious issue affecting the region –the persistence of income inequality– it cannot be satisfied with the growth rates achieved thus far and future projections, which range from 4% to 5%.

Although Latin America has advanced considerably in the reduction of poverty, it has not been able to overcome the wide disparities in the distribution of income and wealth.

It is necessary to invest in all forms of capital at rates well above 20% of GDP, which has been the region's average in recent years, while considerably increasing productivity.

At the same time, it is essential to adopt a regional strategy to reduce the economic reliance on exports on raw materials and to generate greater value added in production and exports.

To achieve these goals in a sustainable manner, CAF provides support to its member countries in the design and implementation of a comprehensive development agenda supporting long-term projects, at the national, regional and local levels.

CAF has become one of the main sources of multilateral financing for Latin America, with approvals targeted for the region reaching USD 45 billion in the past five years. This support is based on the strong commitment of shareholder countries, its human capital, and its financial strength even in turbulent times.

In 2011, more than USD 10 billion were approved for investment programs and projects, co-financing activities, lines of credit, capital contributions, guarantees, cooperation funds, and technical assistance. These projects were among the many products and services provided to the public and private sectors, distributed in a balanced manner throughout the region, with the goal of strategic diversification.

At the same time, in the context of a decelerating world economy, CAF's role as a provider of countercyclical funds increased in importance. The capital increases funded by its shareholders during the past five years, for a total of USD 6.0 billion, will also reinforce this important role. These funds will enable CAF to strengthen assistance to its member countries in support of their sustainable development projects.

We believe that Latin America can become a prosperous and more egalitarian region, but it needs to overcome the bottlenecks and structural weaknesses it still faces.

It is not an easy road. However, the region has demonstrated its capacity to design and implement innovative public policies that have improved the welfare of its citizens.

At this stage, in which achievements are being consolidated and new challenges are arising, the region can count on CAF as development bank of Latin America to provide financial resources, knowledge, and technical support. We are prepared to face the challenges ahead together.



Enrique García
Executive President

Highlights

- USD 10.1 billion in approvals for Latin America in 2011, and a portfolio of USD 15.1 billion, distributed in a balanced manner by country.
- Fifty percent of approvals allocated to finance economic and integration infrastructure, 30 percent to social and environmental development, and 20 percent to the development of the productive sectors.
- CAF is currently the main source of financing for infrastructure and energy projects in Latin America.
- Approval of an extraordinary increase of USD 2 billion in paid-in capital, to be paid between 2013 and 2016, which will strengthen the Institution's anti-cyclical mission as one of the main sources of multilateral financing in the region.
- The increase of paid-in capital will enable the approval of operations in an amount of USD 75 billion during the 2012-2017 period.
- USD 1.4 billion in bonds issued the US, Japanese, and European markets. CAF became the most frequent Latin American issuer in the Swiss market, which was the focus of a special effort.
- Ratification of the Institution's risk ratings by Fitch Ratings, Japan Credit Rating Agency, Moody's Investors Service and Standard & Poor's.
- CAF consolidated its role as a knowledge provider for the region, based on a comprehensive view of sustainable development, integration, and social inclusion to improve the quality of life for Latin America's citizens.
- Acknowledgements and awards granted by Euromoney and LatinFinance for innovative financial operations benefiting the private sector. Growing international relevance in global forums in North America, Europe, and Asia.
- Enrique Garcia was confirmed as Executive President. Among his challenges will be the consolidation of CAF's Latin American dimension and the deepening of the Institution's decentralization process.
- Support for regional integration efforts will be a decisive factor for Latin America to achieve a relevant participation in the global economic and political context.



Latin America's
economic and
social environment





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International environment: recent evolution and prospects

During the first semester of 2011, the global economy experienced a moderate deceleration, more pronounced in the advanced economies than in some emerging countries, because of the high oil prices and the interruption of the supply chain caused by the earthquake in Japan. During the second semester the global economy entered a phase of great uncertainty. The political difficulties in achieving a consensus regarding the necessary measures to resolve the sovereign debt crisis in Europe, as well as to ensure fiscal sustainability in the United States, led to a significant deterioration in confidence and increased risk aversion in international financial markets. Thus, fears of a new global recession arose again.

During the course of 2011, the US economy lost strength, with GDP growing at an annual rate of 1.7%, much lower than the 3% growth rate registered in 2010. Although a lower growth rate than in 2010 was expected, the deceleration was larger than expected, explained by the positive contributions of consumers' personal expenditures, exports, and non-housing fixed investment, which were partially compensated

by the negative contributions of public expenditure and a reduction of inventories.

Starting in the second semester, labor market conditions progressively improved. In this regard, employment creation in the United States consolidated in December, reaching 200,000 new jobs, with the private sector contributing 212,000 jobs while the public sector shed 12,000. This reduced the unemployment rate in the US to 8.5%, the lowest level in almost three years. The unemployment rate continued falling during the first two months of 2012, reaching 8.3%, and the current consensus among analysts is that improvements will continue, as employment has been growing in a wide range of sectors.

At the same time, the high energy prices continued to exert pressure on inflation, which ended the year at 3%. Underlying inflation, which excludes the prices of foods and fuels, reached 2.2%, reflecting the pass-through effect to non-energy goods. However, despite the fact that the 2011 CPI increased at twice the rate of 2010, the monthly data show a deceleration of inflation after June, when the CPI reached 3.9%, as energy prices started to decrease.

In this context, the United States Federal Reserve Board (FED) extended its commitment to

maintain the reference interest rate at exceptionally low levels until 2014. Since December 2008, this rate has been below 0.25%. In addition, the FED announced it will maintain its program to sell short term Treasury bonds and buy longer term bonds, aimed at reducing the slope of the yield curve.

At the same time, political tensions between Democrats and Republicans in Congress cast doubts on the ability of political leaders to control the budget deficit and agree on adjustment plans to stabilize debt levels in the coming decade. This was the primary argument that led to the Standard & Poor's downgrade of the US credit rating from "AAA" to "AA+" in early August. The political battle in Congress is expected to intensify toward the end of 2012, when it will be necessary to decide on another extension of payroll tax cuts and unemployment benefits, an increase of the debt ceiling and additional fiscal expenditure cuts.

Projections for 2012 are that the US economy will grow by close to 2%, well above the 1.2% average expected for the advanced economies as a whole. However, the risks of this base scenario have a downward bias, related to a deepening of the sovereign debt crisis in Europe, which could extend to the United States, and uncertainty regarding the domestic fiscal scenario. Notwithstanding, the data on the US economic performance at the beginning of 2012 was positive, generating a certain optimism regarding the likelihood of economic recovery in the world's leading power.

The recovery of the Euro Zone lost strength during the final quarters of 2011, after a surprisingly dynamic first quarter. This was mainly due to the

consequences of the debt crisis, weak growth of the German economy, and the stagnation of activity in France —the two main economic engines of the region. Their performance did not compensate for the weak economic situations of countries in the periphery. Uncertainty regarding the solution of the sovereign crisis negatively affected private consumption and business investment. In addition, the restrictive fiscal policies implemented in many Euro Zone countries also slowed growth. Finally, deceleration in the rest of the world adversely affected European trade, with a substantial reduction in the growth of exports.

During the final quarter of 2011, Euro Zone GDP fell by 0.3%, compared with the previous quarter, the first contraction since the second quarter of 2009. In annual terms, GDP grew by only 0.7% during the fourth quarter, compared with the same quarter of 2010, after growing by 2.4% at the beginning of 2011. These aggregate figures hide significant differences between the countries of Northern and Southern Europe. In the final quarter, the German economy —the largest in the Euro Zone— suffered a mild contraction of 0.2%, quarter on quarter, resulting in a 2% growth rate for the year. France achieved a better than expected growth of 0.2% in the last quarter, compared with the previous one, leading to an annual growth of 1.4%. At the same time, Belgium, Italy, and The Netherlands entered into a recession in the fourth quarter, as their GDPs declined for two consecutive quarters. The Portuguese economy —which was already in a recession— contracted by 1.3% in the fourth quarter, relative to the previous quarter, leading to a contraction of 2.8% for the year. Spain was technically spared from recession, although its economy contracted by 0.3% in the fourth quarter after

no growth in the previous quarter. Greece, which was also undergoing a recession, closed the year with a 7% contraction of its GDP.

At the same time, during 2011 the annual inflation rate of the Euro Zone reached 2.7%, well above the ECB target of 2%. After increasing interest rates twice in an effort to manage expectations and maintain price controls, in the last quarter of 2011 the BCE reversed itself and reduced interest rates by up to 1% at two other points since growth had slowed and the risks of new increases in prices had moderated. In addition, the monetary authority has implemented non-conventional measures to inject liquidity in the financial system by taking out almost one billion Euros in three-year LTROs (long term refinancing operations).

Growth expectations for the Euro Zone in 2012 are undermined by uncertainty regarding a prompt solution of the sovereign debt crisis. Toward the end of 2011, contagion spread to Spain and Italy, increasing the probability of turning the sovereign debt crisis into a systemic crisis. The factors contributing to these fears were the delay of the second rescue package for Greece, the insistence that private bond holders assume part of the cost of the new rescue package and the exposure of European banks to the region's sovereign debt. In this context, it is expected that the Euro Zone will contract by half a percentage point in 2012. This assumes that the European authorities will be able to contain the crisis by implementing the agreed commitments. However, the balance of risks is clearly on the down side, and a catastrophic outcome —such as the break-up of the Union— is not impossible but the probability is low.

The lack of decisive action to combat the crisis has affected countries

—such as Spain and Italy— that, although they do not have solvency problems at this time, face fiscal tensions. At the end of July, the European Commission reached an agreement to deal with the liquidity and solvency concerns. However, implementation of this agreement is awaiting political consensus. In this scenario, the US dollar exchange rate against the Euro has been highly volatile. The trend during the year was toward a weak Euro, with the currency breaking the USD 1.40 barrier for the first time in six months to close December at USD 1.30.

In Japan, the economic repercussions of the earthquake and tsunami were stronger than expected, leading the economy to contract by 0.6% during 2011. This result is explained by the sharp fall of exports, the deterioration of entrepreneurial confidence in the midst of a slower than expected recovery, and the rise of the Yen. However, the recent resumption of the supply chain —sooner than expected— and the improvements in consumer and business confidence point to a more dynamic year. Therefore, the Japanese economy is expected to grow by 1.7% during 2012, boosted by investment in the country's reconstruction.

During the first half of 2011, emerging economies continued to sustain the growth of the global economy. The strong growth rates during the first quarter of the year, especially in China and India, generated risks of overheating. These risks were reflected in the accelerated pace of credit increases, heightened inflationary pressures, and higher prices in the real estate market. The adoption of more restrictive policies, together with the lack of dynamism in the recovery of the advanced economies, moderated growth in the second quarter of 2011.

During the first quarter of 2011, emerging economies continued to sustain the growth of the global economy. The strong growth rates during the first quarter of the year, especially in China and India, generated risks of overheating.

China closed 2011 with a growth rate of GDP of 9.2%, above the 8% target of the Chinese authorities. However, during the fourth quarter, activity decelerated, and growth slowed to a rate of 8.9%, two-tenths below the previous quarter. Thus, China grew at its weakest pace in two and a half years. This result was in line with the more restrictive monetary and fiscal policies implemented by the authorities to curb overheating and achieve a soft landing for the economy. The main factors contributing to growth were consumption and investment, while outside investment slowed, indicating a rebalancing of the economy toward domestic demand.

Inflation, the main concern of the Chinese authorities in 2011, moderated during the second half of the year, after the implementation of monetary measures to contain it. For the year, inflation reached 5.4%, but in December it fell to 4.1%, its lowest level in 15 months. This provides the authorities with more room to guide their economy toward growth rather than controlling inflation. In fact, the restrictive monetary policies remained in effect from July until legal reserve requirements were reduced by 100 basis points in November and again in February. Notwithstanding the increase in inflation at the beginning of 2012, most analysts agree that this increase will not change the general downward trend expected throughout the year, as they believe the price increases were mostly related to the jump in foods prices during the Chinese Lunar New Year holiday.

China is estimated to grow by 8.2% this year. Analysts estimate that growth could decelerate further in coming months, if the demand for exports declines further and if there are signs of a real estate market bubble.

India grew by 6.1% in 2011, a slowdown with respect to the previous year (8.3%), but in line with other emerging economies. Inflation was still high, reaching two-digit rates by mid-year, the highest in 13 months, despite the fact that the Reserve Bank of India has enacted 11 interest rate increases over the past 18 months.

Other emerging economies continued on a similar trend: better than expected results in the first quarter, and a deceleration of growth over the next three quarters. Thus, during 2011 Korea registered an annual growth of 3.4%, Taiwan of 4%, and Singapore of 3.6%. In line with the slowdown of activity, inflation in emerging markets began to moderate toward the end of the year.

In general, projections for emerging markets call for a deceleration during 2012, but growth will remain close to 5%. This deceleration will be much more pronounced in the countries of emerging Europe due to the strong commercial links with the economies of the Euro Zone.

Financial and basic goods markets

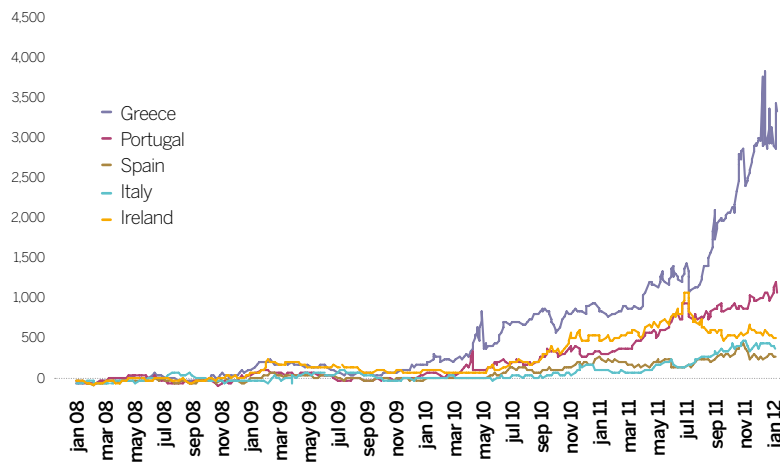
Since the beginning of 2012, the financial scenario was dominated by a number of risk factors, which shifted capital flows toward better quality assets and hindered access to financing, both for businesses and households in developed as well as emerging economies. These risks are related to the declining growth expectations at a global level, the lack of consensus on a solution for the European sovereign debt crisis and the possibility it could spread and the measures adopted by monetary authorities in emerging countries to deal with overheating.

The instability in the financial markets, triggered by the outbreak of the Greek fiscal crisis in April of 2010, worsened

during 2011. This led to a new wave of panic that pushed volatility in financial markets to new highs and considerably widened sovereign spreads, especially in European countries. In addition, investors pushed sovereign risk premiums of countries undergoing

fiscal tensions to the maximum. Such is the case of Spain, Italy, France and Belgium. Tensions also affected the interbank markets and some banks faced financing difficulties because of exposure of European banks to the region's sovereign debt.

GRAPH 1 Rate differentials between 10-year bonds in selected countries and the 10-year German bond



At the same time, stock markets exhibited volatile behavior, dominated by uncertainty and low transaction volumes. By the end of 2011, the Dow Jones index had grown by 5.5%, while the Nasdaq and S&P 500 were not that fortunate and closed the year with losses of 1.8% and 0.01%, respectively. The European market registered much larger losses, and the Euro Stoxx 50 lost 17% during the year. The behavior of the Asian market was also negative: the Nikkei fell by 17% while the Shanghai index reported losses of close to 21%.

The Latin American stock exchanges were not immune from this downward pressure. In 2011, the Colombian stock exchange accumulated losses of close to 18%, the Chilean stock exchange lost 15%, and the equity markets in Brazil and Peru fell by 18% and 17%, respectively.

During 2011, raw materials, except for gold and oil, continued on a downward trend and registered their first decline in four years. The fall reflected the risk factors that clouded the growth of the global economy and, therefore, the demand for raw materials.

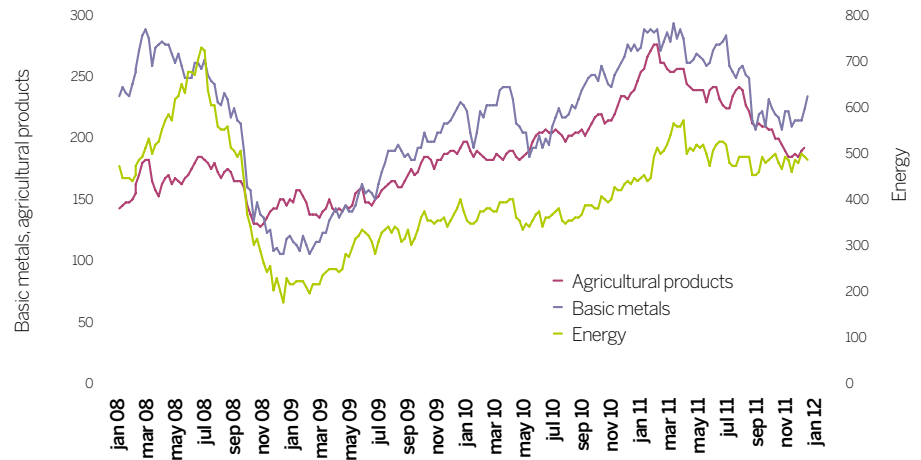
The price of Brent oil increased by 14% during the year, reaching USD 110 per barrel in December. This behavior was partly related to the instability in the Middle East and Africa. It is expected that during 2012 the upward pressure will continue, despite the weakening of demand, mainly due to geopolitical factors linked to Iran's threats to stop shipments through the Strait of Hormuz.

On the other hand, the price of gold increased by close to 10% during 2011. After registering historical highs of USD 1,900 per ounce toward mid-

year, the price of gold moderated in later months, falling to USD 1,600 per ounce at the end of December. This appreciation is explained by the demand for gold as a refuge asset, together with

the purchase of gold by various central banks as a strategy to diversify their international reserve holdings. It is expected that in the short term these fundamentals will continue to support the price of gold.

GRAPH 2. Price index of basic goods



Food prices have declined moderately after reaching highs at the beginning of 2011, but they continue to be high compared to the beginning of the decade. It is expected that these prices will decline further, assuming a normalization of the meteorological conditions and a stabilization of energy prices, but they will remain high compared to historical averages.

Other raw materials registered significant setbacks, mainly due to the moderation of global economic activity. In this respect, copper, which experienced its first annual decline since 2008, stands out. Until now, most analysts estimate that the downward trend of raw materials could continue, except in the case of crude oil, as the problems in the Euro Zone are far from resolved, and a further economic deceleration in emerging economies is expected.

Latin America: recent evolution and prospects

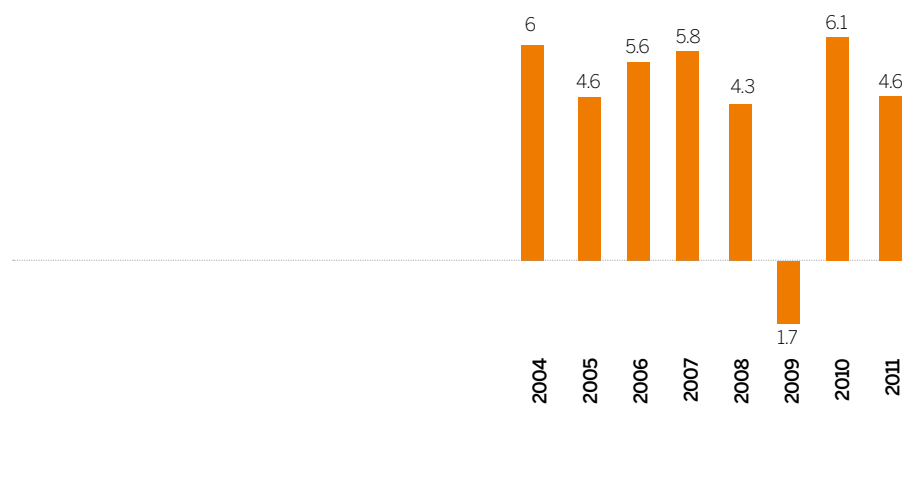
As expected, after the spectacular performance of the Latin American economies in 2010, the region's growth decelerated during 2011, but still remained above the average of recent decades.

Real sector

During 2011, Latin America registered a growth rate of close to 4.6%, lower than the 6.1% achieved in 2010,

mostly a result of more restrictive policies implemented by national authorities. Favorable external and domestic conditions aided in the expansion. The abundance of liquidity at the global level provided ample access to financial markets, which in turn facilitated the growth of credit that boosted domestic demand. In addition, the dynamic growth of emerging economies, especially in Asia, brought with it a significant improvement in the terms of trade, which mostly benefited the South American economies.

GRAPH 3. Latin America: GDP Growth (%)



At the same time, the Central American economies recovered, boosted by the increase in agricultural exports and domestic demand, while the countries of the Caribbean maintained low growth rates because of a drop in tourism, a main driver of economies in that region.

During the year, Latin America showed strong growth in employment and a reduction of unemployment. By the close of 2011, the unemployment rate had declined by half a percentage point, closing the year at 6.5%. In addition, salaries in real terms

continued to grow at rates similar to those of 2010.

In a scenario of moderate deceleration of the global economy, it is projected that Latin America's growth rate will slow to 3.7% in 2012, as domestic demand is reduced—due to the adoption of more restrictive policies—and external demand declines. In general terms, it is expected that conditions will continue to be favorable, albeit with increased aversion to risk and lower commodity prices. However, the balance of risks has a downward bias, as an

unexpected outcome of the European crisis could have a significant impact on the region's performance during the next two years. Faced with global uncertainty, the monetary authorities in the region have recently modified their policies, halting interest rate increases in several countries and, in some cases, reversing recent increases.

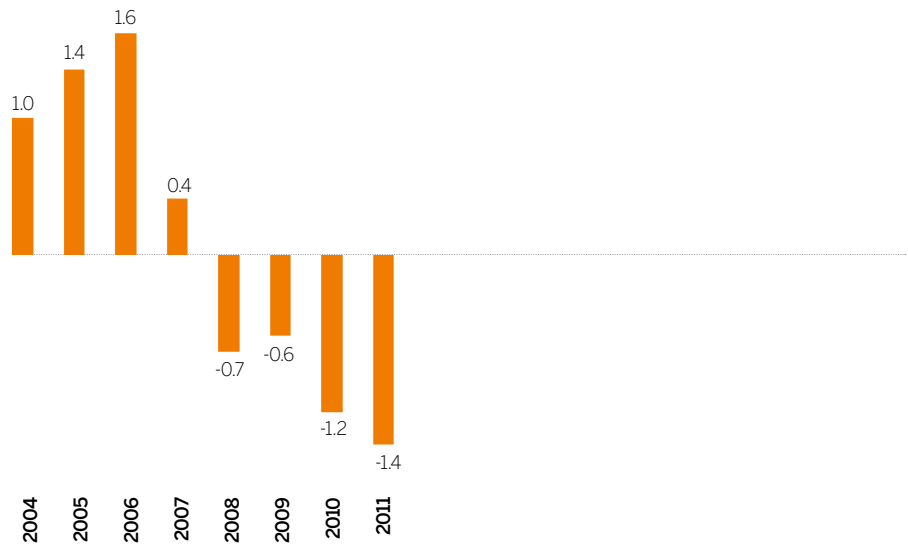
External sector

Latin America's export earnings rose due to the sustained increase of external demand, mostly from Asian countries. The current account balance deteriorated slightly as a result of imports growing well above the rate of increase of exports, as domestic demand increased and the local currencies appreciated.

The region's exports earnings are expected to grow at around 27%, a rate similar to that of 2010. This growth rate would be based mainly on price increases and, to a lesser extent, increased volumes. However, the growth of exports was not reflected in a similar improvement of the trade balance as the growth of imports, linked to the recovery of domestic demand, outpaced that of exports.

As in 2010, the commodity price increases particularly favored the exporting countries of South America, especially those that export hydrocarbons and food. On the contrary, the price increases hurt the trade balances of Caribbean and Central America countries, which are

GRAPH 4. Latin America: Current Account (% of GDP)



net importers of energy and food. After becoming the region with the world's highest growth in direct foreign investment flows in 2010, Latin America continued to be the destination of significant direct investment flows in 2011, although

at a more moderate pace. This was a result of the positive business prospects in the region, especially related with hydrocarbons and mining. However, the abundant international liquidity

and the interest rate differentials continued to favor the inflow of portfolio investments toward the region. The volatile nature of these capital flows and the consequent appreciation of the region's currencies led to interventions by the monetary authorities. These capitals flows comfortably financed the current account of deficit economies.

Therefore, during 2011 countries in the region continued to accumulate large quantities of international reserves.

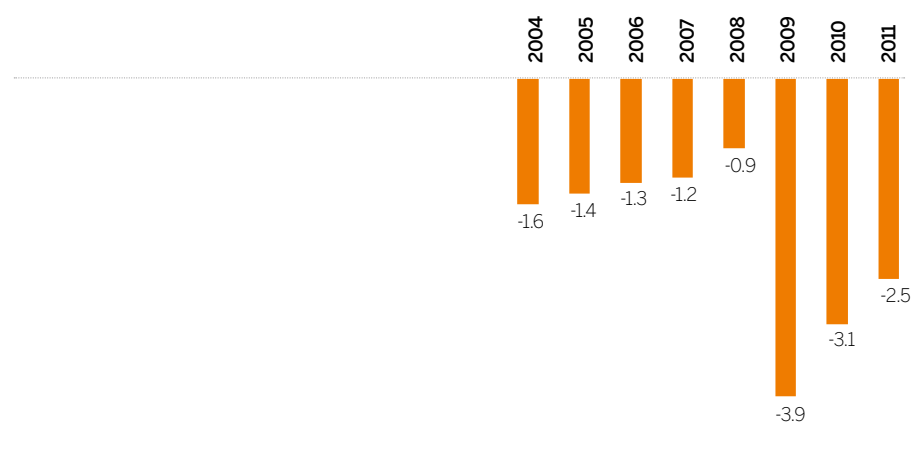
Fiscal accounts

During 2011, some countries announced the withdrawal of the

fiscal stimulus implemented to offset the global economic crisis. However, in most cases public policies continued to play an important role to stimulate growth. This is evident from the figures that show that public expenditure as a percentage of GDP remains above the levels in place before the crisis.

Despite the expansionary fiscal policies, the region's fiscal scenario has improved as revenues associated with accelerated economic growth and the high prices of basic export products, have allowed the debt-to-GDP ratio to continue declining.

GRAPH 5. Latin America. Fiscal Outcome (% of GDP)



In this context, it is necessary for countries in the region to be prepared to adjust their policies if the global environment deteriorates. Although it is true that the region has better macroeconomic fundamentals than in the past, overcoming the recent financial crisis required significant anti-cyclical policies that weakened Latin America's fiscal position. In fact, from a structural perspective, once revenues are corrected for the effects of the economic cycle, the

fiscal conditions in place before the 2009 cycle have not recovered.

Despite certain advances during 2011, some countries still need of tax reforms that will bring structural balancing. Only then will it be possible to guarantee the sustainability of policies in the medium and long term.

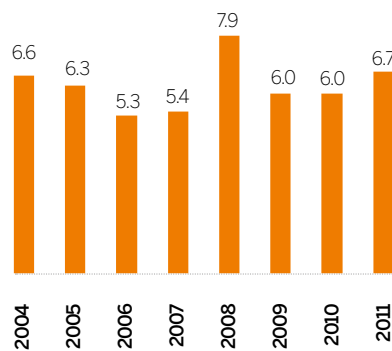
Monetary and exchange sector

The recovery of the economies of the region was associated with an increase

of inflationary pressures. During the first months of 2011, inflation continued its upward trend, reaching a maximum by mid-year as a result of strong domestic demand and high food prices. However, inflationary pressures moderated toward the end of the year due to the reduction in raw material prices and

declining demand, as the monetary stimulus was progressively withdrawn and expectations were lowered as uncertainty about the global economy mounted. This has dissipated the concerns that emerged early in the year regarding the overheating of the economies of the region.

GRAPH 6. Latin America: Average Inflation Rate (Consumer price index)



At the same time, the appreciation of the main Latin American currencies continued during 2011, leading the monetary authorities to continue their interventions in currency exchange markets by purchasing foreign currencies (in many cases sterilized), regulating the inflows of short-term capital and modifying legal reserve requirements.

However, starting in September, uncertainty about the global economy increased risk aversion in international markets, and Latin American currencies tended to devalue. Facing the risks of deceleration, central banks in the region ceased the interest rate increases initiated in 2010. However, currently there is less room for anti-cyclical monetary policies than before the recent crisis, as interest rates are lower than in 2008.

Competitiveness and business environment

Although for the first time Latin America is not in the epicenter of the global crisis, it must be remembered that the region faces structural challenges that limit its development. The region must advance policies aimed at reducing the concentration of exports, increasing saving and investment, generating gains in competitiveness and productivity and addressing the grave problem of equity.

According to the latest competitiveness report of the World Economic Forum (WEF), Latin America is ranked, on average, number 85 in a sample of 142 countries. As was the case last year, the areas that separate the region from the most competitive countries are the deficits in infrastructure,

technological preparedness and the quality of its institutions.

The countries with the best performance are: Chile (31), Puerto Rico (35), Panama (49), Brazil (53), Mexico (58), Costa Rica (61), Uruguay (63), Peru (67) and Colombia (68). These countries are above the world average both in the relative ranking as well as in the total score. Among the elements

that differentiate the performance of these countries are the significant advances in reducing their external exposure, especially the improved macroeconomic fundamentals and stronger domestic markets, as well as the strengthening of their local financial markets. Other factors that explain the success of these countries are their efforts to compete globally and to push for greater innovation.

TABLE 1. Latin America in the World Economic Forum

Pillars	2010-2011	2011-2012
	Ranking out of 139 countries	Ranking out of 142 countries
Competitiveness Global Index	82	85
Institutions	78	100
Infrastructure	78	83
Macroeconomics	78	73
Health and Primary Education	78	79
Secondary Education and Entertainment	78	81
Market Efficiency	88	93
Technological Preparedness	76	82
Business Sophistication	78	85
Innovation	90	91

Latin America is one of the developing regions where companies face the most difficulties in conducting business. This is shown in the Doing Business survey, which the World Bank carries out each year. Other indicators show

that among the biggest challenges for the region are increasing productivity, both labor and multifactor, and resolving the bottlenecks that prevent improvements by local producers so they can compete in the global marketplace.

Integration and international insertion

In the past two decades, Latin America has significantly increased its level of integration internationally. This increase is reflected in the participation of the countries of the region in multilateral efforts, the consolidation of some regional integration blocks, the negotiation of free trade agreements and treaties and growing trade cooperation. In general, all the countries in the region have been implementing foreign trade policies that call for a deregulation of trade or, alternatively, shared regulations with trading partners. The most visible effect of this change in regional trade policy has been the rising share of foreign trade in GDP and the greater interdependence of Latin American economies with international markets in general and with some trading partners in particular.

However, Latin America's share in global trade remains very low and has been fast losing ground against Asia. In fact, the most recent growth spurt in the region is directly linked to demand in Asia, which is reflected in the rising prices of the main raw materials exported by the region. The rising value of exports, and in the share of raw materials in Latin America's total exports, is highly correlated with the international commodity prices, as it is estimated that in 2011 exports grew by 27%, of which 18% is attributed to price increases and 9% to increased volume.

In this regard, Latin American countries must adopt an increasingly active policy to improve their competitiveness, particularly in a global context where capital inflows have led to a strong appreciation of their currencies. Thus, countries must

face these competitive challenges by reducing logistical expenses, taking advantage of the lower costs associated with the distance to traditional markets (United States and the neighboring markets in the same region); increased spending on research, development, design, and marketing of products with a high probability of success in domestic and external markets; constantly improving the quality and innovation of products at risk of being substituted by external competitors, particularly from Asia; and reducing the reliance on commodities by introducing design, environmental and social sustainability and greater use of information technologies. Finally, countries in the region must continue promoting the export of modern services linked to the exploitation of natural resources.

With respect to political dialogue and regional agreements, during 2011 the countries of Latin America and the Caribbean promoted an agenda geared toward greater integration to strengthen intra-regional cooperation and facilitate agreements and shared positions on issues in the international agenda. The efforts that stand out are the strengthening of regional institutions for dialogue and political agreement, the creation of entities to negotiate with extra-regional partners and the consolidation of a complementary integration agenda. Particularly noteworthy in this regard are the roles of the Union of South American Nations (UNASUR), the Bolivarian Alternative for the Americas (ALBA), the creation of the Community of Latin American and Caribbean States (CELAC), and the Pacific Alliance, as well as the renewed priorities of the Andean Community of Nations (CAN), the Southern Common Market (Mercosur) and the Mesoamerica Project.

The dynamism displayed in the region through the institutionalization of UNASUR —created in May 2008, in Brazil— was reflected by its Treaty of Establishment enacted in March 2011. This pact is an essential step toward its consolidation as a forum for regional political dialogue, contributing to the stability and deepening of democracy in South America. The operations of the General Secretariat, from its permanent headquarters in Quito, Ecuador, allowed the development of working plans for each of the nine Ministerial Level Councils: Health; Defense; Energy; Economy and Finance; Social Development, Infrastructure and Planning; Drugs; Education, Culture, Science, Technology and Innovation; and the Council for electoral issues created in October, 2011.

With respect to infrastructure, in the framework of the South American Infrastructure and Planning Council (Cosiplan), the Strategic Action Plan (PAE) 2012-2022 and of the Priority Agenda for Integration Projects (API) were unanimously approved. The latter is made up of 31 large projects with significant impact on regional integration, including national, bi-national, or multinational initiatives in the 12 countries, for an estimated amount of USD 14 billion. Simultaneously, the Ministers of Communications of UNASUR, in the framework of Cosiplan, agreed to prioritize the building of a South American fiber optic ring. The objective is to improve Internet connections among the 12 countries and from them to the outside world, reducing data transmission and Internet service costs. This technology will improve communications and increase the content on the networks, improve international roaming capability and provide access to these

services for the population in the region.

Regarding energy integration, an agreement was reached on the Structure of the South American Energy Treaty. The contents of this document will be discussed in the council 's next meeting in Venezuela, in early 2012, where the energy outlook will be discussed, including medium- and long-term scenarios.

At the same time, the South American Economy and Finance Council, which brought together the Ministers of Economy and Directors of the UNASUR central banks in two meetings held this year, agreed on joint actions and mechanisms to protect the region from the effects of the current financial crisis. To this end, the Council adopted a priority agenda in the area of international reserve management, the use of local currencies, and incentives for intra-regional trade.

In this respect, they agreed to analyze several options, such as strengthening and increasing the size of the Latin American Reserve Fund (FLAR) or creating a UNASUR reserve fund; improving the intraregional payment systems, such as the Sucre and the Agreement on Reciprocal Payments of the Latin American Integration Association (ALADI); and improving and diversifying the structural conditions of intraregional trade to make it less dependent on external factors. The plan is to integrate the productive sectors in shareholder countries and the regional infrastructure, so that products may be marketed more efficiently, and to improve the financing mechanisms for trade and regional development, including by consolidating the Banco del Sur —which has already been approved by five of the

In the past two decades, Latin America has significantly raised the level of its international engagement. This increase is reflected in the participation of the countries of the region in multilateral forums, the consolidation of some regional integration blocks, the negotiation of agreements and free trade pacts and the increase in commercial cooperation.

seven signatory states: Argentina, Venezuela, Ecuador, Bolivia, and Uruguay. In addition, the nations agreed to strengthen CAF as the development bank of Latin America.

Among the most relevant aspects of the UNASUR agenda, developed in the framework of the Ministerial Councils held throughout 2011, were the agreement on a Common Methodology for Measuring Defense Expenditures with a view to establishing a South American Defense Expenditure Register, and the implementation of the procedures for applying the Mechanism of Measures of Mutual Confidence, aimed at preserving the peace in the region.

At the same time, the 33 countries of Latin America and the Caribbean, after the efforts displayed in the Latin American and Caribbean Summit (CALC) —held in Salvador de Bahia, Brazil— and during the Unity Summit —held in Cancun in February 2010— formally established the Community of Latin American and Caribbean States (CELAC). Recognizing the historical wealth of the Rio Group and the CALC, the CELAC will promote plans to implement the commitments agreed upon in the Salvador and Cancun Declarations, the Montego Bay Action Plan and the Caracas Work Program. CELAC was established to reflect the widest representation for political agreement, cooperation, and integration of the Latin American and Caribbean states. It will give priority to social, environmental, energy, economic and cultural issues.

In the same way, the establishment of the Pacific Alliance during 2011 is noteworthy as it brings together Colombia, Chile, Mexico, and Peru, and adds Panama as an observer. The two presidential meetings, one held in Lima and the other in Mexico, allowed significant advances in the

integration process of the Pacific Alliance. Among these advances is the agreement on a Memorandum of Understanding regarding the Pacific Cooperation Platform, which will promote collaboration between the four countries on issues of common interest, such as: environment and climate change, innovation, science and technology, MSMEs and social development. In addition, the private sectors of these countries are working to strengthen and widen business opportunities, cooperation among Proexport Colombia, ProChile, PromPeru, and ProMexico. The collaboration of these business associations has initiated the process to create an integrated market for equities —the MILA— bringing together the stock exchanges of Colombia, Chile and Peru. (It may also include Mexico.)

In the short term, the countries involved agreed to establish a special travel visa for the Pacific Alliance to facilitate the movement of business people; initiate negotiations for the establishment of an academic and student mobility platform; support the advances achieved in initiatives to connect the electrical grid; and develop studies of the road and port infrastructure, as well as on the facilitation of land and sea transportation, with the purpose of improving the physical links between the countries of the Pacific Alliance.

In November the presidents of Bolivia, Colombia, Ecuador, and Peru, committed to strengthening the CAN, held an Extraordinary Meeting of the Andean Presidential Council, where they reaffirmed their commitment to re-engineering of the Andean Integration System, and adapt it to the current regional and international challenges. Thus, CAN is committed to defining a common position for the Rio + 20 Summit, and will promote

regional energy integration to take advantage of the potential in this area.

Throughout 2011, Mercosur showed significant progress in its priorities, such as productive integration and development of regional value chains in the naval, aeronautic, and energy sectors, in compliance with the Program to Consolidate the Customs Union; as well as stimulating small- and medium-sized enterprises, such as the Mercosur Guarantee Fund for Micro-, Small- and Medium-Sized Enterprises (MS&MEs). Member countries also committed to the prompt entry into force of the Mercosur Customs Code that, together with the elimination of duplicate charges under the Common External Tariff and the distribution of custom revenues, will improve the Customs Union.

Regarding external relations, two events stand out: the signing of the Free Trade Agreement between Mercosur and the State of Palestine, and the XXII and XXIII meetings of the Mercosur-European Union Bi-regional Negotiations Committee. In addition, the presidents of the Mercosur countries agreed to establish a High Level Dialogue Group to promote the incorporation of new full members to the regional bloc, and agreed on the themes for the 2012 CELAC-EU Summit: "Alliance for

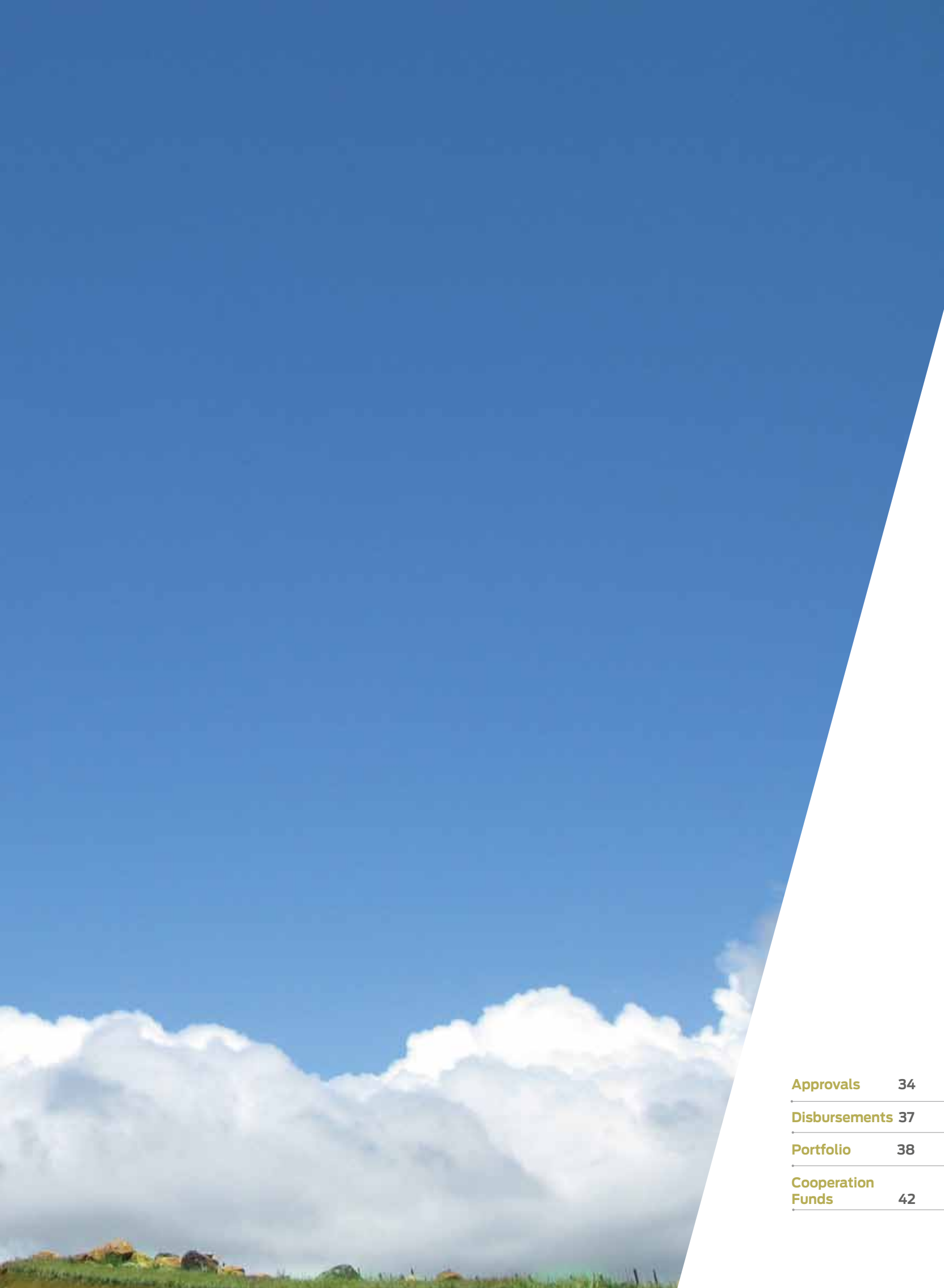
Sustainable Development: Promoting Quality Social and Environmental Investments." The Mercosur presidents also agreed to meet for the III South America-Arab Countries (ASPA) Summit of Chiefs of State and Government, to be held in Lima, Peru, in September of next year.

On December 5, 2011, the XIII Summit of Chiefs of State and Government of the Tuxtla Mechanism for Dialogue and Coordination, was held in Merida, Mexico. The Mechanism includes the Integration and Development Project of Mesoamerica (PM). Representatives from the 10 member countries of the Mechanism signed a declaration where they committed themselves to continue making joint efforts to promote growth, competitiveness, and the development of effective links between the economies of the region, in addition to expanding commercial exchanges, eliminating obstacles, and facilitating trade between countries. During the Summit, the President of Mexico, Felipe Calderon, signed the "Yucatan Agreement" through which Mexico will grant the Mesoamerica Project funds for up to USD 160 million to provide financial support and technical assistance for infrastructure projects and programs in Mesoamerica, through loans, partial guarantees, risk capital and donations.

The 33 countries of Latin America and the Caribbean, after the efforts during the Latin American and Caribbean Summit (CALC) —held in Salvador de Bahia, Brazil—, and during the Unity Summit —held in Cancun, in February 2010—, formally established CELAC.

Operations





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2011

Operations

Approvals

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Portfolio

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Portfolio by economic sector
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Cooperation funds

Approvals

During 2011, CAF approved operations for USD 10.1 billion, thus consolidating the financial support provided to its shareholder countries in a period of uncertainty.

USD 10.1 billion
Total approvals 

USD 7.2 billion
Total disbursements 

USD 15.1 billion
Total portfolio 

In a year of especially large growth for the Institution, the closing figures consolidated the high growth rate of CAF's portfolio, as well as the Institution's large volume of approvals and disbursements in a particularly complex economic scenario.

Approvals for the 2007-2011 period reached USD 44.3 billion (USD 10.1 million during 2011), while the portfolio reached USD 15.1 billion at the close of the year. Throughout its history, CAF has approved more than USD 92.8 billion worth of projects and initiatives leading to sustainable development and regional integration, and has sustained the volume and quality of operations to accommodate diverse national realities. Added to that is the strengthening of capital in recent years, and the support that its shareholder countries have always provided.

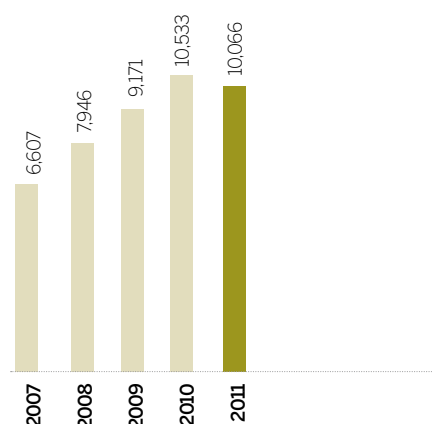
CAF -development bank of Latin America- currently has 18 shareholder countries and provides multiple services to a wide range of customers in the public, private, and mixed sectors in the region. In recent years, it has become the

main source of multilateral financing for its founding countries and the main source of multilateral financing for infrastructure for all of Latin America. At the close of 2011, 96.8% of the approvals concentrated in the Institution's 10 full member countries.

CAF's support of its member countries was one of the operational management highlights of 2011. In addition, it should be noted that of the total approvals for 2011, USD 3.6 billion were allocated through the renewal of lines of credit granted to businesses and banks in the region to strengthen productive sectors.

At the same time, the cooperation funds managed by CAF, which are mostly non-reimbursable, have been aimed at consolidating collaboration networks and deal with key initiatives related to pre-investment studies, development of micro-financing, increasing competitiveness, promoting democratic governance, fostering community development, promoting sports and music, preserving cultural heritage and sustaining development in the broadest sense. During 2011, approvals through these strategic programs totaled USD 35.7 million.

GRAPH 1. **Approvals** (in USD million)



USD 10.1 billion
Total approvals



Approvals

During 2011, CAF approved operations for USD 10.1 billion, an amount similar to 2010, thus consolidating the growth of financial support provided to its shareholder countries in an uncertain economy.

Of total approvals, more than USD 3.5 billion were allocated to investment

programs and projects through medium and long-term loans. In addition, USD 3.6 billion corresponded to approvals of lines of credit in favor of businesses and banks to strengthen the productive sectors of shareholder countries, and USD 1.5 billion were distributed between partial credit guarantees, capital contributions, contingent lines of credit and cooperation funds.

TABLE 1. **Approvals by product** (in USD million)

	Approved
Sovereign	4,528
Loans	3,578
Investment programs and projects	3,503
Program loans and swaps	75
Contingent lines of credit	800
Lines of credit	150
Corporate	50
Financial	100
Non-sovereign	5,502
Corporate loans	819
A&B loans	489
Tranche A	125
Tranche B	364
Lines of credit	3,463
Corporate	170
Financial	3,293
Partial credit guarantees	590
Capital contributions	141
Cooperation funds	36
Total	10,066

Approvals by country

CAF's growing presence in Latin America has led to an increase of operations in most countries. Particularly noteworthy are the USD 4.4 billion approved to Argentina, Brazil, Panama, Paraguay

and Uruguay. These countries belong to the Series A group of shareholders, and received 43.7% of the period's approvals. When adding the approvals to these countries to those of the founding countries, the amount reaches

TABLE 2. **Approvals by country** (in USD million)

	2007	2008	2009	2010	2011	2007-11
Argentina	204	411	649	1,607	1,346	4,215
Bolivia	275	560	511	426	407	2,179
Brazil	1,518	1,798	907	1,980	1,797	8,001
Colombia	1,213	1,483	2,050	992	1,456	7,195
Costa Rica	128	120	10	10	10	279
Dominican Republic	0	75	129	0	10	215
Ecuador	1,089	604	873	901	772	4,238
Mexico	0	10	65	35	29	140
Panama	0	635	232	312	484	1,663
Paraguay	0	6	107	36	120	269
Peru	1,180	1,458	2,287	1,693	2,184	8,802
Dominican Republic	0	75	129	0	10	215
Uruguay	115	601	590	120	648	2,074
Venezuela	816	72	627	1,638	531	3,684
Others	69	114	133	783	270	1,369
Total	6,607	7,946	9,171	10,533	10,066	44,323

USD 9.7 billion and represents 96.8% of the total.

In the cases of Peru, Brazil, and Colombia, the approvals to the

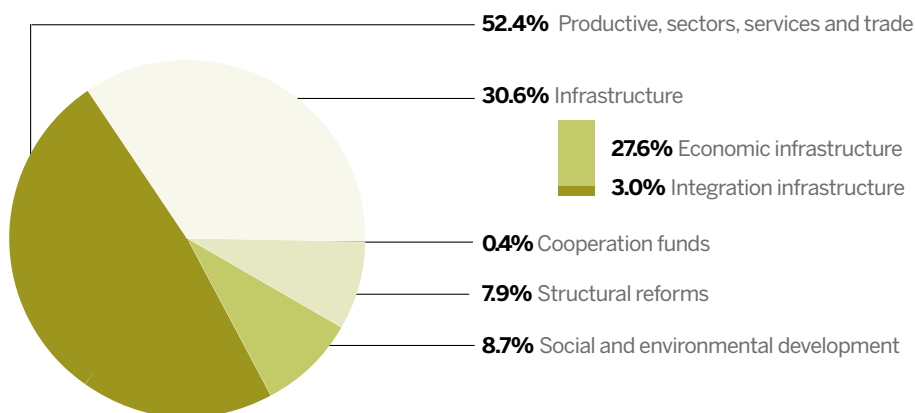
productive sector through the financing system reached USD 1.1 billion, USD 975 million, and USD 819 million, respectively, all of them through short and medium-term lines of credit.

Approvals by strategic area

CAF approved USD 3.1 billion for the infrastructure area, in line with the priorities established in the development agendas of the shareholder countries, especially in the fields of energy and

roads. These approvals represented 30.6% of the total, of which 27.6% was directed to economic infrastructure activities, and the remaining 3% aimed at financing integration infrastructure projects.

GRAPH 2. Approvals by strategic area



Especially noteworthy is the approval of projects such as the Comprehensive Development Project of the National Space Sector and the Regional Road Development Program, Phase 2 (National Route 40), in Argentina; the Uyuni-Huancarani-Cruce Condo K Highway, in Bolivia; the Complementary Works Program of the Metropolitan Arch of Rio de Janeiro and the Program for the Improvement and Implementation of Road Infrastructure in the State of Rio de Janeiro (PROVIAS), in Brazil; the Urban Transportation Program in Barranquilla and Monteria, in Colombia; the Road Development Program, in Ecuador; the Metro Project, in Panama; the Program to Support the Transmission and Distribution Network of the National

Interconnected System (ANDE) in Paraguay; the Lima and Callao Electric Mass Transportation System, in Peru; the Punta de Tigre Combined Cycle Plant Project, in Uruguay; and the Project to Rehabilitate Units 1-6 of the Simon Bolivar Hydroelectric Plant, in Venezuela.

The object of these initiatives is to create a platform to enable the economic growth necessary to increase the quality of life of the population by promoting competitiveness and sustainability in the region.

In addition, CAF favored the financing of operations aimed at social and environmental development by granting resources for the implementation of

projects for basic services, building human and social capital, protection of the environment, and development of education and health. Approvals to these areas of strategic interest reached USD 874 million, which represents 8.7% of total approvals during the year.

Resources were aimed at operations such as the Program for Potable Water Basic Works (AYSA), First Stage, Program to Assist the Populations Affected by the Eruption of the Puyehue Cordon Caulle Volcanic Complex, Program to Develop Physical Educational Resources, and the Program to Increase Competitiveness in the Northeastern Sugar Industry, all of them in Argentina; the Program to Prevent Natural Disasters, and the More Investments for Water Program (MIAGUA) in Bolivia; the Sectorial Program in Support of the Management of Water Resources, in Colombia; Investment Program for Educational Infrastructure; the Program for Physical Infrastructure, Equipment, Maintenance, Studies, and Supervision and Control in Health, the Project for the Fast Reduction of Malnutrition and Territorial Nutritional Comprehensive Intervention, in Ecuador; the Regional Financing Facility for the Immediate Attention of Emergencies Resulting from Natural Phenomena, in Panama; the Forestry Sustainable, Inclusive, and Competitive Development Program, in the Peruvian Amazon; the expansion of the Project for the Treatment and Final Disposal of the Effluents of the Maldonado System, in Uruguay; and the Program for the

Rehabilitation and Optimization of the Large Potable Water Plants, in Venezuela.

In addition, CAF allocated USD 5.3 billion to the production and financial sectors, both directly and through support of financial systems in the region. This amount is equivalent to 52% of total approvals during the year. These resources were channeled through corporate loans and through short and medium-term lines of credit, while providing financing to development banks in the region, both with and without sovereign guarantees.

Resources granted aim at promoting competitiveness, strengthening public and private enterprises in the region, and supporting SMEs and micro-financial entities that benefit entrepreneurial sectors with limited access to financial services. Especially noteworthy is the approval granted to the National Guarantee Fund in Colombia, aimed at supporting Colombian financial institutions to back up loans granted to MSMEs.

In the area of structural reforms, CAF renewed the contingent credit facilities in favor of Peru and Uruguay. These lines of credit were approved as preventive financial instruments to support the public debt management of both governments in case they encounter difficulties when accessing capital markets. Approvals to this sector totaled USD 800 million at the close of 2011, representing 8% of the total approved.

Approvals by term

Long-term loans, with maturities of five years or more, made up 49% of approvals in 2011. Thus, CAF supported financing segments not serviced by other sources, and participated, through public and private initiatives, in projects that have a high-impact

on the sustainable development. Short and medium-term operations comprised the remaining 51% of approvals. The resources were largely allocated to finance international trade and working capital operations through the financial systems to support the development of the production sector.

TABLE 3. Approvals by term (in USD million)

	2007	2008	2009	2010	2011	2007-11
Long-term loans	3,618	3,186	5,394	6,830	4,946	23,975
Medium-term loans	46	38	269	268	175	796
Short-term loans	2,943	4,722	3,507	3,436	4,945	19,552
Total	6,607	7,946	9,171	10,533	10,066	44,322

USD 44.3 billion
Approvals in the
2007-2011 period



Approvals by type of risk

During 2011, CAF approvals to the sovereign sector reached USD 4.5 billion, representing 45% of the total approvals.

Approvals to the non-sovereign sector represented 55% of the total (USD 5.5 billion) and were channeled to

the production, financial, public and private sectors, which required mainly short- and medium-term resources, as well as direct financing for working capital, foreign trade operations, and investments, mainly to expand the production capacity of public and private enterprises.

TABLE 4. Approvals by type of risk (in USD million)

	2007	2008	2009	2010	2011	2007-11
Sovereign	2,984	3,343	5,590	5,796	4,528	22,242
Non-Sovereign	3,622	4,603	3,580	4,737	5,538	22,081
Total	6,607	7,946	9,171	10,533	10,066	44,322

Disbursements

At the close of 2011, CAF's disbursements amounted to USD 7.2 billion. A significant part of the disbursements, 35%, was aimed at investment programs and projects, among other priority areas in

CAF's Agenda for Comprehensive Development, to improve the competitiveness of production sectors and support the poorer segments of the population, particularly by providing basic services.

GRAPH 3. Disbursements (in USD million)

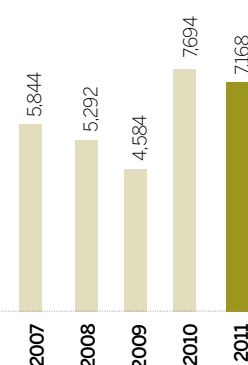


TABLE 5. Disbursements by product (in USD million)

Medium- and long-term loans	3,192
Sovereign	2,900
Investment programs and projects	2,537
Program loans and SWAPS	364
Non sovereign	292
Lines of credit	3,873
Contingent line of credit	5
Capital contributions	64
Cooperation funds	34
TOTAL	7,168

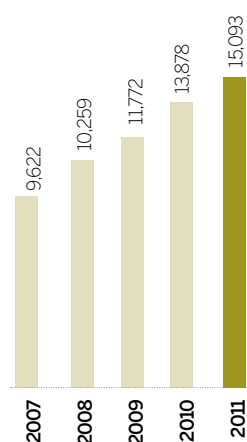
Of the total disbursed, more than 49% (USD 3.5 billion) was short term, without a significant impact on portfolio growth

at the close of 2011. Brazil, Colombia, and Peru concentrated more than 83% of the 2011 disbursements.

TABLE 6. **Disbursements by country** (in USD million)

	2007	2008	2009	2010	2011	2007-11
Argentina	333	294	492	283	663	2,065
Bolivia	197	444	216	253	266	1,376
Brazil	879	951	1,022	1,226	963	5,041
Colombia	968	892	927	1,601	1,836	6,225
Costa Rica	8	86	24	0	7	124
Dominican Republic	0	55	20	45	39	159
Ecuador	1,416	444	290	721	566	3,437
Panama	38	16	6	23	177	260
Paraguay	8	8	4	51	43	113
Peru	1,730	1,531	650	2,494	1,303	7,709
Uruguay	62	170	377	95	52	756
Venezuela	127	260	412	685	905	2,388
Other countries	79	141	145	216	347	928
Total	5,844	5,292	4,584	7,694	7,168	30,582

GRAPH 4. **Portfolio** (in USD million)



Portfolio

At the close of 2011, CAF's portfolio reached USD 15.1 billion, representing an increase of 8.8% over 2010. For the ninth consecutive year, the portfolio growth represented a new record for the Institution.

Portfolio by country

The portfolio growth in 2011 showed the economic dynamism experienced by Latin American countries and demonstrated CAF's response to the increasing demand for resources from the economies of the region.

TABLE 7. **Portfolio by country** (in USD million)

	2007	2008	2009	2010	2011
Argentina	421	693	1,157	1,395	1,913
Bolivia	1,048	1,110	1,166	1,309	1,426
Brazil	807	825	1,034	1,116	992
Colombia	1,633	1,707	1,695	1,974	1,829
Costa Rica	22	107	126	121	118
Dominican Republic	0	55	75	120	158
Ecuador	2,150	2,018	2,052	2,437	2,509
Panama	63	72	76	90	246
Paraguay	39	37	28	66	100
Peru	1,809	1,774	1,869	2,186	2,578
Uruguay	62	232	582	657	352
Venezuela	1,470	1,535	1,765	2,228	2,652
Other countries	98	94	148	181	218
Total	9,622	10,259	11,772	13,878	15,093

USD 15.1 billion
Total portfolio



Portfolio by economic sector

One of CAF's main strategic activities is contributing to the construction of infrastructure and social development

projects. In this field, loans approved for the supply of energy, gas, and water, reached USD 5.0 billion, representing 33.2% of the portfolio at year end. In

addition, 12.3% of the Institution's total loan portfolio corresponds to education, social services, and health.

The commercial banking and development institutions portfolio reached USD 1.4 billion, representing

95% of the total. The size of this portfolio reflected the Institution's interest in supporting the expansion of the production sector, especially in the MSME segment, as a key mechanism for the economic development of the countries in the region.

TABLE 8. **Portfolio by economic sector** (in USD million)

	2007	2008	2009	2010	2011
Agricultural infrastructure	113	88	78	40	34
Mining and quarrying	70	70	43	66	50
Manufacturing industry	279	416	261	200	281
Supply of electricity, gas, and water	1,079	2,004	2,968	4,095	5,018
Transportation, storage, and communications	3,103	3,201	3,660	4,365	5,325
Commercial banking	1,512	1,457	1,500	1,698	1,077
Development institutions	249	210	225	345	354
Education, social services, and health	1,945	1,740	1,698	1,599	1,854
Other activities	1,272	1,075	1,339	1,469	1,101
Total	9,622	10,259	11,772	13,878	15,093

Finally, the remaining 9.7% of the portfolio (USD 1.5 billion) was allocated to other activities aligned with CAF's corporate strategy. Among these, the USD 1.1

billion aimed at implementing reforms and guaranteeing the macroeconomic stability of shareholder countries is noteworthy.

USD 5.3 billion
Portfolio in
transportation,
storage, and
communications



Portfolio by term

As in previous years, CAF allocated most of the loan portfolio to long-term operations, which contribute to the development of economic, integration and social development infrastructure projects. Thus, at the close of 2011, the long-term loan portfolio reached USD 13.6 billion, representing 90% of the total. If the medium-term portfolio and capital investments are included,

the amount reaches USD 14.7 billion, representing 97% of the total. In this way, the Institution meets the region's financing needs, which are not easily addressed through other sources of financing.

The short-term portfolio reached USD 431 million, representing 3% of the total.

TABLE 9. **Portfolio by term** (in USD million)

	2007	2008	2009	2010	2011
Capital investments	74	75	85	95	112
Loans	9,548	10,184	11,687	13,783	14,981
Long-term	7,868	8,472	10,101	11,882	13,639
Medium-term	377	660	432	702	911
Short-term	1,303	1,052	1,154	1,199	431
Total portfolio	9,622	10,259	11,772	13,878	15,093

USD 12.1 billion
Sovereign risk portfolio



Portfolio by type of risk

One of CAF's priorities is to satisfy the credit requirements of the sovereign sector to support shareholder countries in financing public investment projects. The portfolio assigned to this sector reached USD 12.1 billion at the close of 2011, and represented 80% of the total. The amount reflects the Institution's close relationship with shareholder clients, periodically renewed through programming missions, to identify the priorities of each country's development agenda.

At the same time, the beneficiaries of non-sovereign risk loans made up the remaining 20% of the portfolio. This reaffirms CAF's commitment to support the growth of the public and private production sectors to improve regional competitiveness and the quality of life of the region's population. Of note are the loans provided to public enterprises and sub-national governments, without sovereign guarantee, reflecting the Institution's growing financial and managerial strength, resulting from the efforts to enhance the decentralization and improve the quality of the sub-national public administration.

TABLE 10. Portfolio by type of risk (in USD million)

	2007	2008	2009	2010	2011
Sovereign	7,249	7,543	8,870	10,518	12,069
Non-sovereign	2,373	2,716	2,902	3,360	3,023
Total	9,622	10,259	11,772	13,878	15,093

Award-winning operations

During 2011, CAF was recognized for its financial innovation in different areas.

- Euromoney magazine awarded the Latin American Biofuels Deal-of-the-Year for 2010 to the USD 149 million granted to Maple Etanol S.R.L. to finance a biofuel project in Peru. The operation evidenced CAF's coordinating role, as combined efforts with the IDB, the Netherlands Entrepreneurial Development Bank (FMO), and Interbank were needed. As a result, four loans were approved for a total of USD 149 million, which include USD 65 million approved by CAF.
- The issue of the 20-year stock received several awards in 2010. The deal was conducted in August of 2010 in Mexico, for 4,065 billion Mexican Pesos equivalent to approximately USD 320 million and was co-structured by CAF. The International Financial Review recognized the operation with the Best 2010 Transaction in Emerging Markets award, while LatinFinance awarded it the Best Structured Financing Deals and Best Financing Innovation. The issue was structured by Latam Capital Advisors, which also advises the Instituto de la Función Registral del Estado de México IFREM (Registry Institute of the State of Mexico), and will be paid off with the Institute's future revenues.

CAF's support to the productive and financing sectors of the region

During the year, CAF maintained its commitment to support the production and financing sectors in its shareholder countries. In this regard, the approval of an institutional cooperation program with the Corporación Financiera de Desarrollo COFIDE (Development Financing Corporation) in Peru.

This program includes an increase in the development bank's capital investment.

In Ecuador, a facility was approved for Otecel, a leading telecommunications company, and another for Alpiecuador, of the food sector. The latter will enable the initiation of commercial links with the Alpina group in Colombia, a leading company in the sector.

Also noteworthy are the approvals, with guarantees, of Termochilca and H2Olmos, both in Peru, strengthening CAF's capacity to offer solutions adjusted to the needs of its clients, local banks and financial markets in the region.

In addition, two approvals for the development of airport infrastructure operations stand out in Colombia: financing the concession holder of the El Dorado Airport in Bogotá, and the concession holder of six airports providing services in the north of Colombia, including Medellín.

At the same time, in Brazil CAF ventured into the food segment by taking on

Marfrig -one of the largest producers and exporters of meat products in the world- as a client. Marfrig received a loan to finance exports. A corporate loan for USD 50 million was also approved for the Grupo Isolux Corsan S.A. to finance infrastructure projects in CAF's member countries in Latin America.

Furthermore, throughout 2011 several investments were aimed at fulfilling needs that in some cases have not been addressed, and in other cases have a significant environmental protection component. Among other transactions, an investment for USD 15 million in the Latin America Export Finance (Crecera) stands out. This is an open capital fund that provides financing for commercial operations of small and medium-sized companies which have been ignored by the international banking system, and whose export products have transparent market prices.

Another investment for USD 5 million in Mi Plata, a Colombian company which conducts its financial transactions business through cellular phones to serve the needs of the unbanked population, was finalized.

Finally, CAF's acquired of 2.5% of the capital of Proparco's, a subsidiary of the French Development Agency (AFD), which will allow both institutions to join efforts to develop the Latin American private sector.

Cooperation Funds

Technical cooperation is an instrument to finance innovative operations that complement the technical capacity of the countries and contributes to sustainable development and regional integration that furthers CAF's agenda. It enables the promotion of infrastructure, competitiveness, financial market integration, trade integration, technological innovations and exchange and a comprehensive education of the population.

During 2011, technical cooperation approvals reached USD 35.7 million. Technical cooperation funds originate in CAF's net earnings or in third-party funds managed by CAF. The activities that benefit from CAF's cooperation funds support sustainable development and regional integration.

The following are the main cooperation funds managed by CAF.

USD 35.7 million
Approvals through
technical
cooperation funds



TABLE 11. Approvals through the main cooperation funds managed by CAF (in USD million)

	2011
Technical Assistance Fund (FAT)	14.1
Human Development Fund (Fondeshu)	7.6
Fund for the Promotion of Sustainable Infrastructure Projects (Proinfra)	9
Special Fund for Bolivia (FEB)	1.7
Special Fund for Ecuador (FEE)	0.7
Cross-Border Cooperation and Integration Fund (COPIF)	1.1
Other funds	1.5
Total	35.7

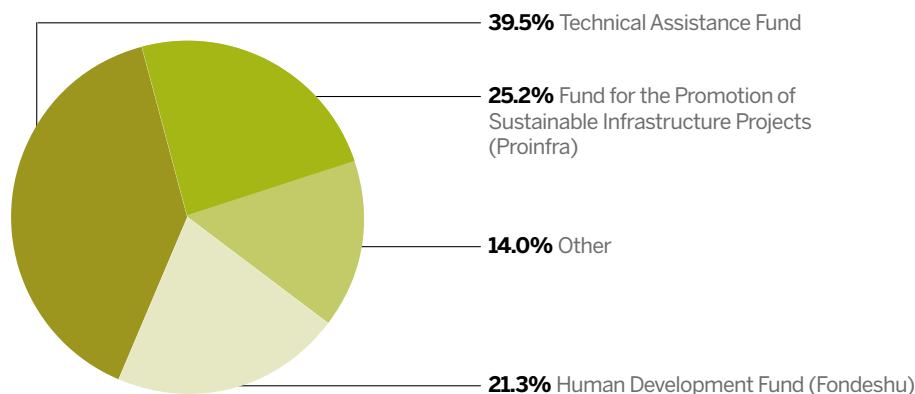
Approvals

In 2011, through the Technical Assistance Funds (FAT) and the Human Development Fund (Fondeshu), CAF supported diverse strategic activities which complement the Institution's traditional business management, and include operations associated to competitiveness, integration infrastructure, social development,

microfinance, governance, environment, humanitarian support and culture.

CAF addresses the requirements through programs that have a regional scope, such as supporting competitiveness, macroeconomic research, analysis, microfinance, SMEs support, financial markets assistance, regional politics and citizen security.

GRAPH 5. Sources of the main cooperation funds



Main Cooperation Funds

Technical Assistance Fund (FAT)

Centralizes most of the special sources of financing. Its purpose is to provide support for projects and programs in shareholder countries.

2011 Approvals: USD 14.1 million

Human Development Fund (Fondeshu)

Provides financial support for the implementation of high impact, innovative, and productive community projects aimed at society's most vulnerable.

2011 Approvals: USD 7.6 million

Fund for the Promotion of Sustainable Infrastructure Projects (Proinfra)

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

2011 Approvals: USD 9 million

Special Fund for Bolivia (FEB) and Special Fund for Ecuador (FEE)

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

2011 Approvals: FEB USD 1.7 million, FEE USD 0.7 million

Spanish Technical Cooperation Fund (FECT), Canadian Agency Fund (ACDI), and Italian Cooperation General Fund (FGCI)

These agencies represent financing sources for the region's development through consultancies with Spanish, Canadian and Italian companies.

The Spanish Ministry of Economy is the entity in charge of monitoring the operations of the Spanish contribution, the Canadian International Development Agency (ACDI) operates from the Canadian embassies in each of the requesting countries, and the Ministry of Foreign Relations of the Republic of Italy is the entity responsible for providing the final acceptance of the operations to be financed with FGCI resources.

2011 Approvals: USD 1.5 million

Andean Energy Conservation Fund (FACE)

Provides resources for consulting and training in the area of conservation of energy sources in the countries. These funds were fully used during 2011 .

2011 Approvals: USD 4,500

Cross-Border Cooperation and Integration Fund (COPIF)

Support for the timely identification, preparation, and execution of high-impact projects that promote sustainable development in the border regions of member countries, and that strengthen cooperation, dialogue, mutual respect and cross-border integration both at a bilateral and multilateral level.

2011 Approvals: USD 1.1 million

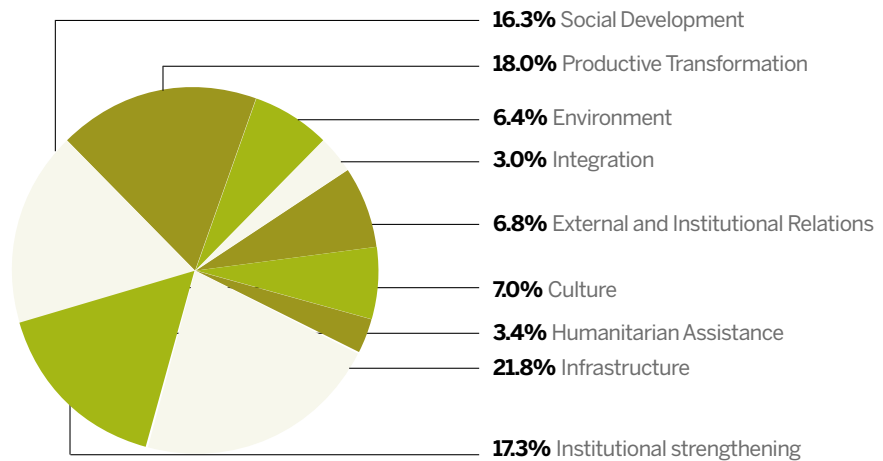
The physical infrastructure for integration and other strategic issues for regional cohesion are strategic pillars of the institutional mission. Prime examples of this are the Initiative for the Integration of the South American Infrastructure (IIRSA) and the Infrastructure Sectorial Development Program.

The Governance and Political Management, the Regional Updating and Improvement of Local Management Program (PRAMEG), and the Educational Competence Program (PROCE) are especially relevant because of the knowledge they generate and the modern tools they provide for the public sector.

With respect to the social sector and environment, CAF seeks to cover the needs of the population most in need through special projects, such as Social Action for Music, Social Action for Sports, Innovators from America, Social Responsibility Promoters, Sustainable Cities, Biodiversity Program (BIOCAF), and CAF Forest Program among other projects.

At the same time, approvals of activities financed with third party funds managed by CAF reached USD 2 million, which were allocated to finance consultancies developed by companies in donor countries.

GRAPH 6. Approvals through cooperation funds by strategic area



Special Funds

CAF supports projects through funds other than cooperation funds. These include the Enterprise Investment and Development Fund (FIDE), the Compensatory Financing Fund (FFC), the Latin American Carbon, Clean, and Alternative Energies Program (PLAC+e), and the Special Financing Program for Clean Alternative Energy and Energy Efficiency Projects (PROPEL).

The FIDE strengthens the capital base of MSMEs through capital, quasi-capital

and credit operations. CAF conducts these activities through alliances with venture capital funds, banks, large industries and guarantee funds which make capital investments in the MSMEs of the region.

In 2011, CAF approved five new operations for a total of USD 11.5 million through FIDE, aimed primarily at supporting MSMEs through investments in venture capital funds.

At the same time, through the FFC, CAF allocated resources to reduce the costs of financing sovereign investment programs and projects, by granting a subsidy without affecting its profitability.

The main objective of the fund has been to promote the implementation of projects aimed at mitigating regional asymmetries, helping marginalized populations, and promoting regional infrastructure integration. Also in 2010, the fund's mission was extended to promote all the sovereign investment programs and projects and to improve the financial conditions with which member countries access CAF financing.

During 2011, 35% of the Institution's total approvals, that is, USD 3.5 billion, were eligible for the FFC subsidy. This is the case of projects such as the Educational Physical Resources Development Program in Argentina; Program for the Prevention of Natural Disasters in Bolivia; Complementary Works Program of the Metropolitan Arch in Rio de Janeiro, Brazil; Urban Transportation Program in Barranquilla and Monteria, in Colombia; Project for a Quick Reduction of Malnutrition and Comprehensive Territorial Nutritional Intervention in Ecuador; Metro Project in Panama; Program in Support of the Transmission and Distribution Network of the National Interconnected System (ANDE), in Paraguay; Forestry Sustainable, Inclusive, and Competitive Program in the Peruvian Amazon; Punta de Tigre Combined Cycle Plant Project in Uruguay; and the Rehabilitation Project for Units 1-6 of the Simon Bolivar Hydroelectric Plant (Guri) in Venezuela. At the close of the year, 30% of the portfolio benefitted from these

funds which, during 2011, provided USD 28.2 million in subsidies for the portfolio's interest payments.

The objective of the PLAC+e is to support public and private entities that help strengthen national mechanisms to promote the use of greenhouse gas markets (GHG) and other regulatory instruments to mitigate emissions by identifying, developing, and financing mitigation plans for clean alternative power sources, and energy efficiency.

In 2011, CAF signed two new purchase-sale contracts and incorporated five new projects into its portfolio. Thus, the PLAC+e manages, develops, and markets the reduction of GHG emission related to 40 operations in sectors that are essential for low carbon development in Latin America, such as energy efficiency, renewable energy, capture and use of biogas, reforestation and mass transportation. The projects reduce 25.7 million tons of CO₂ equivalent, valued at USD 275 million, of which USD 140 million correspond to funds managed by the PLAC+e of the governments of The Netherlands and Spain. The remaining resources correspond to CAF's own future operations in the carbon market.

During 2011, through the Special Financing Program for Clean, Alternative Energy and Energy Efficiency (PROPEL) CAF approved four operations for a total of USD 44.6 million. The USD 27 million loan approved for the Pizarras Hydroelectrical Plant (18 MW of installed capacity) is noteworthy. PROPEL also brought more than 13 projects in the region to the evaluation stage, and established relations with different international institutions interested in the development of clean energy projects in Latin America.

Shareholder
countries





Shareholder countries

Argentina **48**

Bolivia **54**

Brazil **60**

Colombia **66**

Ecuador **72**

Panama **78**

Paraguay **84**

Peru **88**

Uruguay **94**

Venezuela **100**

Other Shareholder countries **106**

Chile **107**

Costa Rica **107**

Spain **107**

Jamaica **108**

Mexico **108**

Portugal **108**

Dominican Republic **109**

Trinidad and Tobago **109**

2011

Argentina

During 2011, CAF approved operations in favor of Argentina for USD 1.3 billion, of which 40% (USD 539 million) corresponded to sovereign risk operations and 60% (USD 807 million) to non-sovereign risk operations.

The total amount approved includes two A/B loans for USD 489 million, granted to Renova and YPF S.A. The first, for USD 239 million, is aimed at partially financing the construction of a soybean crushing plant and an electrical generation plant and storage. The second loan, for USD 250 million, financed the company's investment plans for 2011 and 2012.

Operations worth USD 254 million in the areas of social and environmental development stand out in 2011. CAF approved operations such as the Multiple Works Program in Municipalities - Phase II, aimed at improving the quality of life in several municipalities. In addition, the Institution approved the Basic Potable Water Works Program (AYSA), to partially finance the expansion and improvement plan of the potable water and sewage system of Agua y Saneamientos Argentinos (Argentinean Water and Sanitation Company). The approval of the Program for the Development of Educational Physical Resources, which will finance infrastructure works in public institutions also stands out. The Program to Increase Competitiveness in the Sugar Producing Sector of Northeastern Argentina was also approved. Because of problems caused by the eruption of the Puyehue Cordon Caulle volcanic complex, CAF approved an emergency loan of USD 30 million.

A significant part of the funding was set aside the implementation of economic

Argentina in 2011 figures (in USD million)

	2011	2007-2011
Approvals	1,346	4,215
Sovereign risk	539	2,852
Non-sovereign risk	807	1,363
Disbursements	663	2,065
Sovereign risk	454	1,713
Non-sovereign risk	209	352
Portfolio	1,913	
Sovereign risk	1,625	
Non-sovereign risk	288	

infrastructure and integration projects, specifically in the telecommunications sector, with the Comprehensive Development Project for the National Space Sector, and in the transportation sector, with the Road Development Program - Phase 2 (National Route 40). In addition, a loan for USD 13.6 million was approved to finance the Comprehensive Modernization Program of the Nation's General Archive. CAF also continued to support the financial sector by providing short, medium, and long-term credit lines to Banco de Inversion y Comercio Exterior -BICE- (Investment and Foreign Trade Bank), Banco Itau Argentina, Banco Santander Rio, and Banco Supervielle.

In the corporate private sector, CAF strengthened its support by approving several operations geared to the energy and port sectors. In the first case, the Institution approved a loan to the Koluel Kayke II project for USD 40 million, and a partial guarantee for up to USD 50 million to Isolux Corsan for the Loma Blanca project, which will produce 200 MW of generated electricity. With respect to port logistics, USD 60 million were approved for the Port Management Consortium of the Port of Bahia Blanca to dredge a deep channel. In the area of capital investments, an equity purchase of USD 2 million was approved for Ecopor S.A. This company collects the discarded vegetable oil and turns it into biofuel.

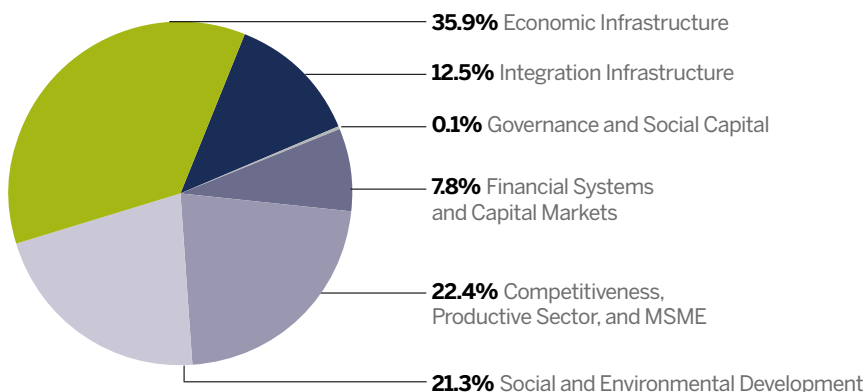
Approvals to Argentina

	Total Amount (USD million)	Term (Years)
<p>Program for the Development of Educational Physical Resources <i>Client/Executing Agency: Republic of Argentina / Ministry of Federal Planning, Public Investment, and Services</i> Objective: Finance infrastructure projects, equipment and furnishings in public educational institutions in the provinces.</p>	65	12
<p>Road Development Program, Phase II, National Route 40 <i>Client/Executing Agency: Republic of Argentina / Ministry of Federal Planning, Public Investment, and Services</i> Objective: Contribute to the consolidation of the National Route 40 Corridor (RN No.40), which is a road running parallel to the Andes Mountains through the length of the Republic of Argentina, by improving the existing road infrastructure and resurfacing and improving various stretches of the Corridor.</p>	168	15
<p>Project for the Comprehensive Development of the National Space Sector, Phase 1 <i>Client/Executing Agency: Republic of Argentina / National Commission for Space Related Activities (CONAE)</i> Objective: Develop the national scientific and technical capacity, increase the demand for highly qualified workers, and promote the transfer of technology to other sectors so as to increase their productivity and competitiveness.</p>	70	15
<p>Multiple Works Program in Municipalities. Phase II <i>Client/Executing Agency: Republic of Argentina / Ministry of Federal Planning, Public Investment, and Services</i> Objective: Improve the quality of life and well-being of inhabitants of the country's municipalities, providing state financing to minor infrastructure works with a strong social impact.</p>	50	12
<p>Comprehensive Modernization Program of the Nation's General Archive <i>Client/Executing Agency: Republic of Argentina / National General Archive</i> Objective: Finance the comprehensive modernization of the Nation's General Archive.</p>	13.6	12
<p>Program to Increase Competitiveness in the Sugar Producing Industry in Northeastern Argentina <i>Client/Executing Agency: Republic of Argentina / Ministry of Agriculture, Livestock, and Fishing</i> Objective: Promote competitiveness in the sugar industry of Northeastern Argentina through a transformation and diversification strategy based on incentives for ethanol production in a framework of environmental and social sustainability. It will also support small sugar cane producers.</p>	100	12
<p>Potable Water Basic Works Program AyASA, First Stage <i>Client/Executing Agency: Republic of Argentina / Ministry of Federal Planning, Public Investment, and Services</i> Objective: Provide financing for the first stage of the Potable Water Basic Works Program, to improve access and services in the Municipalities of Esteban Echeverria, Ezeiza, and Almirante Brown, improving the quality of life of close to 290,000 inhabitants in society's vulnerable sectors.</p>	42	12
<p>Program to Assist the Populations Affected by the Eruption of the Puyehue Cordon Caulle Volcanic Complex <i>Client/Executing Agency: Republic of Argentina / Ministry of Economy and Public Finance</i> Objective: Facilitate timely financing to the Republic of Argentina to deal with the effects of the eruptions of the Puyehue volcano, which started on June 4th, 2011, in the provinces of Rio Negro and Neuquen.</p>	30	12
<p>Uncommitted Revolving Credit Line <i>Client: Molinos Rio de la Plata S.A.</i> Objective: Pre-export financing.</p>	30	Various
<p>Eolica Koluel Kayke <i>Client: Executing Agency: Eolica Koluel Kayke</i> Objective: Support the development of the aeolic generation park Koluel Kayke II in the Province of Santa Cruz, with a nominal potential of 25 MW, which is expected to operate at an annual average energy production of 116 GWh.</p>	40	10

USD 1,345.7 **Total**
Million

	Total Amount (USD million)	Term (Years)
Financing for the Deep Dredging Project in the Port of Bahia Blanca <i>Client: Bahia Blanca Port Management Consortium</i> Objective: Finance dredging costs to increase the depth of the port's waters.	60	10.5
A&B Loans <i>Client: Renova S.A.</i> Objective: Partially finance the construction of a soybean crushing plant with an annual capacity of 4,950,000 tons, and an electrical generation plant.	239	7
A&B Loans <i>Client: YPF S.A.</i> Objective: Partially finance the investment plan for 2011-2012 of YPF, a leading oil and gas company in Argentina.	250	6
Corporate Loan <i>Client: Corporacion America</i> Objective: Partially finance the technical feasibility studies (preliminary engineering) of the Central Bioceanic Corridor project.	10	3
Partial Credit Guarantee <i>Client: Isolux Corsan Energías Renovables, S.A. (Renewable Energy Enterprise)</i> Objective: Finance the installation, start-up, operation, and maintenance of four aeolic electricity generation plants, Loma Blanca I, II, III, and IV.	50	12
Uncommitted Revolving Credit Line <i>Client: Vicentin, S.A.I.C.</i> Objective: Finance trade and working capital operations.	20	Various
Capital Contribution <i>Client: Ecopor S.A.</i> Objective: Finance trade and working capital operations.	2	7
Uncommitted Revolving Credit Line <i>Client: Banco BICE, Banco Superville, Banco Santander Rio, Banco Itau Argentina</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.	105	Various
Other Operations with Cooperation Resources <i>Various beneficiaries</i>	1.1	Various

Approvals by strategic area, 2011



Other contributions to sustainable development in Argentina

USD 1.1

Million granted by CAF to Argentina in cooperation funds

Infrastructure

- Mobility and Transportation Plan in the city of Comodoro-Rivadavia, which will restructure the transportation system and improve mobility in the city.
- A study of the BRT (Bus Rapid Transit) transportation network in Buenos Aires, which is in its final phase.
- Program for the Recovery of the Belgrano-Cargas Railroad, which studies the rehabilitation of the longest railroad network in Argentina, which would improve the connectivity of the Embarcacion-Avia Terai-Barranqueras-Rosario Corridor.
- Evaluation of a CAF guarantee to provide financial support to the projects in the GENREN program, which consists of the restructuring of a financial product (CAF guarantee on payment obligations of official and government entities) which contributes to the financing of certain private projects dealing with clean energy, for which bids have been solicited.
- Approval of the Technical, Financial, and Institutional Study for the construction of the National Archive Complex ONABE.
- Institutional strengthening of the port sector in the province of Buenos Aires.

Competitiveness

- Resources for the Metropolitan Design Center in the city of Buenos Aires to incorporate design and innovation as part of the instruments that improve the competitiveness of the SMEs. The initiative estimates the size of the design market and its professional, industrial, commercial, and institutional profile.
- Supported the strengthening and competitiveness program for entrepreneurs through the contest Argentina Business in Development Challenge.
- Supported and participated in the seminar for professionals of the entrepreneurial ecosystem in Latin America.
- Supported the improvement of corporate governance in enterprises through the Corporate Governance Seminar: Challenges for the Region and the Small and Medium Enterprises, organized by the National Securities Commission.

SME and Microfinance

- Supported the organization Fuerza Solidaria in the development of a stronger program for Argentinean microfinancing institutions.
- Support to strengthen transparency in the microfinancing sector through the Argentinean Network of Microcredit Institutions (RADIM, in Spanish).
- Sponsored the meeting Proposals to Improve the Development of Microfinance in Argentina, organized by FONCAP.
- Sponsored a research paper contest, Social Capital Fund Award "Promoting Microfinance in Argentina", second edition.



Promotion of potable water and sanitation projects

Governance

- The Governance and Policy Management Program was offered during four consecutive years at the San Andrés University and the National University of Rosario to contribute to the development of skills and the design of reforms with satisfactory levels of governance on the part of the authorities of local governments, technical teams at the national and sub national levels and individuals from the civil society. In 2011, 194 participants from the public sector were trained.
- Supported the + Local Government Seminar, organized by the Argentinean Federation of Municipalities to strengthen the capacities and quality of local governments.
- Sponsored the Annual Politicians' Meeting (RAP, in Spanish), to promote dialogue among relevant political actors in a pluralistic environment, and to improve management.

Agreements

- Signature of a Memorandum of Understanding with the German bank KfW and the Banco de Inversión y Comercio Exterior de Argentina (Investment and Foreign Trade Bank of Argentina) (BICE) for the development of an Activity Program for the reduction of emissions in the biomass sector.
- Signature of a Mandate with Emgasud Renovables S.A. to develop and market the carbon components of the aeolic projects Puerto Madryn I and Puerto Madryn II.
- Signature of the Framework Collaboration Agreement between the International Union of Lawyers and CAF, to strengthen the judicial systems in Ibero-American countries.

Environment

- Supported the Nature Conservancy (TNC) in the preservation of protected areas and vegetation cover in the Patagonia.

Social Development

- Supported the Project for the Implementation of the Water + Work Plan of Agua y Saneamientos Argentinos S.A. (Water and Sanitation Argentinean Company), whose objective is to establish cooperatives and provide training on operating and implementing potable water networks and home connections under safe conditions. The project promotes access to potable water for 500 families which have not had this service in 30 years.
- Supported the IV Ibero American Congress on Culture to foster, through music, the integration of the countries of Latin America and the development of creative skills of children and adolescents.
- Started the construction of a Service Center in Haiti jointly with the Valdocco Foundation of Argentina, to contribute to the country's reconstruction after the 2010 earthquake.

Social Sustainability

- Signature of an Agreement with the Municipality of Rosario to carry out the El Obrador Cultural Factory project to strengthen the center's activity both from a physical point of view as well as in terms of organizations and processes.
- Supported from CAF's Citizen Security Program to the Ministry of National Security to aid in the design of a comprehensive and democratic policy for the security of citizens.
- Mapping of Entrepreneurial Social Responsibility Promoters: Companies in Dialogue (Empresas en Diálogo). The objective of the program is to promote corporate social responsibility (CSR) in eight countries of the region, through the creation of public spaces where enterprises and other Latin American institutions may generate synergies with CSR promoters.
- Supported the II Training Workshop for Teachers of the Social Action for Music Program.

An aerial photograph showing a dirt road that has been cut into a steep, rocky mountain slope. The road is a light brown color, contrasting with the dark, layered rock faces. The surrounding landscape consists of rolling hills and valleys, some of which are covered in green vegetation. In the background, more distant hills are visible under a cloudy sky. A semi-transparent dark box is overlaid on the upper part of the image, containing the text '2011' and 'Bolivia'.

2011

Bolivia

During 2011, CAF approved USD 407 million for operations in Bolivia, of which 83% (USD 337 million) corresponded to sovereign risk operations, and 17% (USD 71 million) to non-sovereign risk operations.

Especially noteworthy are USD 220 million in approvals for economic and integration infrastructure, which represented 54% of the total. CAF approved the financing of the Uyuni-Huancarani-Cruce Condo K Highway for USD 104.3 million, to provide a permanent, safe, and comfortable road access to the populations of Uyuni, Huancarani and Challapata.

The institution also approved a loan for USD 75 million in favor of the Highway Maintenance Program, whose objective is to rehabilitate eight important highway sections of the main road network and incorporate them to the National Road Conservation Plan. In addition, a USD 27.3 million loan was approved for the Road Integration Program “La Y de Integración” - Phase II. In addition, USD 13.2 million were approved for the financing of the Construction of the Incahuasi Tunnel Project, located in the Monteagudo-Ipati road section (project under execution with CAF resources) that connects the states of Chuquisaca and Santa Cruz and will promote better traffic flow in this area.

In addition, 29% of the approvals were allocated to the social and environmental development area (USD 117 million). Especially noteworthy is the approval of USD 75 million to promote investments in

Bolivia in 2011 figures (in USD million)

	2011	2007-2011
Approvals	407	2,179
Sovereign risk	337	1,662
Non-sovereign risk	71	517
Disbursements	266	1,376
Sovereign risk	241	1,179
Non-sovereign risk	25	196
Portfolio	1,426	
Sovereign risk	1,317	
Non-sovereign risk	110	

water and irrigation projects in 327 of the 337 municipalities in the country, through the More Investments for Water Program (MIAGUA, in Spanish). This program will improve the living conditions of 15,000 families in farming communities, and contribute to the country's food sovereignty by increasing the production capabilities of small- and medium-sized agricultural producers. At the same time, CAF approved a loan for USD 42 million aimed at financing the Natural Disaster Prevention Program, whose objective is not only to provide timely attention to areas affected by flooding, but also to take prevention measures with a focus on the areas that are most affected during the rainy season and by the impact of climate change.

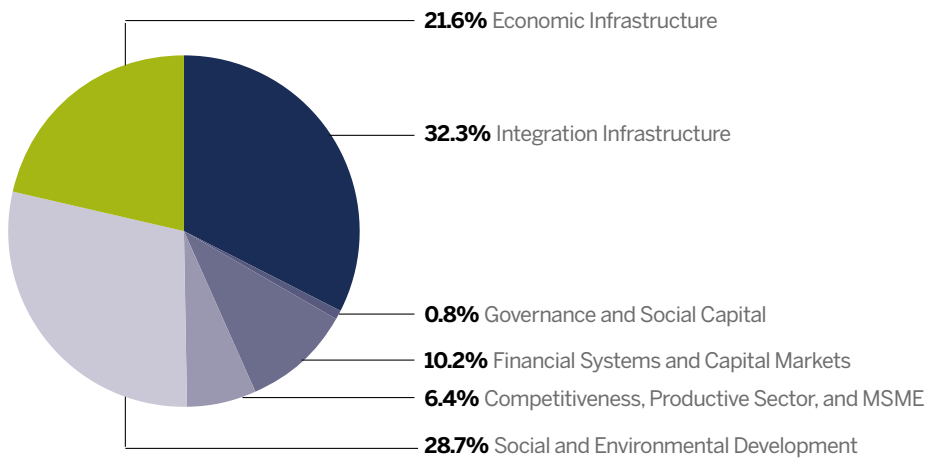
In an environment of high liquidity, with historically low active rates, which provided excellent opportunities for issuers in the Bolivian stock exchange, CAF approved USD 68 million for the private sector. The resources were aimed at the production and financial sectors, of which 70% were channeled to microfinancing institutions and banks, emphasizing the SME sector by financing working capital and investment operations. In addition, relationships were strengthened with enterprises and projects that are expected to increase the level of approvals in 2012.

Approvals to Bolivia

	Total Amount (USD million)	Term (Years)
<p>Road Integration Program “La Y de Integración”, Phase II <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of Planning and Development</i> Objective: Improve and increase the national road infrastructure, through the completion of one of the most relevant integration projects in Bolivia, which will connect the cities of Cochabamba, Santa Cruz, and Potosi.</p>	27.3	18
<p>Uyuni-Cruce Huancarani-Cruce Condo K <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of Planning and Development</i> Objective: Strengthen and increase the road infrastructure in the country by expanding and improving one of the highways that connects the cities of Uyuni and Oruro, connecting with the city of La Paz, which represents an essential link for the transoceanic Corridors.</p>	104.3	18
<p>Incahuasi Tunnel Construction Project <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of Planning and Development</i> Objective: Finance the construction of a 1,260-meter tunnel located between Monteagudo and Ipati.</p>	13.2	15
<p>Highway Maintenance Program <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of Planning and Development</i> Objective: Rehabilitate and improve eight sections of the highways of Bolivia’s Main Road Network, which is currently deteriorating at an accelerated rate. Once these roads have been rehabilitated to a safe level, they will be included in Bolivia’s Highway Conservation Program.</p>	75	15
<p>More Investments in Water Program - MIAGUA <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of the Environment and Water</i> Objective: Support the government’s strategies dealing with the reduction of poverty and food security, through investments in irrigation, potable water and sanitation.</p>	75	16
<p>Natural Disaster Prevention Program <i>Client/Executing Agency: Plurinational State of Bolivia/Ministry of the Environment and Water</i> Objective: Preserve the productive and infrastructure areas in the regions affected by river flooding in the rainy season, by protecting riverbanks through the hydraulic control of riverbeds, dredging and reforestation.</p>	42	15
<p>Uncommitted Revolving Credit Line <i>Client: ADM SAO, S.A.</i> Objective: To finance trade and working capital operations.</p>	20	Various
<p>Uncommitted Revolving Credit Line <i>Client: Jesus Nazareno Cooperative</i> Objective: To finance trade and working capital operations, and investment projects in micro-, small-, and medium-sized enterprises.</p>	1	Various
<p>Uncommitted Revolving Credit Line <i>Client: Banco Los Andes Procredit, Banco Solidario, Banco Union, Banco Nacional de Bolivia, and Banco FIE</i> Objective: To finance trade and working capital operations, and investment projects in micro-, small-, and medium-sized enterprises.</p>	41.5	Various
<p>Uncommitted Revolving Credit Line <i>Client: FFP Prodern, Asociación Civil Crédito con Educación Rural-CRECER (Civil Association Credit with Rural Education)</i> Objective: To finance trade, working capital and investment projects in micro-, small-, and medium-sized enterprises.</p>	5	Various
<p>Other Operations with Cooperation Resources <i>Various beneficiaries</i></p>	3.2	Various

USD 407.5 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Bolivia

Infrastructure

- Contracted the studies for the final design of the comprehensive management of solid waste in the metropolitan area of the state of Santa Cruz de la Sierra. The objective is to promote an efficient allocation of resources to solve the problems generated by solid waste, and to comply with current regulations.
- Contracted studies to structure the Comprehensive Environmental Sanitation Program of the Pirai River Basin, with the objective of identifying and prioritizing activities to reduce, mitigate, and restore the area suffering from negative environmental impacts. This will promote preventive and corrective measures to improve the environmental situation in the Pirai River Basin.
- Contracted a consultant to support the government in preparing the Bolivian National Energy Development Plan, prioritizing infrastructure initiatives in the areas of hydrocarbons and electricity.
- Conducted two seminars for the construction of hydroelectric plants, to address the financing proposals for large hydroelectric plants, and mitigation of the socio-environmental impacts.
- Updated the study on the situation of the Bolivian transportation sector, which includes cargo and passenger highways, water, railroad and air transportation.
- Carried out two workshops in highway construction, which will address the issues of tunnel construction and road safety.

USD 3.2

Million granted by CAF to Bolivia in cooperation funds

Governance

- Trained 594 natural leaders in country vision and civic and democratic values, during the seventh version of the Leadership for Change Program.
- Trained 265 public managers in the eleventh version of the Governance and Policy Management Program. The initiative is focused on strengthening the leadership and management skills of authorities and individuals who will work toward decentralization. The training will provide technical tools to reach this goal.
- Carried out a comprehensive diagnosis of the municipalities of Santa Cruz de la Sierra and Sacaba as part of the Regional Program to Update and Improve Local Management (PRAMEG).



Musical training workshops for social development

Social Development

- Implementation of the Comprehensive Telemedicine System in the Municipality of Santiago de Cotagaita, to strengthen primary health care in conjunction with national policies and the Intercultural Community Family Health Care model (SAFCI, in Spanish), under the auspices of the Ministry of Health. The project seeks to improve the quality of health care for 6,000 individuals.
- Humanitarian aid to victims of strong rains in several states across the country.
- Support for the I Latin American Health Congress "Social Determinants and Citizen Participation", which provided a place to reflect on and analyze the social conditioning and determining factors of health and citizen participation.
- Organized an exhibit of projects that encourage the development of new housing solutions in the local sphere, at the Artespacio gallery in CAF's office in La Paz.
- Trained 502 teachers in the Educational Competencies Program in alliance with the Universidad del Valle.

Social Sustainability

- Organization of the third version of the La Paz 3600 Run (Carrera La Paz 3600) a competition that has become one of the city's favorites, with the participation of close to 10,000 runners. The race has affirmed La Paz's reputation as a city in which to compete in sports at high altitude.
- Financing for the Sowing Gas in Bolivia Project, to provide a natural gas connection to 30 schools and hospitals in Santa Cruz de la Sierra and Sucre. This will improve the quality of life of more than 16,500 individuals.
- Continuation of the Social Action for Sports Program, in alliance with the Tahuichi Aguilera Academy, to improve the situation of girls, boys, and youth through sports, which can be a tool for society's benefit. The objective of the program is to offer quality training to teachers and students, and help more than 3,000 children.
- Development of three musical training workshops, under the Social Action for Music Program (PASM, in Spanish), in alliance

with Banco Sol. The objective is to support the social inclusion of children and youth through musical training by teachers of the State Foundation for Systems of Youth and Children Orchestras of Venezuela (Fundación para el Estado de Sistemas de Orquestas Juveniles e Infantiles de Venezuela - FESNOJIV), who were invited to La Paz, El Alto, Santa Cruz de la Sierra, and Tarija. These teachers gave special lectures to over 100 children and youths in those cities.

Environment

- Supported for the design and development of the Amazon without Fires Program (PASF, in Spanish). This is a joint initiative with agencies from Italy and Brazil. The objective is to reduce the number of fires in Bolivia's Amazon Basin through the implementation of alternatives to the use of fire, thus contributing to the protection of the environment and to the improvement of living conditions in Amazonian communities.

Competitiveness

- Promoted the project for the Implementation of the Science and Technology Network in the Bolivian agro-food sector. The objective is to promote and strengthen the incorporation of research and innovation in the production, processing, and preservation of food, through public and private research centers and institutions.
- Supported for the project Routes: Community Tourism Destinations with Sustainable Quality, which seeks to strengthen tourist routes in six Bolivian communities in the area of Lake Titicaca.
- Carried out the week of Training in Textile Design and Fashion, as

a space for training and updating small entrepreneurs in the textile and tailoring sectors in Bolivia.

- Carried out events to strengthen entrepreneurship, including the III International Tax Congress and the IV Bolivia Gas and Energy Congress, as well as the international seminar on Good Management Practices for State-Owned Companies.
- Encouraged the development of local productive clusters in the city of Sucre, with the objective of promoting the tourism sector in conjunction with public and private institutions that operate in the region.

SME and Microfinance

- Supported for the Inclusive Divided Highway Project, seeking to improve the capacities of at least 600 families in 10 communities located along the 203 kilometers of the La Paz-Oruro divided highway, currently under construction with CAF financing.
- Supported for the Technologies for Financial Inclusion Program, which uses geo-referencing technology for microfinance portfolio management, to allow micro-entrepreneurs access to financial services.



2011

Brazil

During 2011, CAF approved USD 1.8 billion for operations in favor of Brazil, of which 71% (USD 1.3 billion) correspond to non-sovereign risk operations and 29% (USD 520 million) to sovereign risk operations

Brazil in 2011 figures (in USD million)

	2011	2007-2011
Approvals	1,797	8,001
Sovereign risk	520	1,017
Non-sovereign risk	1,278	6,984
Disbursements	963	5,041
Sovereign risk	126	276
Non-sovereign risk	837	4,765
Portfolio	992	
Sovereign risk	298	
Non-sovereign risk	694	

The Institution approved two operations in the sovereign sector to assist the government of the State of Rio de Janeiro, for a total of USD 520 million. The first, for USD 329 million, will fund the Program for the Improvement and Implementation of Road Infrastructure in the State of Rio de Janeiro-PROVIAS, which consists of the rehabilitation, improvement, and expansion of the road network to support the state's economic and social development. The second, for USD 200 million, will fund the Program for Complementary Works of the Metropolitan Arch in the State of Rio de Janeiro, a program that will turn the Metropolitan Region of Rio de Janeiro into a modern logistical center, as it will improve the links between the iron and steel, shipping, and petrochemical industries in the Port of Itaguaí.

At the same time, CAF allocated USD 250 million directly to the corporate sector. CAF's participation in a syndicated loan in favor of Marfrig Alimentos to finance the company's exports stands out. In addition, the Institution provided support to the Odebrecht construction company by approving a partially guaranteed revolving credit line for financing short-term working capital. With this, CAF played a key role in bringing in new guarantors for relevant projects in the region, particularly in the infrastructure sector. Finally, capital investments for a total of USD 50 million in a number of

investment funds were made during the year.

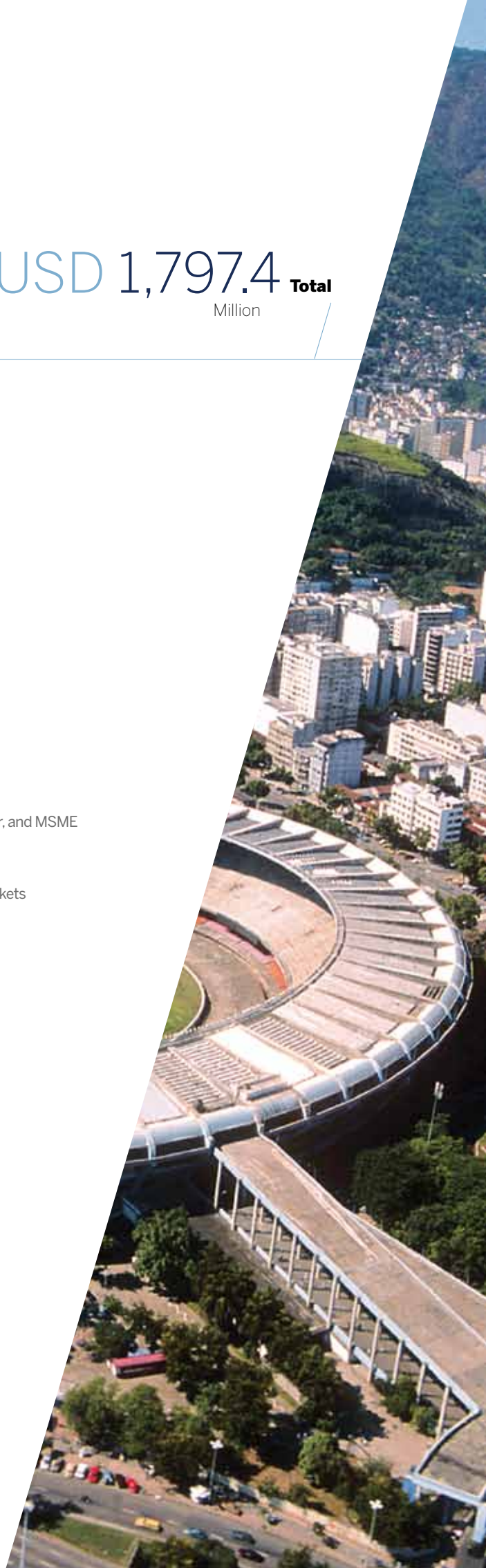
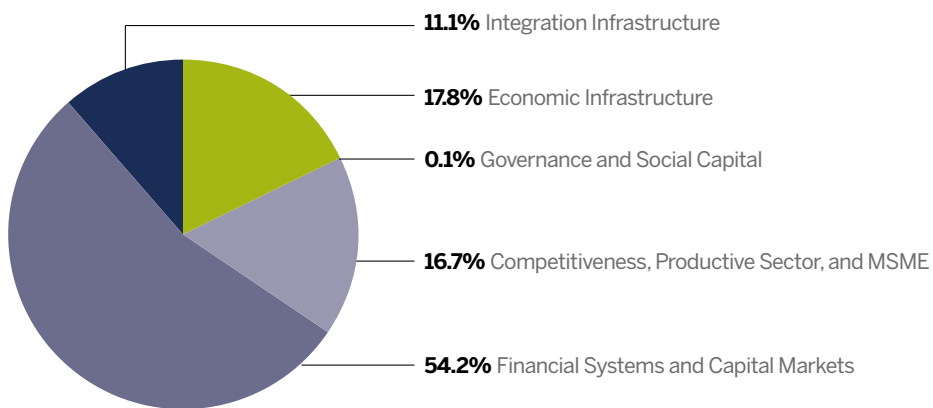
In addition, CAF granted revolving credit lines for USD 975 million through the financial sector to finance investment projects, foreign trade operations and working capital for the production sector to foster the country's economic growth.

Approvals to Brazil

	Total Amount (USD million)	Term (Years)
<p>Program for the Improvement and Implementation of Road Infrastructure in the State of Rio de Janeiro-Provias <i>Client/Executing Agency: State of Rio de Janeiro / State Secretariat of Works (SEOBRAS)</i> Objective: Support the economic and social development of the State of Rio de Janeiro, by improving roads to promote access and highway safety, and foster the State's development of tourism and economic growth.</p>	320	15
<p>Program for Complementary Works in the Metropolitan Arch of Rio de Janeiro <i>Client/Executing Agency: State of Rio de Janeiro / State Secretariat of Works (SEOBRAS)</i> Objective: Build the Rio de Janeiro Metropolitan Arch and its complementary works, as well as improve road safety and traffic flow to turn the Rio de Janeiro Metropolitan Region into one of the region's most modern logistical centers.</p>	200	15
<p>Uncommitted Revolving Credit Line <i>Client: Norberto Odebrecht Construction Company</i> Objective: Finance working capital to support operational activities and issue partial credit guarantees on performance bonds issued by the AIG Insurance Company.</p>	200	Various
<p>Uncommitted Revolving Credit Line <i>Client: Bradesco, Banco do Brasil, Banco Industrial y Comercial-BIC, Banco Itau UNIBANCO, Banco Santander, Banco HSBC Brasil</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.</p>	975	Various
<p>Capital Investment <i>Client: Fundo de Investimento em Direitos Creditórios AGN Fornecedores Petrobras</i> Objective: Purchase credit rights on contracts owed by Petrobras, including those on service contracts.</p>	10	Various
<p>Capital Investment <i>Client: Burrill Brasil Fund, FMIEE</i> Objective: Invest in sectors such as: biopharmaceutical, pharmaceutical, health and well-being, medical care, biotechnology, nutrition, renewable fuels and chemical products.</p>	10	10
<p>Capital Investment <i>Client: Stratus Capital Partners Brazil</i> Objective: Support medium-sized Brazilian industrial companies, which operate in a highly fragmented and undercapitalized market, and are dominated by family enterprises with succession problems.</p>	10	10
<p>Capital Investment <i>Client: CRP Empreendedor</i> Objective: To finance the development of small- and medium-sized enterprises in the South of Brazil to take advantage of the high growth potential of the local economy and the entrepreneurial culture.</p>	6	10
<p>Syndicated Loan <i>Client: Marfrig Alimentos</i> Objective: Finance exports by permanently increasing the company's working capital.</p>	50	5
<p>Capital Investment <i>Client: Caixa Astra Infrastructure I Fund</i> Objective: Invest in public or private enterprises that develop activities or projects in the infrastructure sector.</p>	15	10
<p>Other Operations with Cooperation Resources <i>Various beneficiaries</i></p>	1.7	Various

USD 1,797.4 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Brazil

USD 1.7

Million granted by CAF to Brazil in cooperation funds

Infrastructure

- Supported public actions for the prevention and mitigation of floods and natural disasters through the development of a Geo-referenced Registry of the Municipal Network for Urban Drainage in the City of Fortaleza.

Social Development

- Supported the Federal Government Program to Eradicate Extreme Poverty “Brasil sin Miseria” (Brazil Without Extreme Poverty), in cooperation with the Ministry of Social Development to map “poverty pockets” and identify families in need.
- Supported the Multidisciplinary Institute for Development and Strategies (MINDS) Seminar, linked to the Ford Foundation and the Rio de Janeiro Federal University to promote study among political, academic, and entrepreneurial sectors about the effects of globalization on the economic development of countries.
- Cooperated with the Prefecture of the Sorocaba Municipality to strengthen the School in Comprehensive Time - Knowledge Office by educating and training community teachers.
- Supported the Ministry of Science and Technology and the Planetary Skin Institute for the development of a monitoring and early alert system for natural disasters. The first phase will be focused on Brazil but may be extended to other countries in the region.

SME and Microfinance

- Approval of risk capital funds to support SMEs involved in technological innovation, especially those linked to life sciences, such as biotechnology and genetic engineering.



Protection of fauna in danger of extinction

Social Sustainability

- Promoted the city of Aparecida de Goiania, as part of the municipal district's tourist and cultural identity, in an effort to turn it into a entertainment, and tourist destination for the region's population.
- Provided humanitarian aid for people affected by floods and landslides which occurred in January 2011 in the mountainous region of Rio de Janeiro.
- Cooperated with the Ministry of Labor and Employment to carry out the I National Conference on Employment and Labor, organized by the International Labor Organization.

Environment

- Cooperated with the Municipality of Manaus to implement a strategic plan for the protection and improvement of water resources in the city's urban area.
- Participated in preparatory meetings for the Rio + 20 Summit that will take place in 2012, and in the Latin American Meeting on Development Banking and Environmentally Sustainable Investments held in the city of Belen de Para.

Regional Integration

- Supported the Burrill American Life Sciences Conference to promote and emphasize innovation and competitiveness in Latin American countries in the life sciences sector.
- Supported the Conference on "Administration for Development: Challenges for the Implementation of Policies for Regional Integration", attended by Latin American and Asian specialists.
- Cooperated with the Applied Economic Research Institute (IPEA, in Spanish), linked to the Federal Government's Secretariat for Strategic Affairs, to publish IPEA's first Spanish publication as well as offer support for the II Conference on Development. Both projects promote integration in Latin America.
- Supported the Brazil-China Seminar to Reorganize International Relations: Challenges and Opportunities.

Agreements

- Signature of a Cooperation Framework Agreement with the Applied Economic Research Institute (IPEA), an organization linked to the Federal Government's Secretariat for Strategic Affairs, to improve management and public policies that contribute to the sustainable and inclusive development of countries.
- Signature of a Cooperation Framework Agreement with the Brazil-China Institute (IBRACH), an academic organization linked to the Federal University of Rio de Janeiro to strengthen mutual relations between Latin America and China. The agreement calls for the implementation of courses aimed at the public and private sectors in Latin America, and the development of studies, among other activities.
- Signature of a Cooperation Framework Agreement with the Camargo Correa Institute to support sustainable development initiatives in Latin American countries, including initiatives to generate employment and income opportunities, and improve the health and quality of life for those living in the region.

2011

Colombia



During 2011, CAF approved USD 1.5 billion for operations in Colombia, of which 16% correspond to the sovereign sector and 84% to the non-sovereign sector represented by public enterprises and companies of the financial and corporate private sector.

In the financial and production areas, CAF has maintained its support to the development of the financial sector through lines of credit, foreign trade operations, and financing for working capital, with approvals that reach USD 800 million, and represent 54.9% of the year's approvals.

CAF maintained a significant presence in the non-sovereign corporate sector by approving USD 305 million during the year. In this sector, the corporate loans granted to ISAGEN S.A., the International Airport Operator (Sociedad Concesionaria Operadora Aeroportuaria Internacional S.A. - OPAIN), and the Center-North Airport Operator (Sociedad Operadora de Aeropuertos Centro Norte S.A. - Airplan), stand out. The first loan will pay for the construction of an 820 MW hydroelectric plant, while the other two loans will allocate resources to the construction, modernization and operation of several airports in the country.

It should be noted that CAF approved USD 119 million to finance SMEs and microfinance entities, to benefit the development of small- and medium-sized industrial concerns, which represents 8% of loans approved. Especially noteworthy is the USD 100 million approved for the National Guarantee Fund (FNG, in Spanish) for the partial reinsurance of the guarantees issued by the FNG, in favor of Colombian

Colombia in 2011 figures (in USD million)

	2011	2007-2011
Approvals	1,456	7,195
Sovereign risk	227	2,648
Non-sovereign risk	1,229	4,546
Disbursements	1,836	6,225
Sovereign risk	227	646
Non-sovereign risk	1,609	5,579
Portfolio	1,829	
Sovereign risk	1,186	
Non-sovereign risk	643	

financial institutions, to guarantee credits granted to MSME.

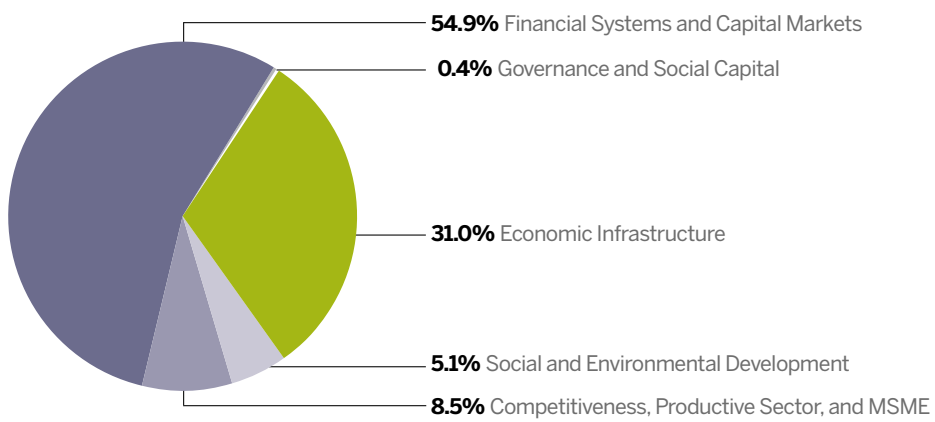
With respect to economic and integration infrastructure, CAF maintained its support of the development of mass transportation. In particular, it approved USD 152 million through the financing of the Urban Transportation Program in Barranquilla and Monteria. This program seeks to improve the mobility of the population by designing and implementing comprehensive systems based on efficient planning, construction, management, regulation, and control schemes, that are sustainable in operational, environmental and financial terms. In addition, USD 75 million was approved for a Sectorial Program in Support of the Management of the Country's Water Resources.

Approvals to Colombia

	Total Amount (USD million)	Term (Years)
<p>Urban Transportation Program in Barranquilla and Monteria <i>Client/Executing Agency: Republic of Colombia/Ministry of Transportation</i> Objective: Finance the transportation systems of Barranquilla and Monteria as an essential transportation solution and continue to collaborate with the country in its national plan to improve public transportation.</p>	152	15
<p>Sectorial Program to Support the Management of Water Resources <i>Client/Executing Agency: Republic of Colombia/Ministry of Finance and Public Credit</i> Objective: Support the Colombian government in the development of programs and projects aimed at promoting a comprehensive management policy of the country's water resources.</p>	75	12
<p>Reinsurance for the National Guarantee Fund <i>Client: Fondo Nacional de Garantías S.A.</i> Objective: Support Colombian financial institutions to guarantee the loans granted to MSME.</p>	100	2
<p>Corporate Loan <i>Client: ISAGEN S.A. E.S.P.</i> Objective: Co-finance the Sogamoso hydroelectric project.</p>	140	13
<p>Uncommitted Revolving Credit Line <i>Client: EMGESA S.A. E.S.P.</i> Objective: Finance the distribution and marketing of electricity in Bogota and 94 municipalities of the Department of Cundinamarca, Bogota, and Tolima.</p>	50	0,5
<p>Uncommitted Revolving Credit Line <i>Client: CODENSA S.A. E.S.P.</i> Objective: Finance the generation and marketing of electricity in Colombia.</p>	50	0,5
<p>Corporate Loan <i>Client: Sociedad Concesionaria Operadora Aeroportuaria Internacional "OPAIN"</i> Objective: Finance the modernization, expansion, administration, maintenance and commercial operation of concessions for passenger and cargo terminals, the demolition of terminal 1 and the construction of the unified terminal of the El Dorado international airport in Bogota.</p>	50	14
<p>Capital Investment <i>Client: Mi Plata S.A. Compañía de financiamiento</i> Objective: Finance the company's investment plan, which provides financial services through cellular phones, aimed at providing banking services to the population at large..</p>	5	n.a.
<p>Corporate Loan <i>Client: Sociedad Operadora de Aeropuertos Centro Norte S.A. "Airplan"</i> Objective: Finance the company's general corporate needs.</p>	10	10
<p>Uncommitted Revolving Credit Line <i>Client: Bancoldex, Bancolombia, Bancolombia Panama, Banco de Bogotá, Banco de Bogotá Panama, Banco Santander, Findeter, Banco Davivienda, Banco de Occidente, Citibank Colombia, BBVA Colombia</i> Objective: Finance foreign trade operations, working capital, and investments in capital goods.</p>	800	Various
<p>Uncommitted Revolving Credit Line <i>Client: Fundación Mundial de la Mujer Bucaramanga</i> Objective: Finance investment projects and working capital for the development of small and micro enterprises.</p>	4	Various
<p>Uncommitted Revolving Credit Line <i>Client: Leasing Peru</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.</p>	15	Various
<p>Other operations with Cooperation Resources <i>Client/Executing Agency: Various beneficiaries</i></p>	5.4	Various

USD 1,456.4 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Colombia

USD 5.4

Million granted by CAF to Colombia in cooperation funds

Computers for Peace: an alliance for an initial education with quality and equity



Integration

- Development of the Fronteras (Borders) Program to promote and support the social and economic development of the population in the country's land and maritime borders. CAF's support is aimed specifically at regions on the borders with Ecuador and Venezuela.
- Supported the establishment of a Center for Strategic Thought at the Ministry of Foreign Relations.

SME and Microfinance

- Supported the Asomicrofinanzas Congress (Association of Microfinance Institutions) to give the association a role in the country's microfinance industry.
- Supported the I Latin American Conference on Risks in the Microfinance Industry.
- Strengthen trading in corporate invoices in the Colombian Mercantile Exchange (BMC, in Spanish).
- Promoted progress in the integration and growth of the stock market by supporting a capital market event organized by the National Association of Financial Institutions (ANIF, in Spanish).
- Promoted the integration of the fixed income market in Chile, Colombia, and Peru, by supporting an event organized by the Competencies Facilitation System.

Competitiveness

- Implementation of a program to strengthen the production of woolen crafts to generate income in communities of Nariño, together with Artesanías de Colombia.
- Supported the Ministry of Trade, Industry, and Tourism in its 2010-2014 Strategic Planning process. The project defined and began executing the sector's Strategic Plan.
- Supported the Emprender Paz Award 2010-2011 for the best initiatives for border areas through Fundación Social.
- Supported the implementation of the Ventures Contest 2010-2011, together with the Ventures Corporation, whose object is to offer support for the implementation of business plans, and promote enterprises trying to consolidate their market positions.
- Supported events related with competitiveness, such as Expogestión Caribe, the Logistics International Congress, and the SME Fairs, organized by the National Association of Financial Institutions.

Social Development

- Promoted a cooperative dedicated to the semi-automatic manufacturing of masonry blocks. The project, carried out jointly with the Mario Santo Domingo Foundation, will generate income for the community.
- Supported the project Computers for Peace, which seeks to improve the quality of education for 5,000 boys and girls who live in high-risk areas. This is a joint project with the Ministry of National Education and the Child Care Foundation (FAN, in Spanish), and is being carried out in 16 municipalities in seven states.
- Supported the Regional Program for Cooperation with Mesoamerica, promoted by the Government of Colombia, with the support of Medellín Public Enterprises (Empresas Públicas de Medellín) to improve the management and operational capacity of home public service companies in Central America.

Infrastructure

- Supported the project “Let’s Talk about Competitiveness”, in alliance with the Private Council on Competitiveness.
- Implemented a Program for the Development of Auto Part Suppliers: Management Model for Competitiveness.
- Carried out a training project on International Arbitration.
- Executed a project to support the implementation of the Code of Good Government in 20 Colombian enterprises in the public and private sectors, together with the Colombian Stock Exchange.
- Executed a project with the Finance Secretariat of Bogota to support the implementation of best practices for transparency and good government.
- Carried out the I International Forum on Good Government for state companies, in conjunction with the Organization of Economic Cooperation and Development and the Colombian government.
- Developed local production clusters in Barranquilla. In addition, workshops were conducted in the city to evaluate the design of the textile, furniture, logistics and health sectors.
- Definition of the business and strategic plans for the transformation of the National Concessions Institute (INCO, in Spanish) into the new National Infrastructure Agency. Work on this project has been carried out jointly with the Ministry of Transportation and INCO, to strengthen the institutional framework and the organizational model of the Colombian transportation sector. In addition, provide support for the definition of the strategy and operational model of the National Infrastructure Agency.
- Supported the public-private partnership through a concessions model, by financing studies to determine the feasibility of implementing concessions in projects such as urban highways in Bogota and correctional facilities, among others.
- Financed studies to establish the road map and advance on the formulation of the Urban Renewal Project of the National Administrative Center.
- Supported the execution of the financial and operational update of the Integrated Mass Transportation System in Cucuta and its Metropolitan Area (SITM).
- Financed studies for the construction of a new bridge over the Tachira River, between the cities of Tienditas (Venezuela) and Villa Silvania (Colombia). The new bridge will improve the ties between the two communities.
- Signed an agreement with the Bogota Chamber of Commerce, the District Mayor’s Office, and the Provincial Government of Cundinamarca to execute a project that will structure the Regional Logistic Plan, which will consolidate the supply of exports and promote the Bogota-Cundinamarca region to the international community.
- Supported the execution of studies on the situation of the following border crossings: Cucuta-San Antonio-Ureña, La Fria-Guarumito-Agua Clara, and Paraguachón. At the same time, pre-feasibility studies were carried out for the development of aqueducts connected to the water basins that Colombia and Venezuela share.

Governance

- Supported the Governance and Policy Management Program. In 2011, agreements were signed with the Autonomous University of Bucaramanga, the Francisco de Paula Santander University (Ocaña section), and the University of Rosario. Training was provided to 178 local participants.
- Continued the Leadership for Change Program, in its seventh year. In 2011, 1,032 leaders were trained.
- Executed the Regional Program to Update and Improve Local Management (PRAMEG) in the Municipalities of Pasto and Tulua.
- Supported forums during the electoral campaign period, and draw up development plans to identify the main investment projects to be executed during the 2012-2015 period.

Environment

- Supported the Guajira Autonomous Regional Corporation and the Provincial Government of the state of Zulia, Venezuela, in identifying natural threats, and carried out a vulnerability analysis so prevention and mitigation measures can be designed, and to prepare the Risk Prevention and Disaster Service Plan for the Colombo-Venezuelan region of Guajira.
- Supported the Second Latin American Culture-Biodiversity Meeting.
- Supported the organic production of food and its marketing to improve the quality of life for families in 20 vulnerable farming communities, located in seven municipalities in the states of Santander and North Santander.
- Recovered critical areas that have environmental importance and are a priority for the sustainability of the water supply in the basins of the Magiriamo and Maracas Rivers, in the state of Cesar.
- Completion of the support to define the technical components of the Program to Strengthen Forestry Management.
- Contributed USD 4.3 million to the forestry project through the PLAC+e Program, within the framework of the Kyoto Protocol. In addition, Colombia was the venue for the First International Seminar on Cities and Climate Change.



2011

Ecuador

During 2011, CAF approved USD 772 million for operations in favor of Ecuador, of which 68% (USD 523 million) corresponded to sovereign risk operations, and 32% (USD 248 million) to non-sovereign risk operations.

In the sovereign sector, credit support in the area of economic and integration infrastructure is especially noteworthy. CAF approved a total of USD 232 million for several projects to finance airport infrastructure and road and civil works in Quito and Guayaquil, the country's two most important municipalities. Among these is the Road Development Program, which will partially finance 18 construction, rehabilitation, and expansion projects in several sections of the national road network. In the social and environmental development area in 2011, operations worth a total of USD 192 million were approved.

The approval of resources to improve education, health, and nutrition programs stands out. In the field of nutrition, a Project for the Accelerated Reduction of Malnutrition and Comprehensive Territorial Nutritional Intervention was approved for USD 60 million. The objective is to provide basic water and sanitation services, health services, and better nutrition for children, mothers, and pregnant women, with the ultimate goal of improving the nutritional status of children under 5. The approval of USD 70 million for the Investment in Educational Infrastructure Program also stands out. The objectives of this program are to expand education in rural, marginal urban, and border areas, as well as to improve the quality of education, promote school attendance and increase graduation rates.

Ecuador in 2011 figures (in USD million)

	2011	2007-2011
Approvals	772	4,238
Sovereign risk	523	3,020
Non-sovereign risk	248	1,218
Disbursements	566	3,437
Sovereign risk	319	2,395
Non-sovereign risk	247	1,043
Portfolio	2,509	
Sovereign risk	2,392	
Non-sovereign risk	117	

In addition, CAF approved USD 270 million to support the financial sector through public and private banking, and to stimulate economic growth. Of the total approved during the year, USD 170 million were assigned to banks through credit lines to finance foreign trade operations, working capital, and investments in capital goods; USD 100 million to finance credit operations for small- and medium-sized entrepreneurs through the National Financial Corporation.

At the same time, the Institution granted loans directly to the corporate sector worth USD 76 million. The objective is to support exporting companies that have shown greater competitiveness, as well as leading companies in the local market that participate in sectors of the economy that are of strategic importance for the country. CAF also allocated USD 6.7 million to Hidroeléctrica San Jose de Minas, S.A. for the construction of a 6 MW hydroelectric plant, and USD 6.6 million for Alpiecuador.

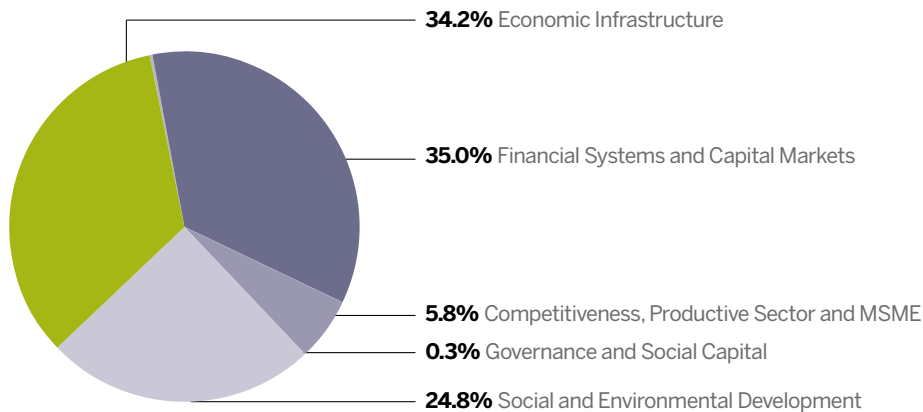
Approvals for Ecuador

	Total Amount (USD million)	Term (Years)
<p>Road Development Program <i>Client/Executing Agency: Republic of Ecuador/Ministry of Transportation and Public Works</i> Objective: Partially finance the execution of a road development program made up of 18 projects that include construction, rehabilitation, and expansion of the national road network.</p>	135	15
<p>Project for the Accelerated Reduction of Malnutrition and Comprehensive Territorial Nutritional Intervention <i>Client/Executing Agency: Republic of Ecuador/Ministry of Urban Development and Housing, and Family and Childhood Institute</i> Objective: Improve the nutrition of boys and girls under five years of age and their families in the targeted territories.</p>	60	15
<p>Uncommitted Revolving Credit Line <i>Client/Executing Agency: Republic of Ecuador/National Financial Corporation</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.</p>	100	Various
<p>Road Works Program in Densely Populated Areas of Guayaquil <i>Client/Executing Agency: Republic of Ecuador/Municipality of Guayaquil</i> Objective: Improve the quality of life of those in the lowest income groups in Guayaquil, by improving access to their homes, commercial areas, work, public services and urban communities.</p>	45.5	10
<p>Project for the Valley Integration Route (Ruta Viva) - Phase I <i>Client/Executing Agency: Municipality of the Metropolitan District of Quito/Metropolitan Public Company of Quito for Mobility and Public Works</i> Objective: The project is an essential component of the Road Plan for the Metropolitan District of Quito and will become an important access road for residents of the Tumbaco and Cumbaya Valleys, meeting the transportation needs of Quito's Northeastern districts, and facilitating connections to Quito's new international airport.</p>	51.4	12
<p>Education Infrastructure Investment Program <i>Client/Executing Agency: Republic of Ecuador/Ministry of Education</i> Objective: Support the government in financing school infrastructure and equipment in public schools to improve the system's coverage, equity and quality.</p>	70	15
<p>Program for Physical Infrastructure, Equipment, Maintenance, Studies, and Control in Health <i>Client/Executing Agency: Republic of Ecuador/Ministry of Public Health, and Public Works Contracting Institute</i> Objective: Finance the expansion, remodeling, and rehabilitation of existing infrastructure, as well as new infrastructure, equipment and studies.</p>	41.5	15
<p>Multiannual Program for Pre-investment Studies <i>Client/Executing Agency: Republic of Ecuador/National Pre-Investment Institute</i> Objective: Strengthen the country's pre-investment process and offer quality studies to the Ecuadorean government for projects in strategic sectors.</p>	20	12
<p>Uncommitted Revolving Credit Line <i>Client/Executing Agency: Banco Bolivariano, Banco de Producción, Banco Pichincha, Banco Guayaquil, Banco Internacional, Banco Procredit</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.</p>	170	Various
<p>Corporate Loan <i>Client: Hidroeléctrica San José de Minas, S.A.</i> Objective: Partially finance the construction of a mini 6 MW hydroelectric plant in the North of the Pichincha Province.</p>	6.7	12
<p>Uncommitted Revolving Credit Line <i>Client: Otecel</i> Objective: Finance investment and working capital projects for the development of small and micro enterprises.</p>	25	Various

USD 771.9 **Total**
Million

	Total Amount (USD million)	Term (Years)
Uncommitted Revolving Credit Line <i>Client: Corporación Favorita C.A.</i> Objective: Finance foreign trade operations and working capital.	20	Various
Uncommitted Revolving Credit Line <i>Client: Novopán del Ecuador S.A.</i> Objective: Finance foreign trade operations and working capital.	5	Various
Uncommitted Revolving Credit Line <i>Client: Procesadora Nacional de Alimentos-Pronaca.</i> Objective: Finance foreign trade operations and working capital.	10	Various
Uncommitted Revolving Credit Line <i>Client: Nirsa S.A. – Negocios Industrial Real S.A.</i> Objective: Finance foreign trade operations and working capital.	3	Various
Corporate Loan <i>Client: Alpina Productos Alimenticios – ALPIECUADOR S.A.</i> Objective: The company’s investment plan.	6.6	Various
Other Operations with Cooperation Resources <i>Client/Executing Agency: Various beneficiaries</i>	2.1	Various

Approvals by strategic area, 2011



Other contributions to sustainable development in Ecuador

Infrastructure

- Channeled resources through operations aimed at expanding Ecuador's road network, road access to Quito's new airport, infrastructure in Guayaquil's marginal areas and the modernization of airports.
- Supported the municipalities of Ibarra and Santo Domingo in strengthening municipal administration and management, creating a property and land registry, and carrying out studies for community roads in the provinces of Manabi and Esmeraldas

Social Development

- Approved studies for the development of potable water and sanitation projects, for the improvement of the highway system and for education and health services.
- Executed the Educational Competencies Program. In alliance with ESPOL, training was provided to 200 primary education teachers.
- Supported the model of community management centers in alliance with Chasquinet and Pronaca.

USD 2.1

Million granted by CAF to Ecuador in cooperation funds



Promotion of the Cocoa Productive Sectors in the Province of Esmeraldas

Competitiveness

- Signed an agreement with the RUNA Foundation to improve the productivity of the guayusa (plant used for infusions) in the provinces of Napo and Pastaza. The objective is to improve the quality of life of the producers by increasing their income.
- Established a project for the development of Local Productive Clusters (APL, in Spanish) in the city of Cuenca, to generate competitive advantages through joint ventures with the national and local governments, the private sector and the academic community.
- Worked with the Alpina Foundation and the Carchi Provincial Government to promote the development of the dairy industry in the province, to have a positive influence on the quality of life of 900 families of small- and medium-sized producers in the region.
- Organized the public and private actors in Ecuador to design a national entrepreneurial policy to guide the development of the country. The application of this policy at a national scale will generate the necessary guidelines to implement it later in the regions.
- Approved an agreement with the Codespa Foundation to create Community Tourism circuits in Ecuador by enforcing quality standards that are in agreement with market demands, autonomous marketing and public-private alliances.
- Agreement for the identification, establishment, and strengthening of Best Governance Practices in Ecuador's National Symphonic Orchestra (OSNE, in Spanish).
- Signed agreements with four public enterprises within the framework of the Program to Strengthen the Best Practices in Corporate Governance for State-Owned Public Services Companies.

Environment

- Conducted a feasibility study for the implementation of infrastructure for solid waste, and study measures to adapt to and mitigate the effects of climate change in the province of Guayas.
- Designed and executed a system to manage hospital waste in the four main hospitals of the Junta de Beneficencia de Guayaquil.
- Developed an information system to monitor protected natural areas in the Andean-Amazon region (Ecuador-Peru) jointly with the International Cooperation University.
- Supported the development of public policies on issues regarding security in land tenure and incentives for the conservation of forests. This initiative has been carried out jointly with the Corporation for Environmental Studies.
- Supported the organization of the Workshop on Management of Protected Marine-Coastal Areas in Ecuador and Peru, in collaboration with Ecobiotec, the US State Department, and the World Wildlife Fund.

Social Sustainability

- Approved a technical cooperation operation in favor of the NESST Foundation to provide technical support to 15 social-entrepreneurial activities to identify products and services with value added that may have market viability, and provide training and financing for entrepreneurial-social activities in the planning and launch stages.

SME and Microfinance

- Supported the organization of the XI Microfinance Forum organized by the Rural Financing Network, which took place in Guayaquil. The event served as a space for discussion about the promotion and development of microfinance in the region.
- Support the Popular and Solidarity Financial Network to analyze and debate issues related to structural reforms that are relevant for this sector of the economy.

Governance

- Signed agreements with the Pontifical Catholic University of Ecuador and the Catholic University Santiago de Guayaquil for the tenth consecutive year, for the Governance and Policy Management Program. In 2011, 127 participants from the local population were trained.
- Continuation of the Leadership for Change Program, jointly with the Escuela Superior Politécnica del Litoral, already in its fifth iteration. Training was provided to 571 leaders in the cities of Babahoyo, Latacunga, Guayaquil, Galápagos, Cuenca, Santa Cruz, Puyo and Tena.
- Execution of the Regional Update and Improvement of Local Management Program (PRAMEG) in the municipalities of Tsachilas and Ibarra (Manta and Riobamba).

2011

Panama



During 2011, CAF approved operations for USD 484 million in favor of Panama, of which 85% (USD 413 million) corresponded to sovereign risk operations, and 15% (USD 71 million) to non-sovereign risk operations, aimed at contributing to initiatives with a high social and productive impact, and at strengthening the country's financial system.

In this year's approvals, the support for the country's transportation infrastructure stands out, with USD 400 million targeted for the Panama Metro Project. This project calls for a mass transportation network to service the metropolitan area of Panama City. By supporting it, CAF continues to be a key player in the country's ambitious process of modernization, transformation and development.

CAF allocated resources of USD 13 million to the social sector to address the emergencies resulting from the intense rains in December 2010, as part of the Regional Facility approved by the Institution to deal with contingencies related to natural disasters.

At the same time, a total of USD 70 million was approved through revolving credit lines to a number of financial institutions in the country. This funding was for initiatives with high social and productive impact, and financed for foreign trade operations, working capital, and capital investments. The total amount is divided into USD 30 million approved for BBVA Panama, USD 20 million to Global Bank Corporation, USD 10 million to Multibank, and USD 10 million to Banco La Hipotecaria.

Panama in 2011 figures (in USD million)

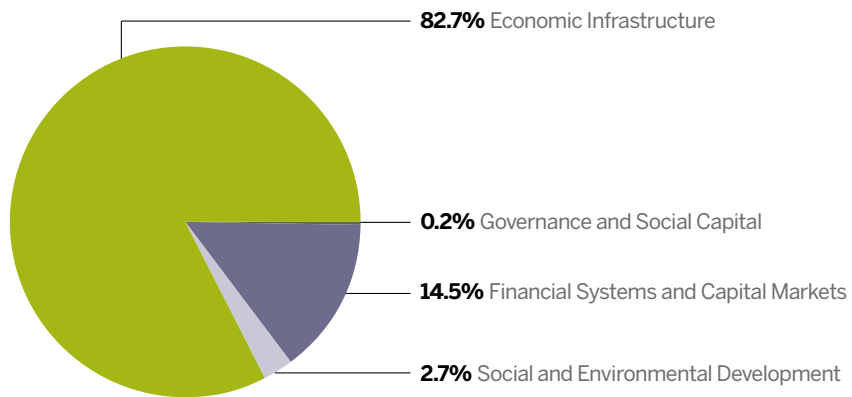
	2011	2007-2011
Approvals	484	1,663
Sovereign risk	413	1,079
Non-sovereign risk	71	584
Disbursements	177	260
Sovereign risk	156	217
Non-sovereign risk	21	44
Portfolio	246	
Sovereign risk	216	
Non-sovereign risk	30	

Approvals for Panama

	Total Amount (USD million)	Term (Years)
<p>Panama Metro Project <i>Client/Executing Agency: Republic of Panama / Panama Metro Secretariat</i> Objective: Partially finance the construction of the first line of a mass transportation network that will service the Metropolitan area of Panama City.</p>	400	18
<p>Regional Financing Facility for the Immediate Attention to Emergencies Resulting from Natural Phenomena <i>Client: Republic of Panama</i> Objective: Finance the response to the emergency resulting from the rains in 2010.</p>	13	12
<p>Uncommitted Revolving Credit Line <i>Client: BBVA Panama, Banco La Hipotecaria, Multibank, Global Bank Corporation</i> Objective: Finance foreign trade operations, working capital and investment projects.</p>	70	Various
<p>Other operations with Cooperation Resources <i>Client: Various beneficiaries</i></p>	0.9	Various

USD 483.9 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Panama

Competitiveness

- Supported the organization of the VI Competitiveness Forum that the National Competitiveness Center carries out annually. It is a forum where the public and private sectors of Panama discuss and analyze the obstacles that limit the country's competitiveness. The groups then propose actions and formulate a working plan to overcome them.
- Supported Expocomer 2011, in which 574 speakers from 26 countries participate.
- Contributed to the V Competitiveness Forum of the Americas, where leaders of the public and private sectors come together to promote initiatives to improve competitiveness in the markets and identify new opportunities for the entrepreneurial and industrial sectors.
- Supported the 2011 Workshop on Project Formulation to Promote Evaluations, with the participation of staff from different organizations that execute projects and programs financed by CAF, including the Ministry of Economy and Finance and other related institutions.
- Conducted the II Panamanian Forum on Microfinance, carried out in Panama City on September 1st and 2nd, 2011.

USD 914,770

Granted by CAF to Panama
in cooperation funds



Concert of the Symphonic Orchestra, Band, and Children and Youth Choir. Promotion of Arts and Social Development

Governance

- Strengthened the Governance and Policy Management Program, developed jointly with the University of Panama and instituted in 2001, in alliance with the George Washington University and other local universities in CAF member countries. In 2011, this program trained 150 individuals.
- Supported the Panamanian Ministry of Commerce and Industry to promote the analysis and implementation process of the new Entrepreneurial Restructuring Regime.
- Supported the Leadership for Change Program, carried out in alliance with IUGT International, which executes the lines of action to strengthen governance through the training of natural leaders in democratic civic values, country vision and value systems. In its second year, 610 participants were identified, and training was provided to 550 natural leaders selected from 35 entities in Panama City, Colon, Chagres, Donoso, Portobelo, and Santa Isabel.

Social Development

- Organized a concert by the National Institute of Culture's Youth and Children's Symphonic Orchestra, Band, and Choir (INAC) to support the Social Action for Music Program.
- Supported the Educational Competencies Program, implemented in alliance with IUGT International, which took place in Panama City and Colon. During 2011, 220 primary education teachers from 16 municipalities were trained.

Social Sustainability

- CREER Professional Qualification Program, in alliance with Odebrecht in Panama, which seeks to reduce the social isolation of low-income youth through training in construction skills to facilitate their participation in the labor market. This program will benefit approximately 2,000 individuals.

Infrastructure

- Implementation of a course on Road Safety Audits, offered by international experts to representatives of the Ministry of Public Works, the Traffic and Ground Transportation Authority (ATTT), the Panama Metro Secretariat and other professional organizations.

SME and Microfinance

- Carried out CAF's IV Forum on Microfinance, which took place in Panama City in June. Discussions focused on the challenges that the sector currently faces, and how to address them.
- CAF was invited by IDB-FOMIN to participate in the First Consultative Committee of the Program to Link Social Protection Payments with Savings.



2011

Paraguay

Program in Support of the Transmission and Distribution
Network of the National Interconnected System

During 2011, CAF approved operations in favor of Paraguay for USD 120 million, of which 62% (USD 75 million) corresponded to sovereign risk operations, and 38% (USD 45 million) to non-sovereign risk operations.

Paraguay in 2011 figures (in USD million)

	2011	2007-2011
Approvals	120	269
Sovereign risk	75	161
Non-sovereign risk	45	108
Disbursements	43	114
Sovereign risk	38	101
Non-sovereign risk	5	13
Portfolio	100	
Sovereign risk	95	
Non-sovereign risk	5	

In the area of sovereign risk operations, CAF's allocated resources to support credit in the area of economic infrastructure and integration, where the Institution approved USD 75 million for the National Electricity Administration (ANDE, in Spanish). The objective is to strengthen the National Electric Sector through the modernization of management and investments in electric transmission.

In addition, CAF granted rotating credit lines to several banks for USD 45 million through the financial sector to support micro-, small-, and medium-sized enterprises in investment projects, foreign trade operations and working capital.

At the same time, during 2011 CAF's role as Latin America's development bank was strengthened when Paraguay completed all the procedures necessary for it to become a full member of CAF. In addition, the process was started to open a Country Office in Asuncion in 2012.

Other contributions to sustainable development in Paraguay

The Institution provided support for regional integration by signing a Technical Cooperation Agreement with the Paraguayan Center for International Studies (CEPEI, in Spanish), to identify actors and dynamic projects at a local level that can promote a comprehensive economic and social development in the border regions shared by Argentina, Bolivia and Paraguay. This research also seeks to promote cooperation and establish productive networks among the three countries.

In the framework of the XXI Ibero-American Summit, held in Asuncion, the government of Paraguay was approved for the a pro tempore presidency, and was offered support to organize the event. The summit conducted a debate on the role of the State as a sponsor of productive transformation and of the development of societies.

In addition, cooperation funds were approved in favor of the Microfinance Network of Paraguay to sponsor the I Microfinance Officials National Summit, an event aimed mainly at officials, advisors, promoters, credit analysts, credit managers, and personnel involved in the credit business, from cooperatives, NGOs, banks, financial entities, and other organizations that add value to the financial services process. It is expected that the event will take place annually to allow debate on issues related

to microfinance, such as: clients, transparency, financial inclusion, technical assistance, specialized training, innovation, governance, regulation, public policies, poverty, environment, guarantees, monitoring, statistics, markets and capitalization.

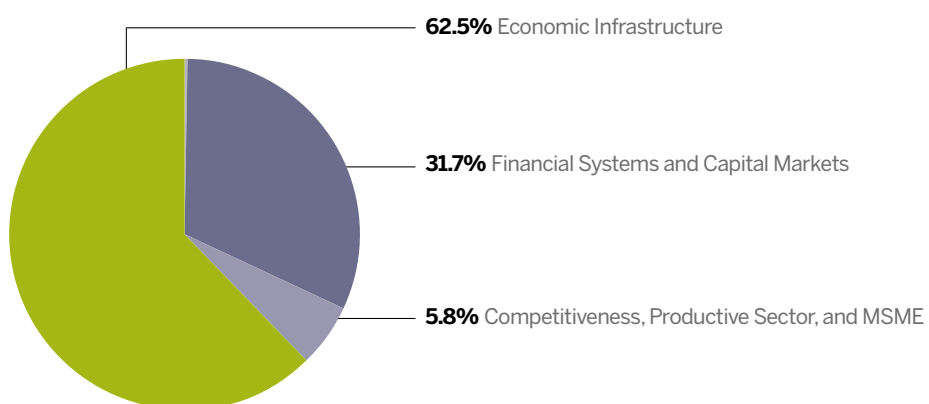
At the same time, the Program in Support of the Extension and Qualification of Education in the Trans-Frontier Region of El Chaco for Brazil and Paraguay was approved. This is part of the Framework Collaboration Agreement between CAF and the Organization of Ibero-American States for Education, Science, and Culture (OEI, in Spanish). The objective of the project is to increase educational opportunities, improve its quality, and strengthen the educational systems in the border region between Brazil and Paraguay, especially in the Northern Chaco.

Approvals for Paraguay

	Total Amount (USD million)	Term (Years)
<p>Program in Support of the Transmission and Distribution Network of the National Interconnected System <i>Client: National Electricity Administration (ANDE, in Spanish)</i> Objective: Finance a series of works of the Program in Support of the Transmission and Distribution Network of the National Interconnected System.</p>	75	15
<p>Uncommitted Revolving Credit Line <i>Client: Banco Paraguay, Banco Continental, Banco Regional, Banco Amambay</i> Objective: Finance investment projects, foreign trade operations, and working capital in micro-, small-, and medium-sized enterprises.</p>	38	Various
<p>Uncommitted Revolving Credit Line <i>Client: Financiera Interfisa</i> Objective: Finance Paraguayan micro-, small-, and medium-sized enterprises.</p>	2	Various
<p>Uncommitted Revolving Credit Line <i>Client: Vision Banco</i> Objective: Finance Paraguayan micro-, small-, and medium-sized enterprises.</p>	5	Various

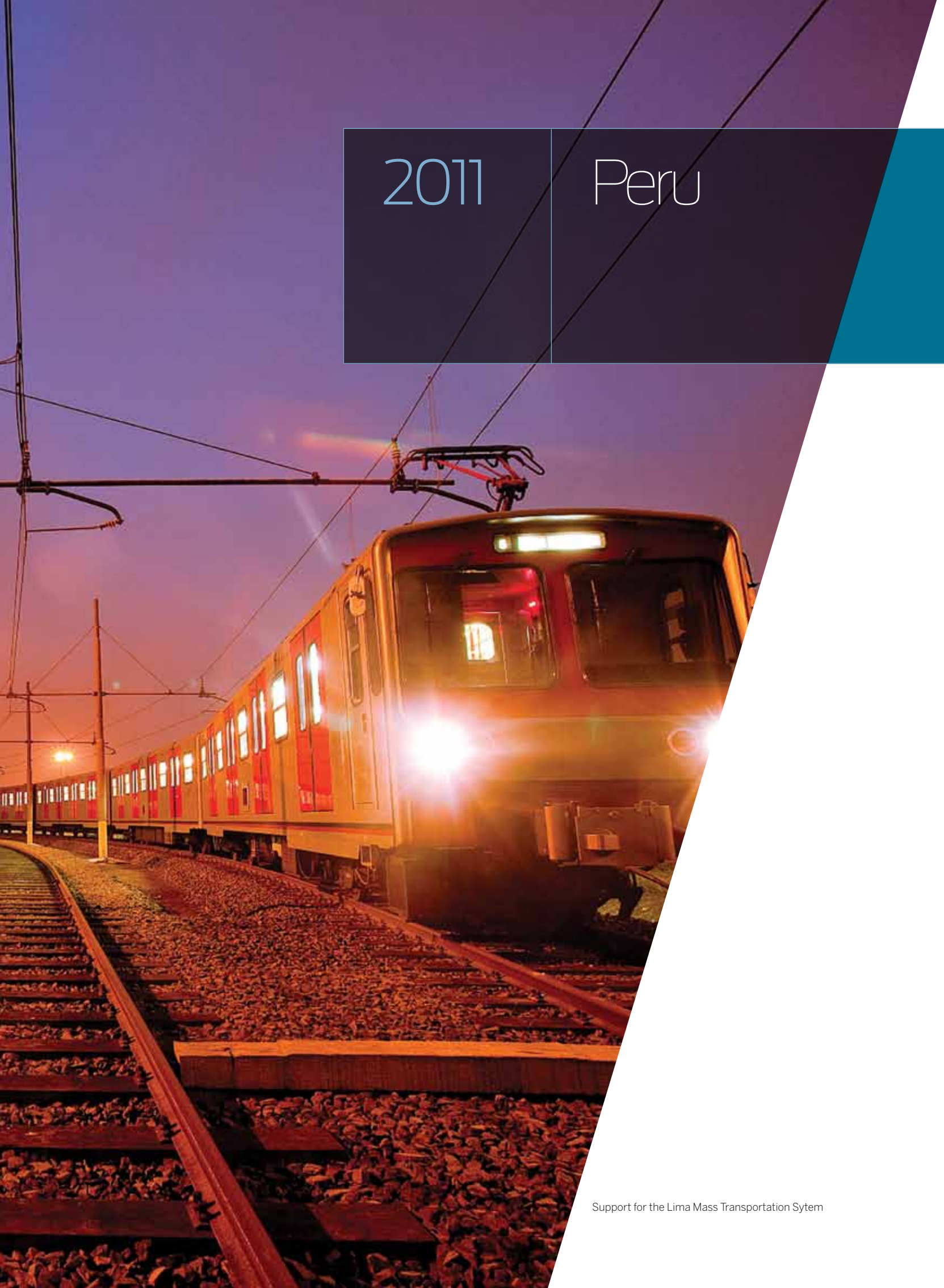
USD 120 **Total**
Million

Approvals by strategic area, 2011



2011

Peru



During 2011, CAF approved operations in favor of Peru for USD 2.2 billion, of which 67% (USD 1.5 billion corresponded to non-sovereign risk operations and 33% (USD 729 million) to sovereign risk operations.

Peru in 2011 figures (in USD million)

	2011	2007-2011
Approvals	2,184	8,802
Sovereign risk	729	3,611
Non-sovereign risk	1,455	5,192
Disbursements	1,303	7,709
Sovereign risk	390	1,890
Non-sovereign risk	913	5,819
Portfolio	2,578	
Sovereign risk	1,819	
Non-sovereign risk	759	

In the economic infrastructure area, CAF allocated resources mainly to the transportation sector. The Institution provided USD 300 million for the partial financing of the project “Electric Mass Transportation System of Lima and Callao”, Line 1, Section 2, Grau-San Juan de Lurigancho Avenue.

The objective is to achieve more efficiency in the economic performance of urban transportation with the completion of Line 1. The implementation of this line will improve public transportation in the Lima-Callao area, reduce travel times, reorganize urban transportation in the train’s area of operation, renew the train car fleet and withdraw obsolete units. This will reduce operating costs per vehicle, reduce traffic accidents, and lower CO₂ emissions thus reducing environmental pollution and associated illnesses.

At the same time, the contingent credit line for up to USD 400 million was renewed to support the efforts of the Republic of Peru in its debt management strategy. This preventive contingent financing instrument provides resources in the event that access to international capital markets is inconsistent with the objectives of the public debt strategy, even if those circumstances are unrelated to the country’s fiscal and monetary management.

In the corporate and financial sectors, CAF approved USD 1.5 billion, of which the credit lines for development and commercial banks stand out. In addition, USD 35 million was approved for a capital contribution in COFIDE.

In the framework of the PROPEL Program (Special Financing Program for Clean Alternative Energy and Energy Efficiency Projects), two operations were approved. The first, for USD 8 million for the 19.8 MW Manta Hydroelectric Project, and the second for USD 30 million for the 19 MW Pizarras Hydroelectric Project.

At the same time, through the approval of USD 29 million in credit lines for a number of microfinance institutions, granting access to financial services for both the micro-entrepreneurial sector and segments of the population often overlooked.

Approvals for Peru

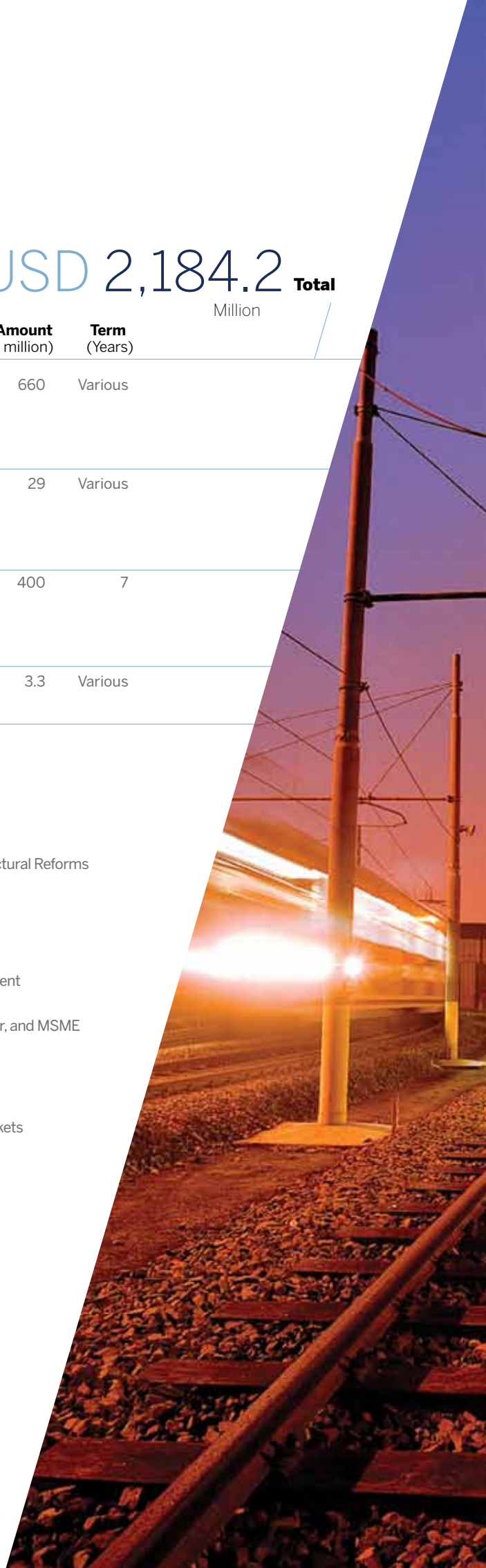
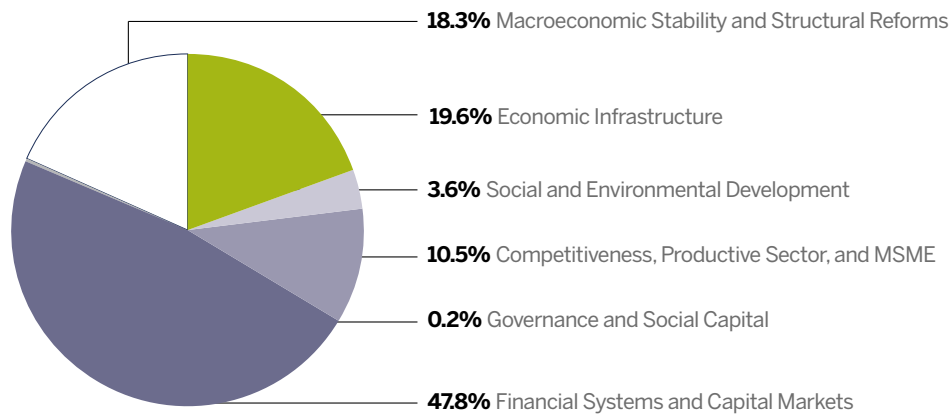
	Total Amount (USD million)	Term (Years)
<p>Lima Mass Transportation System <i>Client/Executing Agency: Republic of Peru / Ministry of Transportation and Communications</i> Objective: Partially finance the civil works, the implementation of systems and the operational tests of the infrastructure to be built for the electric transportation system .</p>	300	9
<p>Program for the Sustainable, Inclusive, and Competitive Forestry Development in the Peruvian Amazon <i>Client/Executing Agency: Republic of Peru / Ministry of Agriculture</i> Objective: Promote recovery and conservation of the Amazon forests, strengthening public forestry institutions and increasing the competitiveness of the forestry sector. Contribute to the conservation of biodiversity, an important part of Peru's natural capital.</p>	29	8
<p>Corporate Loan and Uncommitted Revolving Credit Line <i>Client: GyM S.A. and Subsidiaries</i> Objective of the Loan: Finance the early start of projects in Peru. Objective of the Credit Line: Issue letters of assurance to guarantee the company's obligations regarding items such as: contract compliance, advances of guarantee funds, correct execution and advances of cash and materials.</p>	75	2
<p>Partial Credit Guarantee <i>Client: H2OImos S.A.</i> Objective: Partially guarantee the issue of bonds in the Peruvian capital market, for the equivalent of USD 128 million in new Soles, which will be carried out by H2OImos to finance the construction of the Olmos irrigation project.</p>	50	20
<p>Payment Guarantee <i>Client: Termochilca S.A.</i> Objective: Partially insure compliance with payment obligations corresponding to Termochilca, by virtue of two leasing operations and a long-term loan granted by Scotiabank Peru for the construction of a thermoelectric generating plant called Santo Domingo de los Olleros in Chilca.</p>	50	10
<p>Uncommitted Revolving Credit Line <i>Client: Parque Eólico Marcona S.R.L.</i> Objective: Increase the supply of renewable energy in the area of Marcona, in Southern Peru, to cover the increasing demands generated by existing and future mining operations.</p>	40	Various
<p>PROPEL Corporate Loan <i>Client: Empresa Eléctrica Río Doble S.A.</i> Objective: Partially finance the construction project, entry into operations, and other activities related with the mini hydroelectric plant Las Pizarras, with an installed capacity of 18 MW.</p>	30	Various
<p>PROPEL Corporate Loan <i>Client: Peruana de Inversiones en Energías Renovables, S.A.C.</i> Objective: Finance foreign trade operations and working capital.</p>	8	14
<p>Uncommitted Revolving Credit Line <i>Client: Petróleos del Perú – PETROPERU S.A.</i> Objectives: Finance foreign trade operations and working capital.</p>	75	1
<p>Uncommitted Revolving Credit Line <i>Client: Refinería La Pampilla S.A.A. – RELAPASA</i> Objective: Finance foreign trade operations and working capital.</p>	50	0,5
<p>Uncommitted Revolving Credit Line Partial Credit Guarantee, and Capital Contribution <i>Client: Corporación Financiera de Desarrollo-COFIDE</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.</p>	385	Various

USD 2,184.2 **Total**

Million

	Total Amount (USD million)	Term (Years)
Uncommitted Revolving Credit Line <i>Client: Banco de Crédito de Peru, BBVA Banco Continental, Scotiabank Peru, Banco Internacional del Peru, Banco Interamericano de Finanzas</i> Objective: Finance foreign trade operations, working capital and investments in capital goods.	660	Various
Uncommitted Revolving Credit Line <i>Client: Financiera Edyficar, Edpyme Nueva Visión, Financiera Crear Arequipa, Caja Rural de Ahorro y Crédito Nuestra Gente, Mi Banco, Financiera Confianza</i> Objective: Finance trade operations, working capital, and investment projects in micro-, small-, and medium-sized enterprises.	29	Various
Uncommitted Contingent Credit Line <i>Client/Executing Agency: Republic of Peru / Ministry of Economy and Finance</i> Objective: Support the efforts of the National Government in the execution of its public debt strategy through a preventive financing instrument.	400	7
Other Operations with Cooperation Funds <i>Various beneficiaries</i>	3.3	Various

Approvals by strategic area, 2011



Other contributions to sustainable development in Peru

Infrastructure

- Supported OSITRAN (Supervisory Institution for Investment in Infrastructure for Public Transportation) to strengthen its ability to regulate and supervise Line 1 in Lima's Metro. In addition to the international specialists that will accompany OSITRAN during the initial oversight of Lima's Metro, seminars will be conducted on different practices for mass urban transportation in various Latin American and European cities.

Social Development

- Approval of cooperation funds in favor of the Ministry of Health, to develop pre-investment studies both for the Project to Improve the Resolution Capacity of the San Juan de Lurigancho Hospital, and for two plants for bio-contaminated waste.
- Supported CAF's management as coordinator of the Agua Group for International Cooperation in 2012.
- Supported the Cantolao Sports Academy within the Social Action for Sports Program, to promote values and social inclusion through soccer.
- Sponsored the Inter-American Forum for Housing Financing on Sustainable Cities.

USD 3.3

Million granted by CAF to Peru in cooperation funds



Support for the Promotion of Values and Social Inclusion Through Sports

Competitiveness

- Supported the implementation of best practices in the services provided by the Cacao Technological Innovation Center, in the region of San Martin.
- Supported entrepreneurship through the 2011 Challenge Peru Business Plans Contest, organized jointly with the Invertir Institute, which also promotes business and angel investor rounds for entrepreneurs.
- Supported the Routes Program: Sustainable community tourism destinations in the region of Urubamba, Cusco.
- Completed the Project in Support of a One Stop Access for Foreign Trade Operations (VUCE, in Spanish) with the Ministry of Foreign Trade and Tourism, and sponsor the III Latin American Regional Meeting on One Stop Access for Foreign Trade Operations, where progress in different countries was reported, as well as VUCE's standardization project.
- Launched a seminar for the Integration of the Stock Exchanges of Chile, Peru and Colombia.
- Offered the Corporate Governance Program through the Lima Stock Exchange for 20 Peruvian private companies, with the participation of an international supervisor and four local consultants.
- Financing for the China-Latin America Entrepreneurial Summit.
- Project for the Implementation of the Territorial Information System of the District of Lince.
- Supported the Ministry of Economy and Finance for the modernization of the management of the Fiscal Tribunal within the framework of the modernization of the State.

Environment

- Supported the Protected Natural Areas Service (SERNANP, in Spanish) for the implementation of regional and private conservation areas, and as part of its institutional strengthening.
- Supported the National Forestry Chamber to carry out the V Latin American Forestry Congress within the context of the Government's promotion of the sector, resulting from the approval of the new forestry law.
- Supported Pronaturaleza for the Consolidation of the Buffer Area of the Tambopata National Reserve, to formalize its administrative-legal status and to develop the productive activities of the area.
- Supported the National Water Authority to Modernize the Management of Water Resources in the Chamaya, Chinchipe, Jequetepeque, Mages, and the Alto Apurimac Rivers, to complete the pre-investment studies for a program to optimize the management of the basins.

Financial Sector

- Supported COFIDE in carrying out a seminar on dissemination of innovative practices in the design of new financial instruments.
- Supported the Universidad del Pacifico in a seminar on inclusion, competition and regulation in the financial system.

Governance

- Supported the Catholic and San Martin de Porres Universities in Peru for a new edition of the Governance and Policy Management Program. In 2011, 562 participants were trained.
- Carried out the Leadership for Change Program to strengthen democratic culture and governance in the country, in alliance with the Government Institute of the San Martin de Porres University. A total of 591 natural leaders were trained during 2011.
- Carried out the Regional Program to Update and Improve Local Management (PRAMEG). The Municipalities of Cuzco and Huancayo were selected to participate in the implementation of the pilot plan.



2011

Uruguay

Executive Tower in Montevideo. Project for the Improvement of the capacity of the State's infrastructure

During 2011, CAF approved operations in favor of Uruguay for USD 648 million, of which 98% (USD 635 million) corresponded to sovereign risk operations and the remaining 2% (USD 13 million) to non-sovereign risk operations.

Uruguay in 2011 figures (in USD million)

	2011	2007-2011
Approvals	648	2,074
Sovereign risk	635	1,973
Non-sovereign risk	13	101
Disbursements	52	756
Sovereign risk	52	755
Non-sovereign risk	0	1
Portfolio	352	
Sovereign risk	352	
Non-sovereign risk	0	

In keeping with the strategy to manage the country's external debt, the Ministry of Economy and Finance paid off in advance the two lines of credit it contracted in 2009, under the Contingent Credit Line, for a total of USD 280 million. In addition, in support of the national effort to implement a strategy to manage public debt in the current uncertain international economy, CAF renewed the Contingent Credit Line for USD 400 million for the third time.

In the sovereign sector, credit support for the economic and integration infrastructure area is crucial. In this sector, CAF approved USD 180 million for the Punta del Tigre Combined Cycle Plant Project. This energy project includes financing for generation equipment, the electrical substation, the control room, and auxiliary equipment buildings as well as an industrial water disposal system. CAF's role as a catalyst stands out, as it helped to attract resources from the Kreditanstalt für Wiederaufbau (KfW) German fund to complement the project's financing, and CAF enlisted the IDB as a co-financer.

In the area of social development, a USD 5 million loan was granted to the State's Sanitation Works Administration (OSE, in Spanish) to conclude work on the Project for the Treatment and Final Disposal of the Effluents of the Maldonado System. The objective is to promote social, economic, and tourism development in the state of Maldonado

by improving the environmental and sanitary conditions of the capital city and the tourist area of Punta del Este.

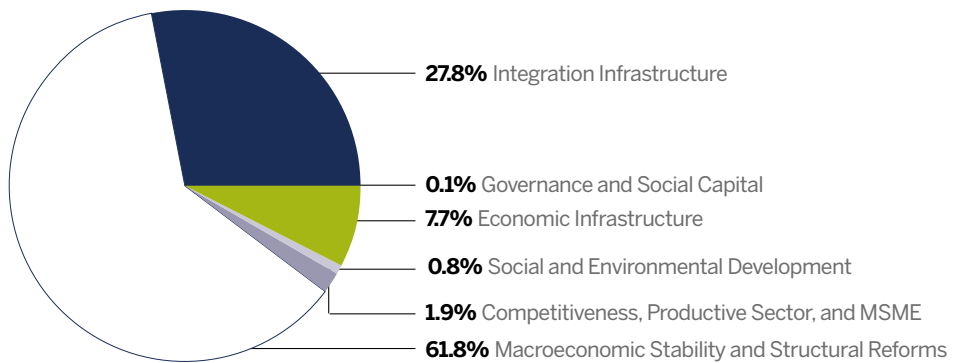
Finally, the Institution allocated resources to the corporate sector, with the approval of USD 12 million to Teyma, Uruguay, with a rotating credit line for the issue of warranties, assurances and guaranties.

Approvals to Uruguay

	Total Amount (USD million)	Term (Years)
<p>Uncommitted Contingent Credit Line <i>Client/Executing Agency: Eastern Republic of Uruguay / Ministry of Economy and Finance</i> Objective: Support the national government in the implementation of its public debt strategy through a preventive financial instrument that provides resources to the country in the event it cannot access international capital markets, under conditions that are consistent with such a strategy.</p>	400	7
<p>Punta del Tigre Combined Cycle Plant Project <i>Client/Executing Agency: Eastern Republic of Uruguay / National Administration of Electric Transmissions and Power Stations - UTE (in Spanish)</i> Objective: Increase the reliability and autonomy of the Uruguayan Electric System through the construction of a plant that will generate up to 520 MW. This will help to counteract the current volatility of the supply from traditional sources, such as hydroelectric and imported energy.</p>	180	15
<p>Uncommitted Revolving Credit Line <i>Client/Executing Agency: Eastern Republic of Uruguay / National Administration of Electric Transmissions and Power Stations - UTE (in Spanish)</i> Objective: Finance working capital operations.</p>	50	3
<p>Expansion of the Project for the Treatment and Final Disposal of the Effluents of the Maldonado System <i>Client/Executing Agency: Eastern Republic of Uruguay / State's Sanitary Works Administration - OSE</i> Objective: Finance direct costs, including supplies and civil works of the Maldonado System.</p>	5	8
<p>Uncommitted Revolving Credit Line <i>Client: Teyma Uruguay S.A.</i> Objective: Issue assurances, collateral and guarantees to various institutions and companies for contract compliance, advances of warrantee funds, correct execution, payment to suppliers, draft discounts, advances in cash and materials, among others.</p>	12	1
<p>Other Operations with Cooperation Resources <i>Various beneficiaries</i></p>	0.6	Various

USD 648 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Uruguay

- Supported the Ministry of Transportation and Public Works in the development of the SIUR Information System, a model that supports the management of infrastructure projects and works, which are currently in the Five-Year Plan of the Government of the Eastern Republic of Uruguay.
- Supported the Interdisciplinary Center for Development Studies (CEIDUR, in Spanish) through an agreement to promote planning and management of protected areas by deepening knowledge about the vulnerability to Climate change, and the changes required to protect the quality of life of the affected communities.
- Contributed to the consolidation of the documentation and endowment center of the Museo del Carnaval (Carnival Museum) through a technical cooperation operation to the National Development Corporation to position the entity as a national and international landmark in the rescue, preservation, and dissemination of Uruguay's cultural heritage.
- An agreement to complete the construction of the Cultural Space "Federico Garcia Lorca" aimed at promoting performing arts and training human resources.

USD 614,568

Granted by CAF to Uruguay
in cooperation funds



Support for the Documentation Center and the Heritage of the Museo del Carnaval

-
- Supported the establishment of the Uruguayan Network of Fair and Sustainable Cities in the framework of the Latin American Network of Fair, Democratic, and Sustainable Cities, with technical cooperation for the Citizen Association for Civil Rights.
 - Contribution to the Mercosur Network for Economic Research for its consolidation and expansion toward other Latin American countries.
 - Contributed to the recovery, preservation, and dissemination of the history and culture linked to the performing arts in the Solis Theater, the main stage in Montevideo, through an agreement with the Friends of the Solis Theater Foundation.
 - Contribution to Children's Orchestra System Foundation of Uruguay to strengthen the Uruguayan musical movement.
 - Supported the Ministry of Industry, Energy, and Mining, to evaluate a comprehensive support operation for the Government's regional plans.
 - Supported the Uruguayan Chess Foundation for the Organization of the Second Latin American Cup, which is the first phase of a global program that seeks to democratize chess, and to include it in school curriculums and promote its practice at the community level.
 - Contribution in favor of the Young Americas Business Trust of the Organization of American States (OAS), to carry out the Nex Links 2011 Forum that promotes young entrepreneurs.
 - Contribution to the Pre-Columbian and Indigenous Art Museum to organize an exhibition by the Peruvian photographer Martin Chambi.
 - Contribution to strengthen the networks of women entrepreneurs linked to productive development.



2011

Venezuela

Project for the Rehabilitation of Units 1 through 6
of the Hydroelectric Plant Simon Bolivar

During 2011, CAF approved operations in favor of Venezuela for USD 531 million, corresponding to sovereign risk and technical assistance operations.

CAF continued to support the Central Government in the rehabilitation of the National Electric System (SEN, in Spanish) by approving a USD 380 million loan for the rehabilitation of turbines 1 through 6 in Engine Room No1 of the Simon Bolivar Hydroelectric Plant (GURI). This project is of great relevance for the SEN as the turbines are close to the end of their useful life and their rehabilitation will allow for another thirty years of operation. In addition, it will add 795 MW of power by using more efficient generating equipment. This project includes the rehabilitation of the turbines and the supply and installation of mechanic and electric auxiliary systems, adaptation of the distribution yard of the Guri "A" sub-station, the transmission lines associated with Engine Room 1, and the architectural and environmental updating of its facilities.

In addition, CAF approved USD 150 million for the implementation of the Rehabilitation Program of Water Treatment Plants. The objective is to improve the supply, reliability and quality of potable water distributed in Venezuela by expanding, rehabilitating, and optimizing a group of treatment plants selected from the seven largest water treatment plants in the country. The project will equip the reservoirs that supply the water treatment plants with the

Venezuela in 2011 figures (in USD million)

	2011	2007-2011
Approvals	531	3,684
Sovereign risk	530	3,533
Non-sovereign risk	1	151
Disbursements	904	2,388
Sovereign risk	904	2,368
Non-sovereign risk	0	20
Portfolio	2,652	
Sovereign risk	2,652	
Non-sovereign risk	0	

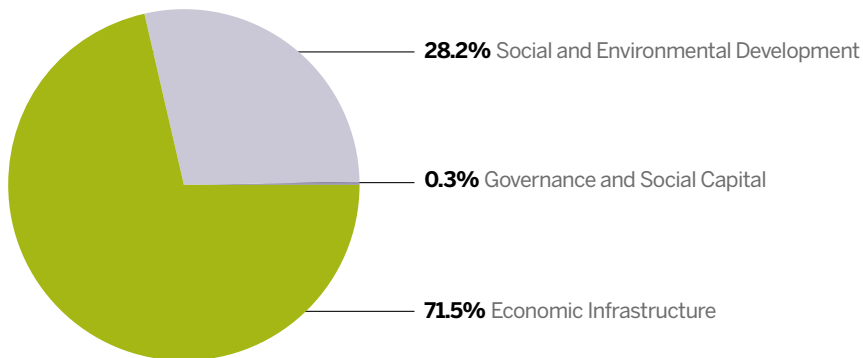
necessary measuring and monitoring equipment to control the quality of the water entering the plants; expand and develop the water collection systems of the water treatment plants and the pretreatment systems; rehabilitate and install systems for measuring the quality of the water entering the plants, to optimize the dosage of chemicals and guarantee the quality of the potable water; construct, rehabilitate, and modernize the infrastructure and the equipment required for an adequate operation and management of the plants; modernize and equip the water quality control labs in all phases; establish the organization of the technical and administrative staff needed to adequately operate and maintain the plants; develop and initiate a training strategy for the staff responsible for the operation and maintenance of the plants; and implement standardized procedures to optimize the operation and maintenance in each plant.

Approvals to Venezuela

	Total Amount (USD million)	Term (Years)
<p>Program for the Rehabilitation and Optimization of the Largest Water Treatment Plants in Venezuela <i>Client/Executing Agency: Bolivarian Republic of Venezuela / Venezuelan Hydrologic Corporation (Hidroven)</i> Objective: Improve the supply, reliability, and quality of the potable water distributed in Venezuela, through the expansion, rehabilitation, and optimization of the seven largest water treatment plants in the country.</p>	150	15
<p>Project to Rehabilitate Units 1-6 of the Simon Bolivar Hydroelectric Plant (Guri) <i>Client/Executing Agency: Bolivarian Republic of Venezuela / National Electricity Corporation (CORPOELEC)</i> Objective: Extend the useful life, improve the efficiency, and increase the supply from the Simon Bolivar Hydroelectric Plant (Guri) through the rehabilitation of the generation units 1 through 6 in Engine Room 1, to optimize electricity generation from the Bajo Caroni water resources.</p>	380	18
<p>Other Operations with Cooperation Resources <i>Various beneficiaries</i></p>	1.4	Various

USD 531.4 **Total**
Million

Approvals by strategic area, 2011



Other contributions to sustainable development in Venezuela

USD 1.4

Million granted by CAF to Venezuela in cooperation funds

Social Sustainability

- Approval of the Telemedicine Center Project in the community of El Pauji in the State of Bolivar, in coordination with the Maniapure and Ericsson Foundation. This project is carried out in the framework of the Comprehensive Community Development Program under the Information Technologies for Development component. The initiative seeks to improve the quality of life of approximately 2,000 inhabitants of El Pauji and neighboring areas by improving the services of the health and telecommunications systems. The project addresses three problems identified in the area:
 1. Access to health through the installation of a Telehealth Center.
 2. Access to communication systems through the installation of a voice and data system with the support of Movistar.
 3. Access to electricity with solar panels.

- Companies in Dialogue Program: Expansion of the Mapping of CSR Promoters and identification of Best Practices for Development, to promote Corporate Social Responsibility (CSR) in the region by creating and disseminating a public space where companies and other Latin American institutions can generate synergies with CSR promoters. In addition to Venezuela, this program is being carried out in Argentina, Chile, Colombia, Mexico, Bolivia, Ecuador and Uruguay.

Social Development

- Supported the Technological Revolution and the Underdevelopment Gap seminar carried out in Venezuela to bring information technologies, knowledge and education closer to the people.
- Supported the Simon Bolivar University in the development of educational contents for the PIO Docente project.
- Training of 261 primary school teachers in the Educational Competencies Program, implemented in alliance with the University Institute for Management and Technology in Caracas. Ninety percent of the trained teachers belong to public schools and 93% of the participants are women.



Luthier Project for the physically handicapped

Environment

- Development of the “Venezuela 2011 Eco-school” Project, an ecological project aimed at education for sustainable development. The initiative developed a pilot project that was tested in two public schools. The model can be replicated and the intention is to expand it to the rest of the country. Under this project, work was also carried out to support and disseminate among teachers and students the concepts on which an Ecoschool is based —Agenda 21 Escolar (School Agenda 21), Ecoschools in the World, Letter from The Earth— and the right to education for sustainable development. In addition, an “Environmental Anniversary Calendar” of Venezuela was created, to be distributed in schools; members of an environmental brigade were sworn in at the two pilot schools.

Competitiveness

- Promoted entrepreneurial capacity by supporting the 2011 Ideas Contest, the most important contest of this type in the country.
- Developed the value chain of aromatic coffees in Trujillo and Portuguesa. The objective of this project is to strengthen institutional coordination among those involved with the project; train producers on international best practices; and support product marketing under a consolidated collective brand scheme.
- Strengthened the entrepreneurship ecosystem in Venezuela by sponsoring the XI International Seminar Red Motiva (Motivation Network): University, Entrepreneurship, and Social Responsibility, and by providing support for the Launching of the National Entrepreneurship Ecosystem of Venezuela, which brings together more than 60 institutions.
- Promoted competitiveness in the Venezuelan industrial sector by supporting the seminar The New International Financial System and its Importance for Emerging Economies.
- Development of a productive transformation strategy aimed at the diversification of exports by holding the 2011 Productive Venezuela Commercial Exhibition.

Governance

- Provided training to 172 participants of the Governance and Policy Management Program in alliance with the Andres Bello Catholic University (UCAB, in Spanish), aimed at improving government capacities in the operational field, strengthening democratic institutions and governance. For important members of local governments and their support teams, with a comprehensive approach to governing.
- Provided training to 551 natural leaders from 70 municipalities in the Leadership for Change Program. Caracas, Vargas, Miranda, Portuguesa, Lara, Barinas, Bolivar, and Monagas were the cities serviced during the fifth round of this initiative, which is focused on highlighting the importance of ethics and democratic values in a country’s development process. At the close of the year, the total number of natural leaders trained in Venezuela during the years that the Program has been implemented directly reached 3,711 plus 1,500 individuals who received the training indirectly, through the program’s replication process.
- Implemented the Regional Program for Updating and Improving Local Management (PRAMEG) in the Municipalities of Heres and San Cristobal, which were selected to take part in the pilot plan. The selection processes considered the objectives of modernizing the land registries with the goal of developing organizations that are more efficient, with the capacity to plan, manage, increase their revenues, and coordinate their actions to obtain the resources needed to improve the delivery of services to its citizens.

An aerial photograph of a tropical coastline. A winding road, likely the Atlantic Tourist Boulevard, cuts through a dense forest of palm trees. The road curves from the top left towards the bottom right. In the bottom left corner, a sandy beach meets the turquoise ocean with white waves. The image is partially overlaid by a dark teal rectangular box containing text and a white triangular shape on the right side.

2011

Other
Shareholder
countries

Support for the Rehabilitation and Construction of the
Atlantic Tourist Boulevard in the Dominican Republic

Chile
Costa Rica
Spain
Jamaica
Mexico
Portugal
Dominican Republic
Trinidad and Tobago

Chile

CAF´s relationship with Chile continued to strengthen after the Agreement on Privileges and Immunities, signed by CAF

and the Government of Chile, became effective. Thus, CAF may initiate support operations in the country, both to the public and private sectors.

Costa Rica

A line of credit was renewed for Banco Improsa, S.A., in Costa Rica, aimed at providing financing for MSMSs in that country.

Costa Rica in 2011 figures (in USD million)

	2011	2007-2011
Approvals	10	279
Sovereign risk	0	60
Non-sovereign risk	10	219
Disbursements	7	124
Sovereign risk	0	0
Non-sovereign risk	7	124
Portfolio	118	
Sovereign risk	0	
Non-sovereign risk	118	

Spain

During 2011, CAF conducted a dynamic program to promote business and attract investment in Latin America, during a difficult European context that boosted investor interest in the region, especially on the part of construction and energy companies.

The institutional agenda included event planning and participation, as well as visits to public and private organizations and the Institutions

of the European Union in Belgium. Greater visibility was achieved, and CAF´s position in the European market improved.

Finally, with respect to the financial agenda, 2011 was a year in which relations with the different European financial institutions were strengthened by establishing new agreements. Especially relevant was the agreement with the European Commission (EC), thanks to the Latin American Investment

Facility (LAIF), through which the EC supports development in the Latin American region with non-reimbursable funds aimed at development projects,

emphasizing initiatives related to climate change, poverty reduction, and promotion of private investment.

Jamaica

In 2010, CAF approved USD 10 million to support the West Kingston Power Partners project, an electricity company that received initial support with a disbursement of USD 4.9 million.

Mexico

During the year, capital contribution operations were approved in the Newgrowth Fund I LP, the Fondo Indigo I LP, and the Green Tek Ventures Mexico I LLP, for a total amount of USD 16 million. In addition, a revolving credit line was approved for USD 3 million for the Consejo de Asistencia al Microemprededor S.A. (Council for the Assistance to Microentrepreneurs) of CV Sociedad Financiera Popular, Camesa, to provide

financing to MSME. The credit line for USD 10 million in favor of Banco Compartamos was also renewed.

With respect to cooperation funds, CAF granted a total of USD 203,000 for the 2011 Governance and Policy Management Program, the Microfinance in Mexico Study, the Strengthening of the Latin American Microfinance Institute, and for effecting transfers from social programs through electronic means.

Mexico in 2011 figures (in USD million)

	2011	2007-2011
Approvals	29	140
Sovereign risk	0	0
Non-sovereign risk	29	140
Disbursements	0	25
Sovereign risk	0	0
Non-sovereign risk	0	25
Portfolio	24	
Sovereign risk	0	
Non-sovereign risk	24	

Portugal

During 2011, CAF's work in Portugal focused on the institutional, political and promotional areas. In the political and institutional areas, CAF's activities in the country were defined by the fiscal, budgetary and debt crisis, which led to a call for elections and to a change in the political orientation. In this context, contacts were established

with the new Portuguese civil servants and authorities.

In addition, in the institutional area an important relationship was established with the Central Bank of Portugal to promote exchanges on regulatory and economic policy issues with Latin American central banks.

With respect to the promotional area, in alliance with AICEP (Portugal's agency for investment and foreign trade) and based on a Memorandum of Understanding signed in 2010, as well as in coordination with the Market Working Group of the Financial Multilaterals, meetings were held with the financial sector and especially with companies linked to the infrastructure area. In November 2011, in coordination

with the GPEARI (Gabinete de Planeamento, Estrategia, Avaliação Relações Internacionais - Planning, Strategy and International Relations Cabinet) and the AICEP, a corporate mission, presided by the Minister of Foreign Relations of Portugal, visited Venezuela and Colombia to facilitate Portuguese investments in those markets.

Dominican Republic

During 2011, CAF approved a credit line for USD 10 million in favor of Banco BHD, aimed at financing foreign trade operations, working capital, and investments in capital goods.

With respect to cooperation in non-reimbursable resources, a total of USD 235,000 was approved, of which USD

130,000 went toward strengthening SMEs in the identification and access to international markets through the Pilot Program in Support of the Dominican Export Sector, and USD 105,000 to carry out two important events: The V Competitiveness in the Americas Forum, and the IV Ministerial Meeting of the Roads to Prosperity in the Americas Initiative.

Dominican Republic in 2011 figures (in USD million)

	2011	2007-2011
Approvals	10	215
Sovereign risk	0	155
Non-sovereign risk	10	59
Disbursements	39	158
Sovereign risk	26	117
Non-sovereign risk	13	42
Portfolio	158	
Sovereign risk	117	
Non-sovereign risk	42	

Trinidad and Tobago

During 2011, a non-reimbursable technical cooperation operation for USD 96,000, approved in 2010, was executed. The operation was aimed at strengthening the Office of the Prime Minister, to improve the efficiency of its public management processes.



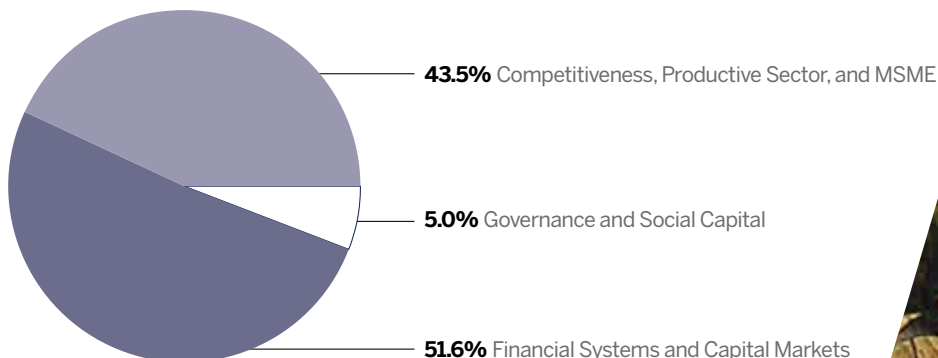
Approvals for other shareholder countries

	Total Amount (USD million)	Term (Years)
Costa Rica		
Uncommitted Revolving Credit Line <i>Client: Banco Improsa S.A.</i> Objective: Finance micro-, small-, and medium-sized enterprises in Costa Rica.	10	Various
Mexico		
Uncommitted Revolving Credit Line <i>Client: Banco Compartamos, S.A.</i> Objective: Finance micro-, small-, and medium-sized enterprises in Mexico.	10	Various
Capital Investment <i>Client: Green TEK Ventures Mexico I L.L.P. Fund</i> Objective: Support investments in clean technology in companies and projects in Mexico.	10	10
Uncommitted Revolving Credit Line <i>Client: Consejo de Asistencia al Microemprendedor S.A. of the CV Sociedad Financiera Popular CAMESA</i> Objective: Finance investment projects and working capital for the development of small and micro enterprises.	3	Various
Capital Investment <i>Client: Newgrowth Fund I, L.P.</i> Objective: Invest in medium and small enterprises.	3	8
Capital Investment <i>Client: Fondo Indigo I, L.P.</i> Objective: Provide financing for small- and medium-sized enterprises.	3	10
Other Operations with Cooperation Resources <i>Several clients</i>	0.2	Various
Dominican Republic		
Uncommitted Revolving Credit Line <i>Client: Banco BHD</i> Objective: Finance foreign trade operations, working capital, and investments in capital goods.	10	Various
Other Operations with Cooperation Resources <i>Various beneficiaries</i>	0.2	Various
Multinacional		
Capital Investment <i>Client: Clean Tech Latin American Fund II L.P.</i> Objective: Invest in renewable energy projects and clean technologies in Latin America and the Caribbean.	10	10
Capital investment <i>Client: Latin American Export Finance Fund L.P.</i> Objective: Finance exports in medium and small enterprises located in Latin America, mainly in Brazil, Argentina, and Peru, and also encourage transactions in Colombia, Uruguay, Mexico and Central America.	15	5
Capital Investment <i>Client: WWB Isis Fund, L.P.</i> Objective: Invest in strategic minority positions in microfinance institutions aimed mainly at supporting women.	2	10

USD 320 **Total**
Million

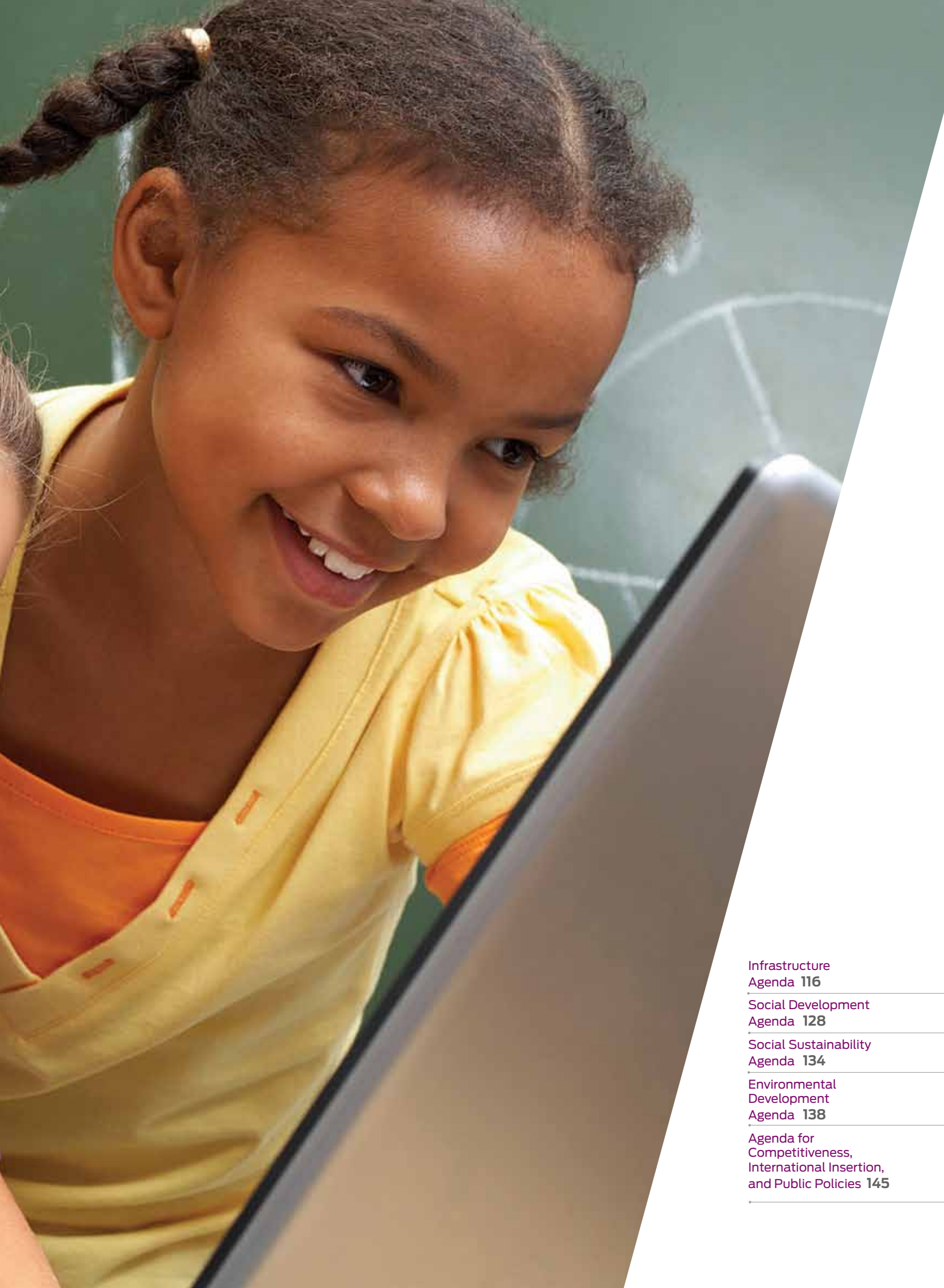
	Total Amount (USD million)	Term (Years)
Multinacional		
Capital Investment <i>Client: Fondo Axon ICT I, F.C.R.</i> Objective: Acquire equity positions in medium and small Spanish enterprises with plans to expand in Latin America and/or the Caribbean, aimed at the information technology and communications sectors (ITC).	3	8
Revolving Credit Line <i>Client: Banco Latinoamericano de Comercio Exterior (BLADEX)(Latin American Foreign Trade Bank), Inter-American Corporation for Infrastructure Financing (CIFI, in Spanish)</i> Objective: Finance foreign trade operations and infrastructure projects in the region.	135	Various
Capital Investment <i>Client: Prospero Microfinanzas Fund, L.P.</i> Objective: Invest in microfinancing enterprises that require a capital increase to grow, mainly those whose needs originated in the financial crisis .	5	7
Capital Investment <i>Client: Agence Française de Développement (AFD) - Société de Promotion et de participation pour la Coopération Economique-PROPARCO</i> Objective: Finance corporate projects.	23	Various
Corporate Loan <i>Client: Grupo Isolux Corsan, S.A.</i> Objective: Finance the construction of projects that the Grupo Isolux Corsan, S.A. executes directly or through their companies operating in CAF member countries in Latin America .	50	10
Capital Investment <i>Client: SBC Latin American Housing Fund, L.P.</i> Objective: Invest resources in projects in the real estate sector of medium-sized housing and affordable prices, located in Latin America.	7	6
Capital Investment <i>Client: AGFLATAM Fund, L.P.</i> Objective: Capital risk fund focused on small- and medium-sized enterprises of the agro-industrial sector in the Southern Cone.	5	8
Other Operations with Cooperation Resources <i>Various beneficiaries</i>	15.4	Various

Approvals by strategic area, 2011



CAF Agenda for
Comprehensive
Development





Infrastructure
Agenda **116**

Social Development
Agenda **128**

Social Sustainability
Agenda **134**

Environmental
Development
Agenda **138**

Agenda for
Competitiveness,
International Insertion,
and Public Policies **145**

2011

CAF Agenda for Comprehensive Development

Infrastructure Agenda

- Innovation and Sustainability of Road Infrastructure
- Sustainable Energy
- Urban Transportation
- Information and Communications Technologies
- Cross-Border Integration and Development Program
- GeoSUR
- Port and Airport Logistics and Competitiveness
- Initiative for the Integration of Regional Infrastructure

Social Development Agenda

- Comprehensive Water Management
- Inclusive Comprehensive Urban Development Management
- Educational Quality
- Educational Competencies Program
- Strengthening Health Supply and Management
- Comprehensive Natural Disaster Risk Management
- Governance:
 - Governance and Policy Management
 - Leadership for Change
 - Program for Regional Updating and Improvement of Local Management

Social Sustainability Agenda

- Comprehensive Community Development
- Social Action for Music
- Social Action for Sports

Environmental Development Agenda

- Environmental Management for Sustainable Development
- Strategic Forest Management
- Bio-trade Strategy
- Vulnerability and Adaptation to Climate Change
- Sustainable Productive Transformation
- Socio-Environmental Institutional Management
- Latin American Carbon, Clean and Alternative Energies Program (PLAC^{ce})

Agenda for Competitiveness, International Insertion, and Public Policies

- Program in Support of Competitiveness
- Financial Access for Micro, Small, and Medium Enterprises
- Corporate Government
- Research Program
- Regulation and Development of the Financial System

GROWTH: HIGH,
SUSTAINED AND QUALITY
GROWTH

MACROECONOMIC
STABILITY

MICROECONOMIC
EFFICIENCY

SOCIAL EQUITY

ENVIRONMENTAL
BALANCE

Investment in all forms of capital

Productivity increases

Social Inclusion

CAF's Agenda for comprehensive development seeks high, sustained, sustainable and quality growth in Latin America: high growth is needed to bridge the development gap in with high-income countries and to compensate for population growth; sustained growth to insure the continuity of economic progress and social welfare; sustainable growth to ensure the inter-generational viability of natural capital, respect cultural diversity and support democratic governance in the region; and quality growth to benefit the largest possible percentage of the population in an asymmetrically equitable manner by targeting the poorest segments of the population.

At the same time, improved microeconomic efficiency and productivity must transform Latin American economies through improved productivity and value added to comparative advantages of each country. This requires increasing investment in all forms of capital: human, social, natural, physical, productive and financial. More availability and better quality capital is necessary to increase productivity and reduce social gaps.

In addition, the ongoing regional and international integration and insertion processes in Latin America, promoted by CAF, are important to generate economic growth that is less dependent on the international economic environment.

In fact, since the early nineties, prior to the larger process of South American and Latin American integration, CAF started expanding its shareholder countries to reach the current 18 members, enabling the Institution to play a larger role in the region's integration.

Integration has political, social and economic dimensions. In the economic sphere, the objective is to achieve economies of scale that increase efficiency and productivity and promote a competitive international profile by creating integrated regional markets that become large "domestic" markets for Latin American countries.

CAF's comprehensive vision of sustainable development is the result of an important research and knowledge dissemination on subjects related to development and public policies, built both on the intellectual efforts of the Institution and on dialogue with public, private and academic sectors of Latin America. The strategic programs presented below carry out this vision.

Quality growth must be based on preserving the progress achieved through macroeconomic stability, the improvement in microeconomic efficiency, the commitment to initiatives that boost equality and social inclusion and the maintenance of an appropriate balance between sustainable use and conservation of natural capital.

01 Infrastructure Agenda

CAF's activity in the sector is aimed at supporting shareholder countries in their efforts to build and maintain transportation, energy, and telecommunications infrastructure that is sustainable, efficient and modern. Infrastructure is necessary for achieving the goals of economic competitiveness and social inclusion.

The infrastructure agenda includes improving accessibility and territorial organization in shareholder countries, as well as integrating and connecting Latin America's territories. The Institution also devotes special efforts to develop basic infrastructure platforms in cities of the region and to strengthen the energy sector. Thus, the infrastructure agenda is part of the economic growth and international agenda of the countries, as well as part of the social development and poverty relief agenda.

CAF also works continually in developing and disseminating knowledge regarding innovative financing mechanisms for public and private investment projects adapted to the region. The Institution also participates in the design and preparation of infrastructure projects by providing specialized technical advice and technical cooperation to the agents involved.

In the following section we describe the main strategic lines of CAF's infrastructure agenda.

Innovation and Sustainability of the Road Infrastructure

This program is aimed at promoting and supporting the transfer of best practices in the management and intervention of the urban and inter-urban road infrastructure in the region, to optimize available resources and promote their efficient preservation. The main objectives of this initiative are:

- ▶ To support knowledge management through the transfer of experiences to improve the technical and administrative capacity of the public and private institutions in charge of executing road projects.
- ▶ To advise CAF's business units on the technical evaluation of projects financed by the Institution, through recommendations and by proposing special conditions aimed at reducing

technical risks through the adoption of adequate mitigation measures.

- ▶ To disseminate best practices regarding road infrastructure in planning, study, design, execution, supervision, maintenance and operation, by publishing technical documents (notes, bulletins, articles and conferences) and offering specialized academic events (courses, workshops and seminars).

Currently, specific activities are being developed under this program in the following areas of knowledge:

- ▶ Technological innovation, research and promotion of best practices in road construction.

Activity in this area seeks to facilitate dialogue and disseminate knowledge on topics related to innovation and technological development for road infrastructure using new technologies (alternative materials and construction processes). The focus is on the use of low cost pavements and technical parameters for the design of projects that are sustainable and stable, as well as on the dissemination of modern construction technologies that are better adapted to local conditions.

► Road Safety

Activity in this area seeks to promote CAF's role in the "Decade of Action in Road Safety" in the world. It also seeks to promote road safety in the inter-urban and urban road projects financed by the Institution, by including elements such as Road Safety Audits. At the same time, this initiative includes the development of training plans for engineers and urban planners in the design, construction and operation of safe transportation infrastructure.

► Road Maintenance

Activity in this area seeks to promote the implementation of structured road maintenance programs throughout the region. It includes the design of policies, strategies and plans to preserve the urban and inter-urban road network. With this in mind, CAF supports the entities that are responsible for road systems, emphasizing the design of innovative contracting models that include parameters for elements such as service standards, allocation of long-term risks and management.

These initiatives promote the generation of rural employment devoted to the preservation of the road infrastructure.

► ITS Applications (Intelligent Transportation Systems)

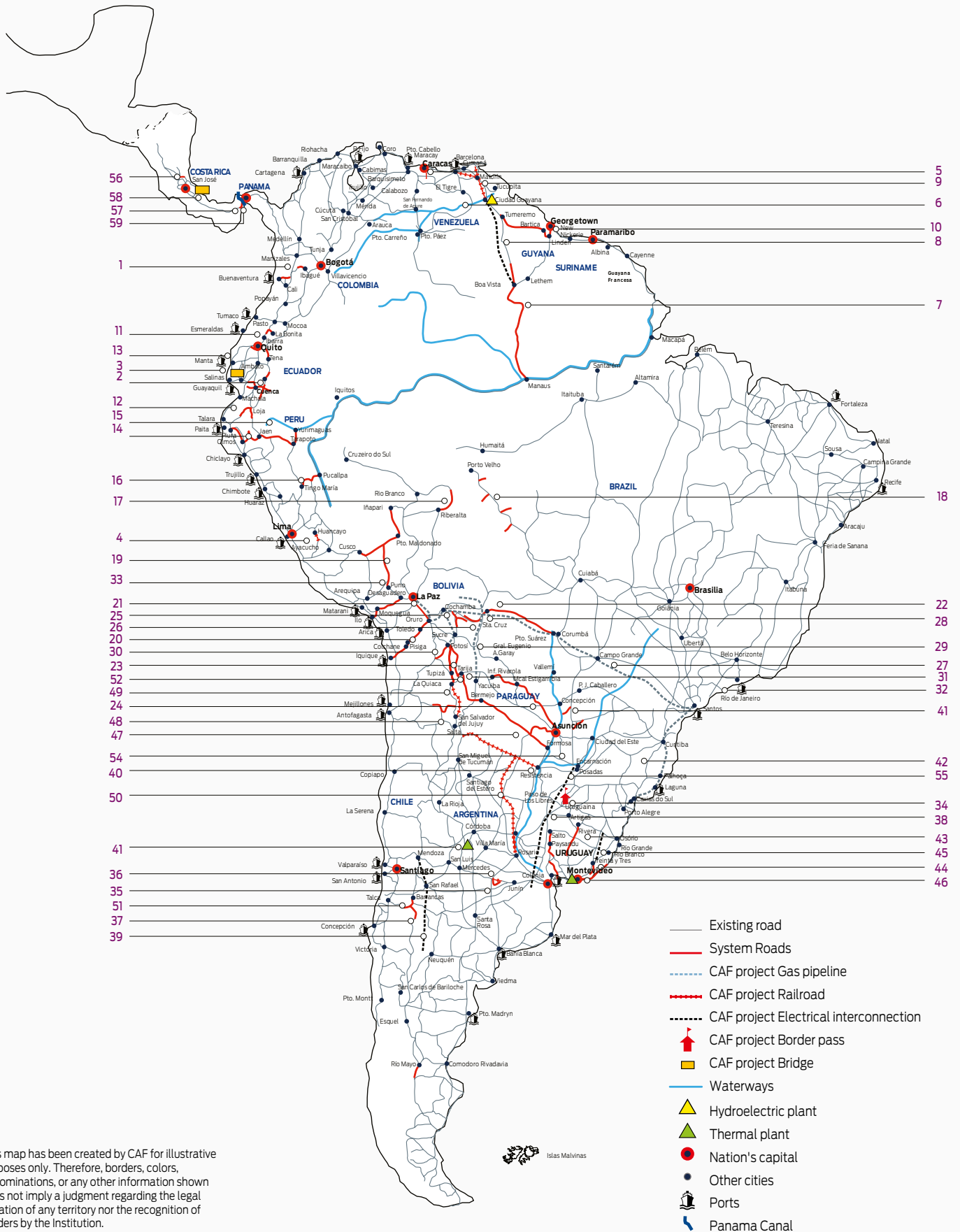
Recognizing the importance of new technologies in managing road infrastructure, CAF promotes their adoption if they optimize the investment of resources, road safety and control and monitoring of vehicular traffic. The use of these technologies is particularly appropriate in urban and inter-urban investment projects with high volumes of traffic. In toll corridors, the use of appropriate technologies helps to achieve a more controlled operation that facilitates the use of electronic tolls, photographic fines, speed radars, weight control and centralized traffic light control, among other mechanisms aimed at reducing traffic congestion.

CAF works to develop and disseminate knowledge on innovative financing mechanisms for public and private investment projects. It also works in the design and preparation of infrastructure investment projects by providing specialized technical assistance and technical cooperation.



Physical integration projects financed by CAF

	CAF contribution	Total investment USD million	
Andean Axis			
1	Colombia: Bogota-Buenaventura Road Corridor	447.0	1,116.6
2	Ecuador: Amazonian Connection with Colombia and Peru (Troncal del Oriente Road)	93.8	152.7
3	Ecuador: Segmented Bridge Project over the Babahoyo River	123.0	133.9
4	Peru: Rehabilitation of the Huancayo-Huancavelica Railroad	14.9	18.8
5	Venezuela: Railroad Connection between Caracas and the National Network	360.0	1,932.0
6	Venezuela: Support for Commercial Navigation in the Orinoco-Apure River Access, Axis of the Guyana Shield		
7	Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8	Brazil: Venezuela-Brazil Electric Interconnection	86.0	210.9
9	Venezuela: Railroad studies Guyana City-Maturin-State of Sucre	2.6	2.6
10	Venezuela: Road studies Guayana City (Venezuela)-Georgetown (Guyana)	0.8	0.8
Amazon Axis			
11	Ecuador: Central Trans-Andean Connection	33.7	54.5
12	Ecuador: South Trans-Andean Corridor	70.0	110.2
13	Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14	Peru: Northern Amazon Road Corridor	110.0	328.0
15	Peru: Pre-Investment Border Region with Ecuador	5.3	8.7
16	Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa stretch)	3.5	13.6
Peru-Brazil-Bolivia Axis			
17	Bolivia: Guayaramerin-Riberalta Highway	42.0	45.5
18	Brazil: Road Integration Program in the State of Rondônia	56.4	134.2
19	Peru: Southern Inter-Oceanic Road Corridor (Sections 2, 3, and 4) and guarantees for private structuring	1,004.5	2,091.0
Central Inter-Oceanic Axis			
20	Bolivia: Bolivia-Chile Road Integration Corridor	243.2	368.2
21	Bolivia: Divided Highway La Paz-Oruro	250.0	265.1
22	Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (Stretches 3, 4, and 5)	280.0	585.5
23	Bolivia: Bolivia-Argentina Road Integration Corridor	314.0	642.0
24	Bolivia: Bolivia-Paraguay Road Integration Corridor	148.2	303.7
25	Bolivia: Integration "Y" Road Program	97.3	141.3
26	Bolivia: La Guardia-Comarapa Road Rehabilitation	21.0	34.7
27	Bolivia/Brazil: Bolivia-Brazil Gas Pipelines	215.0	2,055.0
28	Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
29	Bolivia: Transredes Gas Pipeline	88.0	262.8
30	Bolivia: Complementary Road Works	70.0	73.0
31	Bolivia: Regional Transportation Program	150.0	221.2
32	Brazil: Complementary Works Program of the Metropolitan Arch of Rio de Janeiro	200.0	334.0
33	Peru: Bolivia-Peru Road Integration Corridor	48.9	176.6
Mercosur-Chile Axis			
34	Argentina/Brazil: Paso Los Libres-Uruguiana Border Center	10.0	10.0
35	Argentina: Buenos Aires-Santiago Corridor (La Picasa Lake Alternate Route)	10.0	10.0
36	Argentina: Buenos Aires-Santiago Corridor (La Picasa Lake Alternate Railroad Route)	35.0	50.0
37	Argentina: Buenos Aires-Santiago Corridor (Access to Pehuenche Pass, RN40 and RNI45)	106.7	188.1
38	Argentina: Electrical Interconnection Rincon Santa Maria-Rodriguez	400.0	635.0
39	Argentina: Electrical Interconnection Comahue-Cuyo	200.0	414.0
40	Argentina: Road Integration Program between Argentina and Paraguay	110.0	182.0
41	Argentina: Extension of the Useful Life of the Embalse Nuclear Plant	240.0	1,026.7
42	Brazil: Regional Integration Program-Phase I. State of Santa Catarina	32.6	65.5
43	Uruguay: Mega-Lease of the Main Road Connections with Argentina and Brazil	25.0	136.5
44	Uruguay: Road Infrastructure Programs	240.0	757.1
45	Uruguay: Program to Strengthen the National Electric System	150.0	621.0
46	Uruguay: Punta del Tigre Thermal Plant Project and Combined Cycle Plant	208.0	814.4
Capricorn Axis			
47	Argentina: RN81 Pavement	90.2	126.2
48	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0	54.0
49	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0	1.0
50	Argentina: Recovery and improvement of the General Belgran Railroad	326.0	408.0
51	Argentina: Road Development Program Phase II: National Route No40	168.0	240.0
52	Bolivia: Tarija-Bermejo Highway Program	74.8	200.0
53	Paraguay: Rehabilitation and Pavement of the RN 10 and RN 11 Integration Corridors and Complementary Works	19.5	41.9
Paraguay-Parana Waterway Axis			
54	Studies to improve navigation, institutional management, and financial schemes for the operation of the waterway (Argentina, Bolivia, Brazil, Paraguay, and Uruguay)	0.9	1.1
55	Argentina: Railroad Work Program for the Integration of Argentina and Paraguay	100.0	166.0
Mesoamerica			
56	Costa Rica: Investment Program in the Atlantic Corridor	60.0	80.2
57	Panama: Highway Rehabilitation and Improvements Program	80.0	125.6
58	Panama: Bi-national Bridge over the Sixaola River	5.5	13.4
59	Panama: Panama Canal Authority, Expansion Program	300.0	5,250.0
	Others	210.0	812.0
	Total	7,989.7	24,986.4



This map has been created by CAF for illustrative purposes only. Therefore, borders, colors, denominations, or any other information shown does not imply a judgment regarding the legal situation of any territory nor the recognition of borders by the Institution.

The Institution carries out special efforts in the development of the basic infrastructure platform in the region's cities and for the support of initiatives that strengthen the energy sector.

Sustainable Energy

The objective of the program is to identify and promote strategic plans regarding energy, which will contribute effectively to the promotion of sustainable development and integration.

The specific objectives include the following:

- ▶ **Promote the development of integration projects**, that strengthen development plans as a base for future integrated energy markets.
- ▶ **Promote improvements in the quality and coverage of electricity services** by developing policies, regulatory actions, commercial strategies and mechanisms aimed at expanding coverage and reducing losses.
- ▶ **Support studies, technical evaluations, and the development of alternative and renewable energies** to improve energy efficiency and mitigate the effects of climate change in the region. With this support CAF seeks to formulate innovative projects that are adequately structured, including those that involve alternatives such as small hydroelectric plants, biofuels and aeolian energy, among others. The program also seeks to contribute to the region's institutional development in matters regarding energy and the development of public policies, providing a platform for the exchange of experiences and knowledge in the technical and political sphere that favors the implementation of pragmatic and cooperative energy policies. In addition, the program seeks to stimulate planning at a national and sub-regional scale, which favors the efficient use of available resources and the development of the necessary infrastructure.
- ▶ **Promote the organization of regional networks** through actions that favor the creation of knowledge adapted

to the region, the exchange of experiences, the promotion of issues regarding corporate governance and cooperation to increase competition in the sector. In parallel, it seeks to promote the development of institutional links in the industry as a way to inspire technological innovation in the region.

Among the program's specific actions regarding the development of knowledge are:

▶ Network organization

Activity in this area supports the promotion of a Shared Energy Agenda, jointly with regional organizations such as OLADE (Latin American Energy Organization), CIER (Regional Energy Integration Commission), ECLAC (Economic Commission for Latin America and the Caribbean), ARPEL (Regional Association of Oil, Gas, and Biofuels Sector Companies in Latin America and the Caribbean), and ALADI (Latin American Integration Association), among others, aimed at the comprehensive study of the region's energy status and the identification of opportunities for generating synergies on issues those institutions have in common. It is also aimed at the promotion of the Regional Innovation Initiative, whose objective is to promote the development of innovative projects in renewable energy and energy efficiency through a research network, labs, technology companies, governments (national, regional, and local) and beneficiary communities.

▶ Promotion of integration projects

Activity in this area includes the publishing, together with CIER of a study that identifies possible new electric interconnection projects in the region.

In this same area, at the request of

the governments of Bolivia, Paraguay, and Uruguay, CAF is supporting the preparation of a feasibility study for the project to transport gas from Bolivia to Paraguay and Uruguay, using the Small LNG technology through the Paraguay-Parana waterway.

► **Develop renewable energy and energy efficiency projects**

Through specialized studies supported by CAF, the development potential of small hydroelectric plants was quantified in Brazil, Colombia, and Peru, among other countries of the region. It also reviewed the status of renewable energy technologies in the region and began to study the potential to develop marine energy in Latin America.

► **Promote the quality and coverage of electric services**

CAF supported the development of high-level technical events in the region, such as the Second Latin American Workshop for the Operation of Electric Power Systems in States of Emergency and the Latin American Small Hydroelectric Plants Forum.

► **Contribution to the institutional development of the region and for the development of public policies**

Through the formulation of a number of electricity sectorial reports and regional diagnosis in several member countries, CAF contributed to national energy development plans..

Urban Transportation

To address the growth of the region's urban areas and the sustained increase of the demand for public transportation services, CAF promotes a mobility and urban transportation agenda that seeks to develop knowledge and regional analysis, and to respond to requests for the renewal of urban transportation systems by national and sub-national governments.

The components of mobility are an integral part of the urban dynamic, which is why CAF seeks to generate conditions to aid the construction of sustainable cities, in their different dimensions, through technical assistance and financing.

Support and assistance in the planning and design phases of the transportation systems and to institutional renewal stand out. In 2011, 10 projects in several countries in the region received technical assistance.

The work program for 2012 includes the support, follow-up, and monitoring

of the development of BRT (Bus Rapid Transit) system designs in four cities, subway systems in three cities, the transportation master plans for the metropolitan areas of three other cities and a national transportation plan. It also includes the development of two transit management studies and three studies at a regional scale.

CAF has provided resources for several public investment proposals, mainly for the construction of mass transportations systems (BRT and subways). The funds have been earmarked to cover the cost of civil works, the electromechanical equipment and the management and control systems. In the past two years, CAF has approved financing for seven projects in different cities.

Looking ahead, CAF's actions in the sector will focus on strengthening urban transportation in the region, to generate rational and sustainable solutions in the medium and long term according to international best practices. The focus will be on

the development and consolidation of mass transportation systems; greater physical, operational, and tariff integration between the systems; traffic management, and the infrastructure for non-motorized mobility.

An especially relevant milestone during the year was the consolidation of the Urban Mobility Observatory for Latin America (OMU), an initiative that started in 2010. The Observatory brings together authorities, specialists, and academics who monitor mobility in cities through standardized scientific methods.

The OMU started in 15 of the most densely populated cities in Latin America, and currently covers a total of 21 metropolitan areas. The abundant technical information generated has been the basis for eight technical studies regarding financing, political economy, institutional development, traffic management, road safety, energy and environment, with the goal of deepening the understanding of the factors that determine policies in this area.

Thus, OMU has been a useful instrument for the design of effective policies, the prioritization of projects and the effective management of transportation systems. In addition, the Observatory complements the technical and financial support that CAF offers to the governments of the region to conceptualize, design and carry out quality investment projects in urban transportation. The knowledge obtained from the information gathered by the OMU has positioned CAF regionally as an active participant in the main international forums that promote sustainable mobility.

The OMU has also been a starting point for the development of proposals and actions aimed at strengthening policies, programs, statistics and projects associated with road safety. In this respect, CAF has made progress in the definition of its Road Safety Strategy, which includes the institutional involvement and commitment of entities that work in this area, such as the World Health Organization, the United Nations and the OECD, among others.

Other initiatives being considered in the Urban Transportation Program involve the development of plans to promote and support the strengthening of: i) ITS applications for the collection of data, supervision and control, regulation, and improvement of the demand management processes, among others, and ii) initiatives that are appropriate to provide a response to climate change, both in the mitigation and adaptation phases.



Information and Communications Technology (TICAF)

TICAF was conceived under the premise that globalization reaches as far as the Internet can go. The capacity to create wealth at the base of the pyramid, at a local level, is possible when adequately organized and productive communities can connect with the global markets, which are interested in new products and specialized services. The initiative is aimed at promoting the use of information and communications technology (ICT) as a tool for development in the region.

The initiative seeks to accelerate the positive effects of ICTs in member countries. It has been demonstrated that the development of wide band infrastructure has a significant impact on the economic growth of countries, since economic agents (individuals, enterprises, governments) can use ICT to carry out their tasks more efficiently and productively.

Through this initiative, CAF currently has a regional view of ICTs. This was the result of research conducted in 10 countries of South and Central America, which led to the development of a technical-economic model of the product called "highways with fiber." This research identified the main challenges presented by these technologies, and facilitated their installation and deployment.

The concept of highways with fibers has been the practice adapted by Colombia and Peru as an official policy for the development of new infrastructure.

The study identified the existing barriers for the use of ICTs and found

the lack of coordination is the biggest challenge. The study concluded that where there has been a comprehensive development of telecommunications technology connecting the most remote populations is where the population is most motivated to generate new ideas and to use knowledge more intensively, leading to more social inclusion.

TICAF aims its efforts for 2012 at four areas simultaneously: i) infrastructure, ii) human capital, iii) institutional entrepreneurship, and iv) the digital economy with products and services. The objective is to improve in the "comprehensive ICT development index" in the countries through progress in these four areas.

At the same time, TICAF has developed specific ad hoc proposals to address each area in a coordinated manner, according to the strengths and weaknesses observed in each country. This will allow CAF to offer, with a comprehensive vision, "tailor-made" solutions to its member countries.

In addition, CAF has identified specific ways that the ICTs may be used as a tool for change, accelerating the transition of member countries toward a knowledge society. For this reason, the agenda includes working with a number of countries in the formulation and implementation of Digital Convergence Plans. These plans help institute CAF's comprehensive vision of ICT in the region, while including all the interest groups around the supply and demand of technology services, information and communications to leverage the industry's impact on development.

The development of wide band infrastructure has a significant impact on economic growth.

Cross-Border Integration and Development Program (PADIF)

CAF promotes a strategic view of cross-border integration among its shareholder countries that encourages planning and coordination of programs and projects to take advantage of the potential for development and cooperation, while strengthening dialogue and mutual trust in nations with shared borders.

Currently, through the PADIF, the Institution promotes over 35 initiatives aimed at the design and implementation of Bi-national Master

Plans for Development and Border Integration, as well as the creation of Border Integration Areas (ZIF). The Program also supports community policies adopted by the countries in the framework of UNASUR, the Andean Community, and Mercosur, to jointly promote territorial organization, planning, and prioritization of shared projects regarding physical, economic, and productive integration. It also promotes sustainable human development, and institutional and community strengthening, thus contributing to peaceful coexistence and good neighbor practices in border areas.

Projects of the Cross-Border Integration and Development Program (PADIF)



GeoSUR

Planning of physical infrastructure for local economic development and integration of Latin America and the Caribbean requires adequate access to integrated, geo-referenced, and standardized spatial information. The information must be available for planners and decision-makers promptly and in a simple presentation, facilitating its use in each phase of the planning process. To face this challenge, in 2000 CAF developed the Condor system, the first computer-based tool aimed at identifying the most important environmental and social impacts associated with large infrastructure projects in the Andean region.

Development of the GeoSUR Program began in 2007. The project, led by CAF and the Pan-American Institute of Geography and History (IPGH, in Spanish), makes Latin American geographic information available to the public to plan and analyze development activities. The Web services developed by GeoSUR offer access to official maps, aerial photographs, and geographic information created by a number of information generators on subjects such as topography, hydrology, population, populated centers, environment and infrastructure, among many others.

GeoSUR provides geographic services on a Web platform that allows users to obtain, localize, consult, manipulate, and analyze spatial information on Latin American countries. Access to these services is free and does not require the installation of special software for its use. All the services mentioned are available at www.geosur.info and have been developed with the support of several specialized entities including the US Geological Survey and the Agustín Coddazi Geographic

Institute of Colombia, as well as the support of a number of the region's geographic institutes.

The program developed the first regional geographic portal for Latin America and the Caribbean and has implemented a topographic processing service that is the first of its kind in the world with such a comprehensive view and high resolution. More than 50 regional and national institutions participate in the program. Currently, over 130 map services by 30 participating institutions are available for consultation on the GeoSUR portal, together with over 13,000 descriptive bibliographic files with the existing spatial information.

The geographic information available in these geo services allows for development in new areas. For example, the availability of a high-resolution digital elevation model of Latin America, combined with the use of high quality hydrologic information, has allowed CAF to carry out a detailed technical evaluation of the hydroelectric potential of some regions of South America, as in the case of the State of Sao Paulo in Brazil.

In 2011, GeoSUR received important recognitions. The United Nations Environment Program (UNEP) provided financing to evaluate the program's achievements and reach and to study how to replicate it as part of the Eye on Earth Summit, which took place in Abu Dhabi in December 2011. In addition, GeoSUR obtained the Geospatial Excellence Award at the First Geospatial Forum of Latin America, which took place in Rio de Janeiro, Brazil.

Now that it has become consolidated in South America, the program is expanding its coverage toward

Currently there are over 130 map services, provided by 30 participating institutions, available for consultation on the GeoSUR portal, together with over 13,000 descriptive bibliographic files with the existing spatial information.

Central America, Mexico, and the Caribbean to establish the technological bases for the creation

of the first spatial information infrastructure for Latin America and the Caribbean.

Port and Airport Logistics and Competitiveness

Considering their strategic importance for the economic and social development of the region, CAF has studied the evolution of the maritime and aviation sectors. Studies carried out in 2000 by Harvard University and the Polytechnic University of Valencia, Spain, show that ports are critical nodes for national and international trade, through which more than 80% of exported and imported goods circulate.

These findings led to the studies to evaluate the quality of the services provided by the 17 largest ports in South America by cargo volume. The study was commissioned since it had been established that the inefficiencies of the logistic chains cancelled out, to a large extent, the competitive advantages of the countries. The conclusion was that programs to improve port logistics, through a properly structured initiative, would have a significant impact on the competitiveness of countries in the region.

The First Class Ports (PDP, in Spanish) was CAF's response to these challenges, initially involving Puerto Cabello (Venezuela), Cartagena and Buenaventura (Colombia), Guayaquil (Ecuador), and El Callao (Peru). Currently, the initiative has been extended to intermediate ports such as Paita, Matarani, and Punta Lobitos (Peru), Altamira and Lazaro Cardenas (Mexico), and a further expansion is planned to include other ports in other countries.

The PDP begins by identifying the port communities, which are usually made

up of hundreds of enterprises and public entities. It then coordinates a technical audit to evaluate processes and, on the basis of the results obtained, coordinates the re-engineering proposal for the port logistics. The improvement of the processes achieved by the PDP regarding time and efficiency helps the ports that participate in the initiative to reach and sustain better levels of service. The Marca de Garantía (Quality Assurance Seal) of the port services is an internationally recognized distinction that the program grants to ports that reach the goals. The Latin American Association of Port Quality (ALCP), an entity supported by CAF, is the administrator of the Marca de Garantía.

The evolution of knowledge regarding logistics has gradually involved CAF in complementary issues, such as short distance navigation (ocean highways), the one-stop foreign trade windows (VUCE), the interrelations between ports and cities, and the environmental impacts of port activities. During 2011, CAF granted financing for port projects in three countries in the region and provided advice to the port authorities of Ecuador.

Regarding airports, CAF's logistics program has defined a strategy based on the experience in the area of ports. Activities started toward the middle of the past decade with studies on the airports of the Andean sub-region. Later, several regional initiatives were undertaken in the local and regional sphere, aimed at improving the efficiency of the processes to transfer goods and individuals, and to promote the economic integration of member countries.

With respect to the dissemination of knowledge on issues related to transportation logistics, CAF has prepared studies on the economic impact of port developments and is in the process of editing updated documents that will serve as a reference on port infrastructure and policies in South America. CAF has also prepared studies on international

financing for ships and airplanes. At the same time, CAF currently coordinates, jointly with the World Bank and ECLAC, the execution of a program for the development of public-private partnerships for logistics services, which includes training and conceptual support for countries and regions in Latin America.

The promotion of programs to improve the logistic platform of ports through an adequately structured initiative has a significant impact on competitiveness.

Initiative for the Integration of Regional Infrastructure (IIRSA)

CAF supported the establishment and operation of the Infrastructure and Planning Council (Cosiplan), in the framework of Unasur, on which the IIRSA Initiative now depends. The change provides the IIRSA Initiative with solid institutional support, and generates a new and promising dynamic for the future. During 2011, Cosiplan progressed in defining its 2012-2022

Strategic Action Plan and the establishment of the Priority Agenda for Infrastructure Projects, which is a subset of 88 projects of the IIRSA portfolio, organized in 31 groups of structured projects. One of IIRSA's most important challenges in coming years will be its implementation of this agenda for infrastructure projects.

02 Social Development Agenda

In recent years CAF has strengthened its commitment to sustainable development in Latin America and has consolidated its position as one of the main sources for financing the region's social sectors. CAF helps countries continuously improve the quality of life of its citizens in a comprehensive way. These activities revolve around three main aspects:

- Provide financing for high impact social projects and programs that improve the living conditions of the more vulnerable parts of the population, by reducing poverty, inequity and social exclusion.
- Provide technical assistance to improve the governance of social sectors, help in the planning of public policies and ensure the plans are effective and appropriate.
- Generate data that can be applied to social projects and programs through a systematic approach and dissemination of best practices..

CAF structures its Social Development Agenda around a series of strategic guidelines that offer comprehensive support for the region's social sectors according to their priorities and needs.

Comprehensive Water Management

CAF promotes a comprehensive vision of the management of water resources as a tool to reduce poverty and inequality, and to improve social inclusion.

The comprehensive management of water resources implies that each component of the cycle be treated as a part of a process that includes planning, managing, regulating, administrating and conservation of the resource, using a water basin approach. This vision emphasizes the need to simultaneously address two interconnected themes: the regional gap regarding infrastructure and its financing, and the water institutions and their governance, which are related to the legal frameworks, procedures, incentives as well as with the results generated by these mechanisms.

CAF supports its member countries with financing and studies, projects,

and investment guidelines that improve the population's quality of life, emphasizing the particular needs of each country or region, through four activities:

- **Management and protection of basins.**
CAF promotes the sustainable management of hydrographic basins, aimed at the conservation and sustainable use of water resources and other associated resources through two components: i) interventions for the preservation, conservation, and restoration of the basins; and ii) the strengthening of institutions.
- **Potable Water and Sanitation Services.**
This strategy is focused on helping and supporting programs and investment projects guided by the following objectives: i) providing universal coverage by

increasing the quantity and quality of investments, improving the use of existing infrastructure and a more progressive assignment of public resources; ii) improve the quality, reliability, security and continuity of the services; and iii) strengthen the sector's institutional framework and governance, and improve the administrative, technical, financial and operational capacity of participating companies and entities.

➔ **Irrigation and Rural Development.**

The Comprehensive Water Program promotes rural development projects and irrigation agriculture, allowing producers and farmers to improve their living conditions, productivity and competitiveness, production and marketing of agricultural products and generate employment with a territorial approach. CAF supports and finances infrastructure projects for irrigation and agro-food services, as well as for strengthening the public entities entrusted with regional planning.

➔ **Drainage, Flood Control, and Adaptation to Climate Change.**

The Institution provides member countries with financing for investment projects to improve drainage and flood control systems, the construction or rehabilitation of drainage systems, lakes and flood control systems, hydrologic studies and the development of maintenance and environmental management plans.

To maximize the benefits of these programs, CAF promotes regional research and horizontal cooperation among companies in the sector. The Institution also values the strategic alliances with other international organizations in the region, and works with them in close coordination.

CAF supports its member countries with financing and studies, projects and investment guidelines that contribute to the improvement of the quality of life of the population.

Comprehensive Inclusive Management of Urban Development

CAF supports the countries in the region in their efforts to improve the quality of life and the living conditions of the less privileged sectors of the population to achieve comprehensive human development. The Comprehensive Inclusive Urban Development Program (PRIIDU) considers the execution of programs and investment projects, regional studies, as well as the management of knowledge related to comprehensive and sustainable development in the cities, emphasizing the provision of basic public services to informal settlements.

PRIIDU investment projects seek to improve living conditions through housing designs that are consistent with local urban planning and management; they also consider investments focused on housing construction, the relocation of families from high-risk areas, the provision of potable water installations, basic sanitation, energy and communications, rain water drainage, paving access roads, design and construction of public areas and installation of primary health care facilities and educational centers.

PRIIDU also considers the comprehensive management of solid wastes at the municipal level, in addition to supporting institutional strengthening of local authorities. In

2011, the website “Urban Development” (www.desarrollourbano.caf.com) started operations and will become a source of information regarding housing rehabilitation and improvement projects.

In addition, the Institution held the First International Contest for Urban and Social Development Projects in Informal Settlements, with 34 proposals from 11 countries.

Educational Quality

Under the premise that quality education is one of the most effective tools to develop human capital and to increase the competitiveness of workers, CAF promotes programs focused on higher technical and technological education, and early education, as well programs to improve the infrastructure for education.

The Institution offers its member countries support to strengthen higher education, particularly technical and

technological, by improving the supply, quality, and relevance to the demands of the production sector, to meet changes brought on by technology and globalization.

In addition, CAF promotes the infrastructure that supports the new requirements of teaching and learning, and that enables the full development of the capacities of educators, by financing feasibility studies and by supporting different financing models for educational infrastructure.

Educational Competencies Program (PROCE)

In the field of primary education, the PROCE pilot program seeks to improve the performance of teachers by providing them with tools and methods that support the teaching of thinking skills, reading, writing and arithmetic.

The objective of the program is to develop the creativity of teachers through the use of mental maps, brain exercises and teaching dynamics in a program that lasts 8 months. The program is supplemented with training in human, social, and moral values and exercises in leadership, speech, strategic communication and exercises to develop the sense of responsibility. In 2011, pilot programs in Bolivia, Ecuador, Panama, and Venezuela trained 1,300 teachers.



The ICT in CAF's Agenda for Social Development

The information and communication technologies (ICTs) help in the construction of a more integrated and sustainable society, based on the exchange of knowledge to:

- Reduce the millions of individuals excluded from society by connecting the most remote communities with the centers of knowledge, public services, and production and marketing networks, and achieving this objective at minimum cost.
- Contribute to the motivation and commitment of the 145 million Latin American students to face the challenges that lie ahead for Latin America .
- Strengthen the production of goods and services, and add value to raw materials, which contributes to innovation in the local, national and global markets.
- Achieve transparency and efficiency in the public sector in its accountability and proximity to citizens.

CAF's objective with ICT in the social area is to minimize the inequality gap by facilitating distance or on-site training on the competencies required to overcome obstacles and get ahead.

Strengthening Health Care and Management

Access to quality health care as a fundamental right is the governing principle on which CAF builds its strategy. The Institution supports member countries in projects to expand and improve health care to facilitate access to financial mechanisms that will capitalize on synergies between the public and private sectors. In addition, as part of the commitment to improve quality, the institution facilitates the acquisition and exchange of knowledge to guarantee the highest levels of efficiency.

CAF supports innovative practices and tools, such as the use of information

and communication technologies in the provision of health care to reduce the gap in access to quality services. In addition, the program seeks to improve nutrition and offer quality health care services to mothers and children in early childhood, as well as prevent and control contagious diseases. The institution also seeks to strengthen health management as part of the countries' regional integration, through joint work among the health care workers that share borders, and the representatives of regional health networks, among which the Unasur Health Council stands out.

CAF is working on different initiatives to improve the capacity to prevent catastrophic disasters in vulnerable areas.

Comprehensive Management for Disaster Risks

The countries in the region are promoting different initiatives to address emergency situations caused by natural phenomena. However, there is still much work to be done regarding the prevention of emergency situations by identifying, characterizing and protecting vulnerable areas.

Countries require assistance to develop emergency plans to reduce the loss of human lives, and of physical, natural and social capital. They also need help to design more comprehensive financial strategies to reduce their fiscal vulnerability in the face of disasters.

CAF has developed a Comprehensive Disaster Risk Management Program with the purpose of providing its

shareholder countries with tools to cope with emergencies, protect vulnerable areas and respond to disasters when a catastrophic event occurs.

In response to the requests of some member countries such as Ecuador, Peru, and Bolivia, in recent years CAF has structured contingent facilities to provide timely financing to governments in the event of emergencies. In addition, CAF has a regional financing facility that enables the institution to provide a timely response to financing requests aimed at primary care and restitution of critical services.

Finally, the institution is working on a number of initiatives to protect vulnerable areas, such as improved regional organization and the creation of early warning systems.

Governance

During 2011, CAF continued strengthening democratic governance through programs that promote solid and efficient institutions and encourage public participation. CAF's actions are based on four activities: i) promote ethical behavior and democratic culture in society, ii) promote an institutional development with efficient, transparent and dynamic procedures to respond to the demands of the citizens, iii) support decentralization processes and citizen participation, and iv) identify and train natural leaders. Programs for better governance were implemented during 2011 so they could be extended to other member countries.

Governance and Policy Management

This program has been managed jointly with George Washington University since 2001 in the Andean region. The program's objective is to provide a comprehensive vision of economic and social development, and the effort to achieve that vision takes into account technical elements, negotiation skills, and political, economic, and social feasibility. At the close of 2011, the program had graduated 12,912 individuals in Argentina, Bolivia, Colombia, Ecuador, Mexico, Panama, Peru, and Venezuela. Activities take place in each country with the support of local universities. The content is developed through modules and lasts nine months.

Leadership for Change

The program, started in 2002 in Colombia, strengthens the civic-democratic values of natural leaders through a training process lasting six months, where they are taught democratic governance and values of good citizenship.

The initiative is a pioneer training exercise, novel and innovative, which uses instruments of analysis and leadership exercises. It is executed in Bolivia, Colombia, Ecuador, Panama, Peru and Venezuela. In 2011, 22,101 natural leaders were trained. During the seven years that this program has been operating, more than 50,000 participants have been trained.

Program for Regional Updating and Improvement of Local Management (PRAMEG)

The objective of this program is to make a preliminary diagnosis of municipal organizations to develop action plans and tools to improve and modernize the

land registry system. The program aims at developing an efficient territorial plan that citizens believe to be of high quality, transparent, and agile. It also promotes the development of municipalities with financial autonomy, so they can execute projects where priorities have been identified jointly with the community.

In 2011 the Program attended 50 municipalities in Bolivia, Colombia, Ecuador, Peru and Venezuela: El Alto, Montero, Oruro, Sacaba, Santa Cruz, Sucre, Tarija, Tiquipaya, Trinidad, Torno and Warnes in Bolivia; Armenia, Barrancabermeja, Floridablanca, Manizales, Pasto, Popayan, Tabio, Tulua, Tunja and Zipaquira, in Colombia; Ambato, Duran, Ibarra, Latacunga, Loja, Machala, Manta, Porto Viejo, Riobamba, Santa Rosa and Santo Domingo, in Ecuador; Arequipa, Breña, Chiclayo, Cuzco, Huancayo, Jesus Maria, Lince, Piura, Tacna and Trujillo, in Peru; and Cedeño, El Hatillo, Girardot, Heres, Lecherias, Naguanagua, Piar, San Cristobal and Sucre, in Venezuela.



03 Social Sustainability Agenda

Social inclusion and equal opportunity must be a priority for the development of Latin America. For this reason, CAF is committed to reducing poverty and inequality in the region. It develops programs and invests non-reimbursable funds in initiatives that improve the quality of life of the population at risk. The Institution designs and implements projects that ensure beneficiaries are provided with the tools to become the agents of their own development.

During 2011, the Office of Social Sustainability promoted its projects under the following guidelines: i) a comprehensive vision to promote the productive, social, and cultural development of the beneficiaries; ii) sustainability, to guarantee their continuity; iii) measurement, to identify the impacts and results achieved, and iv) replicability, to make them adaptable to other regions.

CAF's efforts in the area of social sustainability are concentrated in three programs: Comprehensive Community Development, Social Action for Music and Social Action for Sports.

Comprehensive Community Development

This program supports projects with a focus on sustainability, to generate opportunities through comprehensive development of the individual. The component that stands out is the one targeted at improving the capacity of low income communities to generate sustainable incomes. This goal is attained through training and technical assistance, basic provisions (seeds, tools, equipment, among others) and the strengthening of social capital; in addition, the social component promotes initiatives in health, education, access to basic services, and employment opportunities for youths.

The road travelled this far, as well as the analysis of international experience, has led CAF to tighten its focus. For this reason, starting in 2012, CAF will concentrate on the following activities, which it believes will guarantee a positive impact and enhance social inclusion.

- **Rural socio-productive inclusion**
Strengthening of low-income rural communities to improve their ability to generate sustained income.
- **Urban socio-productive inclusion**
Generate work opportunities in urban areas by fostering micro-entrepreneurship, with a target population of youths, women and handicapped individuals.
- **Information and communications technology for inclusion**
Development through telemedicine and tele-education.

Throughout 2011, several projects were implemented in member countries. On a regional basis, the Community Tourism Program stands out. It was created in alliance with the Codespa Foundation of Spain to promote community tourism initiatives. This tourism model is considered a mechanism that can generate income for indigenous

communities and, therefore, an important tool for social inclusion. Four projects were approved, called "Routes: community tourism destinations with sustainable quality", to consolidate 14 tourism circuits in Bolivia, Ecuador and Peru. These initiatives are developed jointly with CAF's Program in Support of Competitiveness, and seek to establish a model that can be replicated in other Latin American regions.

In alliance with the Carolina Foundation, work was carried out to identify the best practices to promote productive development in Latin America, with the aim of expanding and updating a public space where enterprises and other institutions may take advantage of entrepreneurs who can promote the regions and create synergies that will multiply the efforts in this field.

CAF supports projects focused on sustainability to generate opportunities and the comprehensive development of the individual.



Social Action for Music

The Social Action for Music Program, one of the most relevant and best recognized social responsibility investments by CAF, continued developing its social inclusion activities through its components: Itinerant Latin Conservatory, Choir of Latin Voices, Training for Trainers and Luthier Workshops.

The Program grew significantly in 2011 by tending to the Andean countries and expanding its coverage in Argentina, Brazil, Panama, Paraguay, and Uruguay. Thus, 4,639 children and youths were trained, and 195 teachers/multipliers were trained.

Regarding institutional strengthening, agreements were reached with the Simon Bolivar Musical Foundation of Venezuela, the program's main partner, and with some institutional counterparts in a number of countries: Symphony for Peru (Peru), System of Juvenile and Children Orchestras Foundation (Uruguay), Batuta Foundation and Choral and Orchestral Corporation (Colombia), System of Children and Juvenile Orchestras (Argentina)

and Acao pela Musica (Brazil). The importance of these agreements, both for CAF and its institutional counterparts, is apparent as they make it possible to obtain other resources and create alliances that allow the expansion of the program within each country.

Within CAF, the offices in parent countries supported the initiative. Concerts were held at the closure of the orchestral or choral workshops in Ecuador, Panama, Colombia, and Bolivia. The recitals were widely covered by the media, helping to position CAF as a promoter of social inclusion. In Bolivia, Banco Sol continued to support some of the activities.

In 2011, the International Meeting of Orchestral and Choral Leaders was held in Caracas. The meeting allowed an evaluation of the results and helped define future activities. In addition, two international workshops on choral training were held, one in Caracas and the other in Bogota. The latter began with a concert in the Leon de Greiff Auditorium at the National University of Bogota, where tribute was paid to the well-known teacher Maria Guinand.



Social Action for Sports

The Social Action for Sports Program promotes training through sports to improve the quality of life of Latin American boys and girls.

The program supports five areas of social development that are included in the Millennium Development Goals: i) health and disease prevention, ii) education and skills for life, iii) gender equality, iv) social integration, and v) inclusion of individuals with mental disabilities.

In 2011, the Social Action for Sports Program continued to grow through agreements with two internationally recognized institutions: Right to Play and Latin American Special Olympics. These alliances will provide the program with the technical and human support necessary to achieve its objectives, as well as the introduction of proven methodologies in the use of sports as a tool for social inclusion. The agreements ensure the transfer of technical knowledge and a standardized approach, as well as the participation of international sports figures as goodwill ambassadors to promote the program.

In addition, during the year five agreements were signed with the following institutions: Tahuichi Aguilera Soccer Academy (Bolivia), Special Olympics Brazil Foundation-Sports Promotion (Brazil), Little Colombians Foundation (Colombia), Fiscomisional Unit San Daniel Comboni (Ecuador) and Cantolao Soccer Academy (Peru).

These alliances have allowed 24,000 boys, girls, and youths and 600 technicians to participate during the first year of the program. This figure is equivalent to 20% of the target established for 2016, when it is expected that CAF will have reached 120,000 children in Latin America.

During the year, work was carried out in the design, documentation, and establishment of protocols and management instruments for each phase of the program. At the same time, professionals were hired to promote the initiative, and to attract additional resources that will fulfill the sustainability goal of the program, which is expected to be viable in 2012.

CAF promotes training projects through sports to improve the quality of life of Latin American boys and girls.



04 Environmental Development Agenda

CAF has a vision regarding environmental management to support Latin American countries in the international strategy of sustainable development, which will allow them to migrate toward low carbon economies.

The Institution's programs in the environmental area seek to promote that strategy and to optimize the capacity to respond to its shareholder countries.

At the same time, they seek to generate synergies with the Millennium Development Goals; the Global Pact; the three United Nations Conventions on Desertification, Biodiversity, and Climate Change; and the United Nations Agenda 21 for Sustainable Development (Rio +20).

The Investment Fund of Environmental Management for Sustainable Development was created in 2011. Its objective is to prepare, structure, execute, evaluate and follow-up on environmental management projects in shareholder countries.

The areas of activities of the Fund include the following:

- Conserve and expand protected areas.
- Reforestation and sustainable use of forest plantations.
- Reduction of forest fires and clear cutting of natural forests.
- Establish baselines and stocks of carbon emissions.
- Recovery of degraded areas.
- Promotion of environmental services.
- Development of bio-trade and green markets.
- Productive transformation of companies toward clean production and certification of the environmental management systems and occupational health.
- Reduction of the region's vulnerability to climate change.

Environmental management for Sustainable Development

The Program has as its main objectives the strategic management of forests, the sustainable use of biodiversity by supporting bio-trade and development of programs to adapt and reduce

vulnerability to climate change. The program is made up of the Strategic Forestry Program, the Strategic Bio-trade Program, the Strategic Vulnerability and Adaptation to Climate Change Program, and the Strategic Productive Transformation Program

Strategic Management of Forests

The initiative focuses on the Reduction of Emissions through Reduced Deforestation and Forest Degradation (REDD+), the promotion of green businesses as an economic alternative for communities that conserve the forests and utilize non-wood forest

products as a source of income, the resurrection of degraded lands to rural productivity and the improved productivity of agricultural lands, the rehabilitation and restoration, directly or indirectly, of urban forests (protector, on slopes, and mangroves), and improved eco-efficiency of the forestry industry.

CAF is committed to the environment as part of its institutional mission to promote sustainable development and regional integration by pursuing specific strategies. The Institution develops innovative financing schemes that contribute to increasing investments in the environment in the region.

Bio-trade Strategy

The strategy seeks to facilitate the development of entrepreneurial skills of indigenous farmers, artisans, and other members of society. If producers and artisans can organize to obtain, at a lower cost, marketing and logistic services, develop an electronic catalogue of their products, manage customs procedures for distribution and export and register intellectual property, they can become an effective commercial entity. In addition, the program seeks to promote the generation of value added, and ensure

the environmental and social services that the communities and ecosystems create are compensated at a level to make bio-trade a sustainable activity. At the same time, it seeks to promote the production and consumption of non-wood forestry products as a sources of income for communities that manage forests in a sustainable way, promote the sustainable use of biodiversity; and favor the adoption of clean technologies that differentiate the products in the markets through eco-labeling, environmental certifications and seals .



GEF-CAF Project

CAF participates in the Global Environmental Facility (GEF), in alliance with the United Nations Environment Program (UNEP) since 2003, to promote biodiversity conservation through its sustainable use.

In February, 2010, GEF and CAF signed the Cooperation Agreement of the Project to facilitate financing of business initiatives based on the sustainable use of biodiversity and support market development activities, to contribute to the conservation of the environment in the Andean region. Beneficiary countries are Colombia, Ecuador and Peru.

Once the UNEP-GEF-CAF Cooperation Agreement was signed, it was necessary to form committees through which the project's governance would be established. Thus, on March 2010 the institutions of the beneficiary countries, identified in the project's documents as the entities responsible for the implementation of activities that defined expected products, results, and objectives, were named part of a Management Committee.

The Committee consists of a CAF representative, a GEF-UNEP representative, a representative of the Environmental Ministry of each one of the participating countries and a representative of the National Executing Units (UEN), namely, the Bio-trade Fund in Colombia, CORPEI in Ecuador and Promperu in Peru.

Although the project has been operating for a short period of time, remarkable advances have been made, including a "satisfactory" rating in the GEF's first annual review. The main developments are the prioritization of bio-trade in the current legal standards, making it state policy in Colombia and Peru; the training provided to public and private employees; the participation of some bio-trade initiatives in international specialized fairs; the availability of information related to bio-trade in the three participating countries; and the existence of specialized financial institutions offering support to this activity in Colombia and Ecuador.

The Project has contributed to the inclusion of bio-trade in the national standards of Colombia and Peru, the training and education of approximately 50 public employees in bio-trade, the presentation of more than 10 new products in the market, the entry into five new markets, the strengthening of 15 value chains and the financing for 25 Colombian SMSEs from sources other than the Bio-trade Fund.

Project's components

The project has seven components: policy strengthening, access to markets, creating competencies, development of information on products and markets, leveraging of financial resources, development of pilot projects for biodiversity businesses, and dissemination and exchange of experiences at a regional level.

Component 1: Policy strengthening

- Inclusion of biotrade in the legal standards of Colombia and Peru and indirectly in Ecuador.
- Implementation of a training workshop for the employees of Autonomous Regional Corporations in Colombia.

- Implementation of a specialization course for public employees and a Master's program in bio-trade in Peru.
- Training of 76 public employees in Colombia and Peru in the legal, regulatory and technical aspects of bio-trade.
- Preparation of two documents that identify the regulatory aspects associated with bio-trade in Colombia and Peru.
- Strategic alliance with the Chamber of Cosmetics and Hygiene Industries for the preparation of a phyto-sanitary manual in Colombia.

Component 2: *Access to markets*

- Preparation of two market studies for *Caesalpinia spinosa* (Tara) and *Plukenetia volubilis* (Sacha Inchi), in addition to a methodology to identify market niches.
- Preparation of 10 market studies for selected products.
- Publication of Quality Standards for Sacha Inchi.
- Development of the Geographic Indication for Maca Root.
- Advances in the technical standards for quinoa and kiwicha.
- Implementation of research projects for five prioritized CITES products and species.
- Publication of results in Peru.
- Preparation of a study for ethno-tourism in the Chimborazo Route and of a Sustainable Tourism Management Plan for the Calera Grande community in Ecuador.
- Assessment of 64 business plans regarding compliance with the bio-trade P&C in Colombia and 74 tourism plans on their quality and processes in Ecuador.
- Participation of businesses in 18 specialized international fairs.

Component 3: *Strengthening of Capabilities in the Private Sector*

- Carry out an innovation event for 36 natural ingredient businesses, and a training course in bio-trade for entrepreneurs in Pitalito-Huila and 10 in Bucaramanga, Colombia.
- Carry out 72 training events (1,921 people) and 150 programs for the implementation of good practices for sustainable tourism in Ecuador.
- Carry out two specialized events in bio-trade under the umbrella of Miércoles del Exportador (220 people) and two seminars on how to access the markets for bio-trade products (120 people), in Peru.
- Carry out a bio-trade business forum, two parallel events in specialized fairs and two P&C bio-trade assessments in Colombia.
- Publish three editions of the PeruNatura Forum and carry out two national bio-trade contests in Peru.
- Negotiate agreements with academic entities for the development of training programs in Ecuador and Peru.

Component 4: *Information on Products and Markets*

- Publish three trade, technical and business portals in Colombia, Ecuador and Peru.
- Publish 12 bio-trade articles in national magazines, two reports on national television, and various press releases in Colombia.
- Carry out various events related to the sustainable use of biodiversity in Colombia, Ecuador and Peru. Dissemination in printed media and television.

Component 5: Leveraging of Financial Resources

- Creating awareness of the existence of six bio-trade financial institutions.
- Training 50 entrepreneurs on business aspects.
- Providing financial support to 25 bio-trade businesses from sources other than the Bio-trade Fund in Colombia.
- Investment of USD 1.1 million by the Bio-trade Fund in 25 new businesses in Colombia.
- Developing and implementing a trust for business development to which bio-trade businesses in Ecuador have access.
- Developing a study on the financing supply and demand for bio-trade initiatives in Peru.

Component 6: Pilot Projects

- Preparation of six support documents for the assessment of natural ingredient value chains in Colombia.
- Analysis of five value chains in Peru.
- Verification of compliance with the principles and criteria of five Peruvian businesses and their incorporation as members of the Union for Ethical Bio-Trade (UEBT).
- Selection of 19 initiatives as potential pilot projects.

Component 7: Regional Dissemination and Replication

- Carry out two management committee meetings.
- Prepare four dissemination and promotion workshops on the project.
- Sign agreements with National Enforcement Units.
- Design and Implement the Action Plan of the Regional Component (C7).
- Prepare a marketing and market position strategy of the bio-trade concept in the Andean region, including the project's communication strategy.
- Prepare the strategy and methodological systematization and dissemination of information.
- Exchange experiences in international forums, trade events and internships.

Vulnerability and Adaptation to Climate Change

The main objectives of the program are the analysis of the vulnerability and/or reduction of risk factors associated with climate change in Latin America, the identification within government

policies and plans of actions to deal with the effects of climate change, and the generation of favorable conditions for adaptation in countries of the region, particularly those that are most vulnerable.

Sustainable Productive Transformation

Promotes the identification and development of strategies to create sustainable patterns of production and consumption in industries and enterprises of Latin America. In this way, it expects to provide support both to

the public sector in its task to generate policies, regulations, and management instruments and the private sector by providing financing, disseminating knowledge, and developing demonstration projects, among others.

Socio-Environmental Institutional Management

The purpose of the program is to guarantee the physical and environmental sustainability and the corporate responsibility of operations financed by CAF, and to promote a culture of sustainability among its collaborators. This program is made up of the Program for the Environmental and Social Evaluation and Monitoring of Operations, the Environmental and Social Evaluation Program with a Strategic Approach, the Institutional Program for Environmental Management (PIGA), and Program in Support of Sustainable Development in Financial Institutions.

The Program for the Environmental and Social Evaluation and Monitoring of Operations aims at integrating the available technical, human, technological, and financial resources for the evaluation and monitoring of operations. Thus, environmental and social issues are internalized within each of the phases of CAF's credit process, to supply tools and criteria for decision-making regarding the environmental and social viability of the operations.

At the same time, the Environmental and Social Evaluation Program with a Strategic Approach provides the participants involved in planning and executing linear infrastructure a conceptual framework, practical guidelines, and tools for applying environmental and social evaluations with a strategic approach.

The Institutional Program for Environmental Management (PIGA) was launched in 2011, with the aim of reducing the CAF's environmental footprint by optimizing the environmental performance in the Institution's operations. PIGA focuses on improving internal environmental conditions, the comprehensive management of solid residues, the carbon footprint, the efficient use of water and energy and the responsible use of office materials.

The Program in Support of Sustainable Development in Financial Institutions promotes the adoption of environmental and social management principles and practices in the financial sectors of Latin American countries.

In 2011, the programs report 55 environmental and social evaluations: 25 in the Andean region, 25 in the Mercosur region, four in Central America and the Caribbean, and one at the regional level. Of these, 68 infrastructure, social and environmental development operations, and 37 industrial operations were carried out.



Latin American Carbon, Clean and Alternative Energies Program

The Objective of the PLAC^{+e} is to support public and private entities to strengthen the national mechanisms that stimulate the use of the various markets for greenhouse gasses (GHG) and the various mitigation instruments included in international and national regulations. PLAC^{+e} does this by identifying, developing and financing clean, alternative, and efficient energy plans and projects in Latin America.

Through PLAC^{+e}, CAF has established the following activities:

- ▶ Actively promote and participate in the development of emission reduction and capture of greenhouse gases (GHG).
- ▶ Support the identification, development, and financing of projects for the reduction of GHG emissions, clean, alternative

energies and energy efficiency in Latin America.

- ▶ Strengthen the national institutions and mechanisms to stimulate and consolidate climate change mitigation actions, including market instruments for the reduction of GHG emissions, clean and alternative energies, and national regulations that promote low carbon development.

To respond adequately to the new challenges regarding climate change, during the second semester of 2011 a new strategic plan was developed. The plan seeks to guide and prepare the Institution for a more active participation in the new climate change regime, as well as for the new instruments that will be in operation after 2012, such as the Nationally Appropriate Mitigation Actions (NAMAS), the Activity Programs (POA), and the Reduction of Emissions as a result of the Environmental Deforestation and Degradation (REDD+), among others.

05 Agenda for Competitiveness, International Insertion, and Public Policies

CAF promotes the development of productive and human capital, strengthens the competitiveness of nations, fosters the development of microenterprises and other sectors with limited access to financial capital, supports the strengthening of governmental institutions, contributes to the achievement of consensus regarding public policies and works for economic integration into the international economy.

Competitiveness Program

During 2011, CAF's Competitiveness Program (PAC) provided support to member countries in improving productivity and their international competitiveness. To create competitive advantages, PAC promoted entrepreneurial capacity in various production chains and local economic development. At the same time, the program encouraged work between the public and private sectors, and the academic community by identifying the elements that limit productivity in different locations and economic sectors of each country. In addition, PAC promoted the generation of knowledge by documenting case studies and transferring lessons and initiatives with a high potential for replication in Latin America. These studies allowed the creation of a regional exchange of experiences through forums and workshops aimed at disseminating best practices on subjects related to entrepreneurial development.

Part of PAC's financial and technical resources were allocated to initiatives aimed at strengthening producer chains with the participation of small rural producers. These projects were based on collaborations with larger companies, with direct support to enhance their appeal to international markets, and on business ties that guarantee the sustainability of these initiatives.

Together with the Social Development Agenda, a regional community tourism program was created to increase and stabilize regional tourism flows in a number of circuits in Peru, Bolivia and Ecuador. The program favors indigenous and Afro-American communities living in conditions of extreme poverty.

Another objective of PAC was to improve the institutional capacity to provide business services in local areas. These projects were aimed at structuring public-private agendas for business support, both to improve local competitiveness through institutional improvements in intermediate cities, as well as to contribute to the development of transformation agendas in sectors with export potential that could have an impact on economic development.

Currently, innovation and information technologies are subjects of wide discussion. PAC promotes business innovation initiatives, as well as support for SMEs for businesses that allow them to strengthen their competitive advantages through the use of available technologies.

Together with these projects on innovation and technology, CAF participated in the award ceremony of the Innovators of America contest, held in Santo Domingo, Dominican Republic. The award seeks to recognize the outstanding projects in the areas of social, business, cultural, and scientific development in the region. Latin American projects that, with great

CAF participated in the award ceremony of the Innovators of America contest, held in Santo Domingo, Dominican Republic. The award seeks to recognize the outstanding projects in the areas of social, business, cultural, and scientific development in the whole region.

creativity and effort, help build a better world. The award is granted every two years and provides USD 40,000 to the winner in each of the categories.

Generating knowledge is an important aspect of high impact projects. Documenting cases and researching subjects of interest to policy makers, academics, and businessmen were part of PAC strategy during 2011, when the Latin American Observatory of Public Policies and Productive Transformation was created. Within the initiative, the Public Policies and Productive Transformation Series was launched. Its first publication was the "The Use of Information Technologies (ICT) for the Simplification of Administrative Barriers to Investment," which documented successful cases

in Latin America and delivered a critical evaluation of the current situation in the region. The second number of the series, "The Local Economy. The Role of Development Agencies," was a wide-ranging study on different agencies that promote development not only in the region but from other continents.

Throughout the year, case studies on four Spanish development agencies were carried out: Barcelona Activa, Bilbao Ria 2000, Bilbao Metropoli-30, and Madrid Global, in collaboration with the Organization for Economic Cooperation and Development. At the same time, three studies were undertaken on successful cases of business management in Latin America: CORFO in Chile, FINEP in Brazil, and TEC of Monterrey, in Mexico.



Access to financing for micro-, small-, and medium-sized enterprises

Support for MSMEs is an essential activity for the promotion of an equitable economic development that preserves the balance between the social, environmental, and economic dimensions of progress, as proposed by CAF's Comprehensive Agenda for Development. MSMEs represent the greatest part of the Latin American business sector, and they generate more than half of the employment. However, the growth of these companies is limited due to the difficulty in accessing financial services and, in particular, credit. For these reasons, one of CAF's strategic objectives is to promote access to financing for MSMEs.

CAF's actions in this area are carried out through various credit operations, capital investments, and cooperative resources structured to suit the needs of clients and aligned with the regulations and policies of each country. To maximize the effectiveness and efficiency of the

Institution's effort, indicators have been created to focus the activities related with the MSMEs:

- ▶ Operations are carried out in partnership with public and private institutions involved in supporting MSMEs, such as microfinance institutions, risk capital funds, credit guarantee systems, and development banks.
- ▶ Operations must result in an increase of financial flows to sectors not adequately served by financial systems.
- ▶ Operations should be innovative, replicable, and must have a measurable effect.

During 2011, CAF supported 67 institutions in 14 shareholder countries and approved more than 30 financing facilities that include credit lines, direct capital investments, participation in investment funds, reinsurance schemes and non-reimbursable funds.



Lines of action in support of MSMEs

Comprehensive financing to micro-financial institutions (MFI)

MFIs are allies in the channeling of credit and other financial services to micro and small entrepreneurs who are not adequately served by traditional banking services. MFIs are also effective agents in the provision of banking services to individuals excluded from the common financing institutions. CAF grants credit lines to MFIs so they can transfer those resources to MSMEs as loans to finance their operations, their inventories and their investments in fixed assets. Through capital investments and subordinated loans to MFIs, their capital base is strengthened, allowing them to grow and increase their capacity to offer financial services such as savings, loans, and payment processing to the business sectors that lack these services. In 2011, eight credit lines and two investments in regional funds that specialize in microfinance, were approved, and two capital investments were formalized.

Investments in capital risk funds

Although risk capital for SMEs is a scarce resource in the region, its availability is an important element in developing entrepreneurship and innovation. Through investments in risk capital funds, CAF funds SMEs. The investments are used to create new companies and finance the development of innovative products and services with value added.

Support for credit guarantee systems

In the region, there are various types of public and private institutions that facilitate access to credit for the MSMEs by issuing guarantees. CAF works with those institutions by re-insuring the guarantees issued by these institutions to increase their ability to provide them, thus increasing the flow of credit for MSMEs. Another means of support consists in the creation of co-guarantee mechanisms in association with the institutions, which also allow financial systems to increase their support of MSMEs.

Development of alternative financial mechanisms

CAF invests in initiatives that open non-bank financial possibilities for MSMEs, such as invoice discounting funds, guarantees to allow access to capital markets, and financing through production chains.

Cooperation funds

These non-reimbursable funds are used for the institutional development of micro-finance and risk capital industries, as well as for the generation of knowledge and dissemination of best practices. During 2011, CAF financed a number of programs with multiple purposes, among which the following stand out: the 2011 invitation of the "Technologies for Financial Inclusion" (TEC-IN) Program, in alliance with the IDB-FOMIN; financing for five projects of the 2010 TEC-IN Program. CAF also financed the study on the business environment for Private and Risk Capital in Latin America (Scorecard 2010), and the Boulder Program on Micro-Finance Training.

Corporate Governance

In 2011 CAF continued to play a key role on issues of corporate governance through seminars, workshops, and other tools based on experiences and best practices in Latin America. CAF supports the public and private sectors in the development of guidelines for state-owned companies, closed capital companies, SMEs and family-owned enterprises. This effort has placed CAF in a well-recognized position on issues regarding corporate governance.

During the year, workshops were carried out in Argentina, Bolivia, Colombia, Ecuador, Panama, and Peru, with the participation of high representatives of the public and private sectors, as well as representatives of the OECD. Internally, the Corporate Governance course was implemented in its online and on-site models, with the participation of 50 employees both from headquarters and CAF's country offices.

The online and on-site course is being reviewed so as it can be offered to external audiences starting in 2012, in agreement with a joint strategy between

the Vice-Presidency of Development Strategies and Public Policies and the Vice-Presidency of the Corporate and Financial Sector. The promotion of best practices in Corporate Governance in the region will continue, to implement them in public and private institutions with the goal of improving transparency and management indicators.

With the support of resources from the Government of Italy, a special emphasis was placed on the promotion of best practices in state-owned companies that provide public services. In this regard, CAF presented its "Best Practices Guideline for State Owned Enterprises." The publication has helped establish standards of Corporate Government by taking the European and Asian experience as a reference, as well as reviewing several Latin American cases. To disseminate these guidelines, several seminars were carried out in Bolivia, Ecuador, Colombia, Panama and Venezuela. In addition, specific interventions were arranged with different state-owned enterprises in those countries.

Research Support Program

CAF's Research Support Program (PAI) promotes the design and execution of public policies and development strategies of the countries in the region through the generation and dissemination of knowledge. The Institution benefits from the discussion of subjects of interest to its agenda and participates in the debate of issues relevant to the economic and social development of Latin America.

To meet this need, during 2011 eight publications were prepared by the PAI. First, the publication of the 2011 Economic and Development Report, (RED, in Spanish) "Financial services for development: promoting access in

Latin America" in three different formats: Spanish, printed, and digitalized, and an English summary available in the Web page. In addition, a summary of the English version of the 2010 RED was prepared: "Local development: toward a new prominence of cities and regions."

In addition, three editions of the *Perspectivas* (Perspectives) magazine were published: Vol 8 No 1, which discusses the impact of the existence of natural resources on development; Vol. 8 No 2, which analyzes access to financial systems; and Vol 9 No 1, which studies citizen safety in Latin America. Together with the publication on citizen safety, a magazine was re-launched to create

CAF's Research Support Program (PAI) seeks to promote the design and execution of public policies and development strategies of the countries in the region through the generation and dissemination of knowledge.

a publication that could serve as a multidisciplinary discussion forum that brings together experts and academics and those responsible for the design and implementation of public policies. Re-launching the magazine meant not only a new design, but also the organization of an international seminar in Buenos Aires, Argentina with experts from different academic areas.

Another initiative to support the dissemination of knowledge and research CAF developed was the launching of the twice yearly bulletin FOCUS. The objective of this publication is to reveal the results of the RED, the Perspectives magazine, and the research projects that make up the CAF Series of Working Documents. This publication disseminates the research undertaken by the Socio-Economic Research Department throughout the year.

The Annual Contest of the Research Program on Citizen Safety was carried out. The winners, Joana Monteiro, Daniel Mejia, and Luisa Blanco were hired to pursue their research projects: "Do bullets affect teachers' trajectories? Evidence from Rio de Janeiro's drug battles," "Evaluating the effects of alcohol sales on crime: The case of Bogota," and "An analysis of the impact of reform to the criminal justice system in Mexico," respectively.

During this year, the activities aimed at disseminating the main conclusions and lessons from the 2010 RED continued, with the presentation in Caracas (Venezuela) and Beijing (China) of "Local development: toward a new prominence of cities and regions." Also in 2010, seminars were organized in different countries to present the main conclusions of the 2011 RED on access to financial services. These seminars were held in Buenos Aires (Argentina), La Paz and Santa Cruz (Bolivia), Lima (Peru),

Caracas (Venezuela), Montevideo (Uruguay), Quito (Ecuador) and Bogota (Colombia).

At the same time, progress was made on the preparation of the 2012 RED, which will concentrate on public finances and the economic and social development of Latin America. In this regard, on June 16th a seminar was held in Bogota, presenting a series of works especially commissioned for the publication.

Preliminary versions of the chapters of this report were also discussed in a workshop organized by CAF in Santiago, Chile, on November 9th. At the same time, CAF actively participated in the XVI Annual Meeting of LACEA, held in Santiago, Chile. This is an annual forum that brings together the main researchers and academics of the region. CAF sponsors two sessions in which research papers were presented: one on the political economy of taxes, and the other on citizen safety.

In addition, economists from the Socio-Economic Research Department participated in several conferences and seminars: the Boulder Program in Spanish, held in Antigua, Guatemala; the Second Congress of the Micro-Finance Industry in Colombia, held in Santa Marta; the Program on Conditional Monetary Transfers and Financial Inclusion, held in Cuzco; the Global Borrowers & Investors Forum Euromoney, held in London; the 2nd Latin America Europe Investors Fund (LA-EIF), organized by LatinFinance in Zurich, and the Annual Meeting of the Global Development Network "Financing Development in a Post-Crisis World: The need for a fresh look," among others.

Other seminars and research activities promoted by CAF through the PAI include the third annual meeting of the International Trade and Growth Network (TIGN), held in Montevideo, Uruguay in September of 2011. The University

of the Republic of Uruguay organized the conference, and professors and researchers from Latin America gave presentations on international trade and integration. In addition, CAF sponsored and participated in academic events organized by the new network of applied research on citizen safety, Latin America Crime and Policy Network (Alcapone).

Another research activity CAF carried out during 2011 was the development of the annual survey on access, quality, and perception of satisfaction with public services in Latin America, with an additional section added on public finances. A representative sample of individuals from 17 cities in Latin America was surveyed, and the results were used as input for the edition of the 2012 RED.

Regulation and Development of the Financial System

Toward mid-2010, a Program to Support the Regulation and Development of the Financial System was approved.

This program has three components:

- i) promote regulation on access to financial services by the micro-, small- and medium-sized enterprises and by the population in general;
- ii) support regulations to promote the development, deepening, and integration of the capital markets; and
- iii) promote coordination between the regulatory and supervisory entities of CAF's member countries.

With respect to the stock market, the program sponsored several events related to the promotion of integration processes of equity markets in Chile, Peru and Colombia. The main event was held in Lima, Peru, to launch the Latin American Integrated Market (MILA). In addition, jointly with the World Bank, CAF organized a meeting between the supervisors and regulators of Peru, Chile, and Colombia, where fundamental issues were discussed regarding regulatory and supervisory aspects associated with the MILA. These activities helped position CAF as a prime promoter of financial integration in the region. In addition, CAF participated in a meeting between supervisors of several Latin American countries, held in Santiago, Chile, on trans-frontier supervision, and supervision of

integrated markets. In Ecuador, support was provided to technical studies and debates on the draft law for the stock market to be approved in the near future.

With respect to access to financial services, CAF has played an important role in the development of a regulatory framework that favors factoring, a less expensive form of financing for small enterprises. With this purpose, support was provided to the Peruvian Ministry of Economy and Finances (MEF) to review the draft law on factoring and its respective regulation.

In addition, progress has been made in the preparation of a technical cooperation operation for the development of factoring in the Colombia Stock Exchange (BMC). Support was also provided in Colombia to the development of the micro-finance sector through cooperation funds from the Financial Superintendency of Colombia (SFC), aimed at strengthening regulations and supervision of micro-credit operations. In Peru, an event was sponsored on exchange coverages for micro-financing institutions, allowing for the identification of regulatory restrictions that limit their functioning. Finally, the issue of financial education has been addressed through several activities supported by the program, among which stands out the participation of CAF in a Latin American event on the subject, held in Paraguay.

2011

Regional Promotion
and International
Relations

Presence in the main regional integration meetings 153

Global projection 155

Presence in the main regional integration meetings

Throughout 2011, CAF continuously supported the ongoing regional integration processes and helped to strengthen recent regional initiatives. Through the definition and implementation of comprehensive programs with various organizations and regional projects, the Institution contributed to the implementation of integration and consensus agendas at the sub-regional, regional, and hemispheric levels. At the same time, during the year CAF consolidated its position as an important bridge to strengthen the bi-regional integration between Latin America, Europe and Asia.

The participation of CAF's Executive President in all the regional Presidential Summits, as well as the presence and permanent technical support in monitoring the region's multilateral agenda, allowed the Institution to play a key role in the consolidation of priority projects in the integration objectives of its shareholder countries. During 2011, CAF promoted actions mainly in the areas of physical infrastructure integration and energy markets, financial and productive integration, strengthening of MSMEs as well as providing financial support for them. It also helped consolidate

value added production chains, while supporting specific regional projects to reduce asymmetries and promote environmental, social, educational, and cultural development, as well as diverse border integration and cooperation programs at a bi-national and sub-regional level.

It is worth noting that CAF has actively participated in the Joint Working Group for the Summit of the Americas held in Cartagena, Colombia, in April of 2012; the meetings of Mercosur Chiefs of State Summit in Asunción, Paraguay, and Montevideo, Uruguay; the Presidential Summit of the Mesoamerica Project in Merida, Mexico; the Summit of Ministers of Foreign Relations and Foreign Trade Roads to Prosperity in the Americas in Santo Domingo, Dominican Republic; the Ibero-American Summit of Chiefs of State and Government in Asuncion, Paraguay; and the first Summit of the Community of Latin American and Caribbean States (CELAC) in Caracas, Venezuela; the Ministerial Councils of UNASUR, and diverse working meetings of the Andean Community and the Andean Integration System.

During 2011 CAF developed work and cooperation programs with different regional integration organizations and secretariats, including ongoing projects with several Ministerial Councils of the Union of South

American Nations (UNASUR), the Organization of American States (OAS), the General Ibero-American Secretariat (Segib), the Ibero-American Youth Organization, the Organization of Ibero-American States for Education, the General Secretariat of CAN, the Andean Parliament, the Andean Health Organization Hipolito Unanue Agreement, the Common Market Group of Mercosur, the Municipalities' Consultative Forum, Federal States, Provinces and Departments of Mercosur, the Social Institute of Mercosur, the Pro-Tempore Secretariat of the Summit of the Americas, of the Ibero-

American Summit, UNASUR, Mercosur, the Arco Countries Forum, of the Roads to Prosperity in the Americas Forum, and the Mesoamerica Initiative, the Latin American Integration Association (ALADI), the Amazon Cooperation Treaty, the Association of Caribbean States, the Economic Commission for Latin America (ECLAC), and the Latin American Faculty of Social Sciences (Flacso), in addition to an important network of multilateral institutions, academic entities, and social organizations that promote programs and projects in the area of regional integration.



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- 1 XII Summit on the Tuxtla Dialogue and Agreements Mechanism. Merida, Mexico, December 5.
- 2 Summit of the Community of States of Latin America and the Caribbean (CELAC). Caracas, Venezuela. December 2-3.
- 3 XXI Ibero-American Summit of Chiefs of State and Government. Asuncion, Paraguay, October 28-29.
- 4 XLII Mercosur Presidential Summit. Montevideo, Uruguay, December 20.

Global Projection

During 2011, CAF promoted an active public relations strategy, allowing the Institution to achieve a greater global profile in various areas, with a direct focus on the issues important to its agenda for sustainable development and regional integration.

- ▶ **Annual Conference on Global Development: Financing Development in a post-crisis world: the need for a fresh look.** Organized by the Global Development Network, the event addressed the issue of “Financing Development in a post-crisis world: the need for a fresh look” as the central topic, through several panels that analyzed aspects such as the new agenda for financing development, microfinance, and the new philanthropy. Bogota, Colombia, January 13-15.
- ▶ **Conference “Growth and Trade Opportunities in Latin America and the Effect of Rising International Currencies”.** Organized by Canning House, CAF’s Executive President, Enrique Garcia, offered a keynote address focused on the region’s economic situation, the opportunities for trade and the investments generated by the current situation of the Latin American economies. London, United Kingdom, January 24.
- ▶ **LII Annual Meeting of the IDB Board of Governors.** CAF was present in the main annual meeting of the IDB, and participated in the Round Table “Facing Latin America’s Development Challenges: what possibilities of coordination are there between a European bilateral development agency and the multilateral institutions that are present in the region?” Organized by the French Development Agency. Calgary, Canada, March 25-28.
- ▶ **IV Europe-Latin America-United States Forum.** Organized by the Segib, the Inter-American Dialogue, and the Elcano Royal Institute, the meeting promoted an open dialogue on the crucial problems faced by Latin America and the Caribbean, as well as the United States and European Union policies toward the region. Madrid, Spain, April 13-14.



I CAF-ILAS Conference: Challenges for the Sustainable Development of China, Latin America, and the Caribbean. Beijing, China, April 28.

- ▶ **I CAF-ILAS Conference: Challenges for Sustainable Development in China, Latin America, and the Caribbean.** Organized by CAF and the Institute for Latin America of the Chinese Social Sciences Academy. The conference sponsored dialogue between authorities, business people, and academics from Latin America and China, which focused on the areas of infrastructure, social development and urbanization. Beijing, China, April 28.

- ▶ **XLIV Annual Meeting of the Asian Development Bank.** CAF was present as an observer in this important annual meeting of the Asian region, in the framework of strengthening its ties with this multilateral institution. Hanoi, Vietnam, May 3-6.

- ▶ **XX Annual Energy Conference.** Organized by the Institute of the Americas, this annual meeting is a key event for the discussion of energy in the Americas. CAF explained its role as a catalyst in the development of the energy sector. La Jolla, United States, May 16-18.

- ▶ **XLI General Assembly of the Organization of American States (OAS).** The debate of the Ministers of Foreign Relations of OAS's member countries focused on the subject of citizen safety. San Salvador, El Salvador, June 5-7.

- ▶ **IV CAF Microfinance Forum.** The Institution supported the new edition of this forum to promote financial inclusion and the development of microfinance. Panama, June 13-14.

- ▶ **The Global Borrowers & Investors Forum.** Organized by Euromoney and Conferences. CAF sponsored this well-known investor forum and led a special working session with the purpose of attracting investors to Latin America. London, United Kingdom, June 20-22.

- ▶ **The Latin America–Europe Investors Forum (LA–EIF).** Organized by LatinFinance. This meeting promoted investment opportunities in Latin America to important financiers in Switzerland and other European countries. Zurich, Switzerland, June 23-24.



IV CAF Microfinance Forum. Panama, June 13-14.

- **XLI Meeting of the Council of the Common Market and the Summit of Mercosur Chiefs of State and Associated States.** CAF attended this summit, which evaluated the status of the sub-regional integration process, and where important agreements were adopted for its advancement. Asuncion, Paraguay, June 29.

- **International Conference on Economic Studies.** Organized by the Latin American Reserves Fund (FLAR), this meeting sponsored a rich exchange of opinions regarding the macroeconomic policy challenges for emerging and developing economies. Cartagena de Indias, Colombia, July 22-23.

- **2011 World Congress of the Society for International Development: Our common challenge: a world advancing toward a sustainable future.** This forum promoted dialogue aimed at rethinking the connection between the environment and human development at a global level. Washington, D.C. United States, July 29-31.

- **Asia 2050 Conference.** Organized by Emerging Markets Forum, with the purpose of inspiring debate among the highest level authorities and academics from various regions in the world, regarding the findings of the “Asia 2050” study on the economic perspectives of the Asian region, commissioned by the Asian Development Bank. Tokyo, Japan, August 2.

- **South American Economic and Finance Council of UNASUR.** CAF attended this meeting in which the Ministers of Economy and Presidents of the central banks of the South American countries adopted a plan to face the international crisis and agreed to strengthen CAF and FLAR. Buenos Aires, Argentina, August 12.

- **International Seminar on Access to Financial Services.** Organized by CAF. In this seminar, CAF’s 2011 Economy and Development Report was presented and debated by government authorities, international experts, and representatives of the public and private financial sector, addressing the issue of access to financial services for development. Montevideo, Uruguay, August 16.



Latin America Business Forum. Singapore, October 5

- ▶ **XV CAF Annual Conference.** Organized by CAF, the Inter-American Dialogue, and the OAS. Political leaders and experts from the Americas, Europe, and Asia, conducted an in-depth analysis of the state of Inter-American relations, the main political and economic trends, as well as Latin America's global projection, emphasizing its relationship with China. Washington, D.C., United States, September 7-8.

- ▶ **The Latin America-China Investors Forum (LA-CIF).** Organized by LatinFinance. Entrepreneurs, investors, and public actors attended this meeting, which discussed the advantages of a closer connection between the emerging economies of Latin America and China. Beijing, China, September 13-14.

- ▶ **CAF Western Coast Conference.** Organized by the Institute of the Americas, this forum promoted an exchange of ideas between experts and business people from Latin America, China, and the Western Coast of the United States, focusing on the economic perspectives of the Asia-Pacific region. Los Angeles, United States, September 16.

- ▶ **II Latin America Round Table: Challenges for the New Leaders.** Organized by CAF and the Brookings Institution. A select group of 40 young leaders from Latin America met with renowned academic and political leaders to reflect on the economic, social and political challenges of the region. Washington D.C., United States, September 21.

- ▶ **Annual Meeting of the World Bank (WB) and International Monetary Fund (IMF).** CAF was present at the most important multilateral banking meeting, which addressed the main problems of the international financial system. Washington D.C., United States, September 23-25.

- ▶ **Global Meeting of the Emerging Market Forum.** Organized by Emerging Markets. This conference brought together public and private sector leaders in emerging markets to evaluate the global economic situation in the context of the international financial crisis, the reform of the international monetary system, the long-term prospects for Asia, the cooperative links between Latin America and Asia and the impact of climate change on the emerging economies. Virginia, United States, September 26-27.

- ▶ **Latin Asia Business Forum.** Organized by IE Singapore, this event between business leaders from Asia and Latin America offered an important platform for dialogue and the promotion of business opportunities to benefit both regions. Singapore, October 5.

- ▶ **V Italy-Latin America Conference.** CAF supported Latin American countries in their bi-annual meeting with Italy to strengthen political and economic ties. Rome, Italy, October 5-6.

- ▶ **V Forum on the Competitiveness of the Americas.** CAF sponsored this meeting, one of the most relevant in the region because of its focus on innovative methods to improve competitiveness. Santo Domingo, Dominican Republic, October 5-7.

- ▶ **I CAF-Sciences Po Conference on Latin America's current and future challenges.** Organized by CAF and Sciences Po. Academics, experts and high-level officials from Latin America and Europe exchanged opinions on the main political, economic, and international challenges faced by the region, as well as bi-regional relations. Paris, France, October 11.

- ➔ **Ministerial Meeting of the Dialogue and Consensus Mechanisms of Tuxtla.** This meeting strengthened important plans and cooperation actions in the framework of the Mesoamerica Integration Project. Chiapas, Mexico, October 17.

- ➔ **XXI Ibero-American Summit.** CAF participated in this summit, which focused on “Transformation of the State and Development,” as well as in the Ibero-American Entrepreneurial Meeting. Asuncion, Paraguay, October 28-29.

- ➔ **The Latin America-India Investors Forum (LA-INDIF).** Organized by LatinFinance. Investors and other actors of the financial sector participated in this forum, which revealed the business opportunities that would result from strengthening economic and trade relations between Latin America and India. Mumbai, India, November 17-18.

- ➔ **V China-Latin America Entrepreneurial Summit.** The government of Peru hosted this well attended entrepreneurial meeting, which promotes the identification of trade and investment opportunities between Latin America and China, in areas of key interest for both parties. Lima, Peru, November 21-22.

- ➔ **Innovators of America Forum.** CAF sponsored the Latin American Innovators award for those who contribute to sustainable development in the region. Santo Domingo, Dominican Republic, November 24.

- ➔ **III Latin American and Caribbean Summit.** CAF was present at this historic regional meeting, which established the Community of Latin American and Caribbean States (CELAC). Caracas, Venezuela, December 2-3.

- ➔ **XIII Summit of the Dialogue and Consensus Mechanisms of Tuxtla.** CAF participated in this summit, which enabled progress in Mesoamerican integration. Merida, Mexico, December 5.

- ➔ **XLII Meeting of the Common Market Council and the Summit of Chiefs of State of Mercosur and Associated States.** CAF was present in this summit, which promoted the sub-regional integration process. Montevideo, Uruguay, December 19-20.



V China-Latin America Business Summit. Lima, Peru, November 21-22.

2011

Dissemination
of knowledge

CAF publications support the implementation of its Agenda for Comprehensive Development. The titles listed below were published during 2011.

Perspectives on Development.

Citizen Safety And Wellbeing. Vol. 9 No. 1.

Offers a frank look at various relevant aspects linked to the problem of safety and well-being, not only from an academic perspective but also through dialogue with experts from different disciplines who offer their interpretations of this phenomenon.

Format: 16x23 cm
Printed and digital
Number of pages: 174
ISSN: 1690-6268



The Local Economy.

The Role of Development Agencies

Public Policies and Productive Transformation Series

Seeks to identify how local development agencies are structured, what their role is in the economy, and which activities contribute most value. This study explores international practices in various countries and defines the roles of local development agencies in their cities as well as success factors and restrictions associated with their operations.

Format: 21x27 cm
Printed and digital
Number of pages: 192
ISBN: 978-980-6810-70-9



Global Microscope on the Business Environment for 2011 Microfinance

Presents the findings of the Economist Intelligence Unit after an in-depth analysis of the business environment for microfinance in 55 countries. The index on which the report is based compares countries and regions in two categories: Regulatory Framework and Practice, which examines the regulatory conditions and access to markets, and Institutional Framework, which evaluates business practices and interaction with clients.

Format: Digital
Number of pages: 81



The Use Of ICT To Simplify Administrative Barriers To investment. Successful Cases in Latin America

Public Policies and Productive Transformation Series

Documents the best practices that various national and sub-national governments have implemented in Latin America to improve their attractiveness by increasing the use of Information and Communications Technology (ICT) and reducing administrative barriers to investment.

Format: 27x21 cm.
Printed and digital
Number of pages: 42
ISBN: 978-980-6810-67-9



New Electrical Interconnection Opportunities in Latin America

Proposes alternatives for energy exchanges between countries of the region, respecting policies, institutional frameworks, norms, and supply schemes in the nations involved. The publication includes the most best aspects of a study carried out jointly with the Regional Electric Integration Commission (CIER, in Spanish).

Format: 27x21 cm
Printed and digital
Number of pages: 54
ISBN: 978-980-6810-69-3



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals For a Priority Agenda

Presents the current situation of infrastructure in Latin America, and proposes an agenda for its timely and effective development, in line with the principle that infrastructure contributes to the development of countries in the areas of social inclusion, quality of life, competitiveness of the economy and integration of its territories.

Format: 27x21 cm
Printed and digital
Number of pages: 132
ISBN: 978-980-6810-66-2



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals for a Priority Agenda Water

Studies the infrastructure associated with urban issues regarding water, taking into account that Latin America's population is mainly urban and that projections estimate an exponential growth of the population in the cities. This population increase should be accompanied by adequate supply systems.

Format: digital
Number of pages: 48



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals For a Priority Agenda Electric Energy

Presents a projection of investment requirements in the electricity market in Latin America to meet the expected demand in each region. In addition, it analyzes the environments in which the regional energy markets operate to develop recommendations regarding actions to satisfy those capital needs.

Format: digital
Number of pages: 76



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals For a Priority Agenda Financing: Challenges and Opportunities

Describes the main sources of financing for infrastructure projects in Latin America. In addition, it analyzes how the region's economic potential will be promoted by three structural factors: a stable macroeconomic environment, the consolidation of democratic institutions and a demographic transition.

Format: digital
Number of pages: 106



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals For a Priority Agenda Transportation of Natural Gas

Studies the situation, perspectives, and challenges of the transportation of natural gas in Latin America. In addition, the study identifies successful experiences in the development of this sector through an evaluation of the various practices carried out by different countries. At the same time, it examines the situation of regional integration in view of the domestic reality of the region and the process of technological change.

Format: digital
Number of pages: 74



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis and Proposals For a Priority Agenda Telecommunications

Reviews the relationship between telecommunications infrastructure and economic growth. This relationship, initially confirmed for fixed lines, has been extended to mobile communication and broad band. The development of technology generates employment and acts on the economy with multiplier effects.

Format: digital
Number of pages: 64



Infrastructure in Latin America's Comprehensive Development Strategic Diagnosis And Proposals For a priority Agenda Transportation

Presents the current situation and challenges of the transportation infrastructure in Latin America. The study considers the mobility of passengers as well as cargo transportation. It also analyzes the operations of the different modes of transportation in the region.

Format: digital
Number of pages: 126



Guidelines for a Good Corporate Governance Code for SMEs and Family-Owned Enterprises

Contains the adaptation of best practices of Corporate Governance to SME and family-owned enterprises. These guidelines are the result of a wide discussion of the subject in the Andean region, and constitute a compilation of practices aimed at consultants and enterprises, to develop a Code of Good Governance for SMEs and family-owned enterprises to be used in their implementation.

Printed and digital
Number of pages: 32
ISBN: 978-980-6810-65-5



Urban Development and Mobility in Latin America

Documents the history of urban development and transportation systems in 15 Latin American metropolitan areas that are a part of CAF's Urban Mobility Observatory (OMU, in Spanish). A group of experts describes the history and current conditions of mobility in these territories with OMU data, allowing a comprehensive analysis with comparisons between the processes which have taken place in the region.

Format: 27x21 cm
Printed and digital
Number of pages: 326
ISBN: 978-980-6810-55-6



Financial Services for Development: Promoting Access in Latin America. 2011 RED

Analyzes the role of finances in Latin America's development process. In addition, it emphasizes the fact that to understand that role, it is important to complement the traditional measures of finance, usually associated with the relationship between the value of intermediated resources and the global size of the economy in question, with more direct measures regarding access to financial services for the population and businesses.

Format: 27x21 cm.
Printed and digital
Number of pages: 350
ISSN: 980-6810-01-5



CAF Forestry Initiative Working Document

Considers an outlook and evaluation of the situation of forests in Latin America. In addition, it shows CAF's activities through its BioCAF program. CAF, in its sustainable development mission, considers the conservation of forests as one of the most crucial missions for the region due to the importance of biodiversity, and its impact on the reduction of climate change.

Format: Digital
Number of pages: 20



Methodology for Environmental and Social Evaluation With a Strategic Approach (EASE-IIRSA, in Spanish)

Provides a methodological instrument that includes concepts, scope, and steps of an environmental and social evaluation procedure. The actions of the IIRSA initiative were designed to prevent and manage the risks and opportunities arising in a territory as a result of groups of projects. This methodology is validated by the countries that participate in the IIRSA initiative, and has been developed in collaboration with CAF and the Inter-American Development Bank through workshops conducted in Argentina, Brazil, Ecuador, Guyana and Peru.

Format: 21x27 cm
Printed and digital
Number of pages: 192
ISBN: 978-980-6810-46-4





Arts and Culture

Artistic expression is a vehicle for the evolution and development of societies. From the start, CAF has maintained a strong commitment to artistic creation and the culture of Latin American countries. The Institution has a significant collection which represents the cultural diversity of our continent, including works by painters such as Baston Diaz (Argentina), Alfredo La Placa and Oscar Pantoja (Bolivia), Roberto Burle Marx (Brazil), Edgar Negret (Colombia), Oswaldo Guayasamin (Ecuador), Jose Luis Cuevas (Mexico), Guillermo Trujillo (Panama), Carlos Colombino (Paraguay), Fernando de Szyszlo (Peru), Bruno Widmann and Hugo Sartore (Uruguay), Oswaldo VÍgas, Francisco Narvaez, Carlos Cruz Díez and Jesus Soto (Venezuela), among others.

Currently, CAF has two venues for the promotion of regional art: CAF Gallery at the headquarters in Caracas, Venezuela, and Artespacio at the CAF office in La Paz, Bolivia. Hopefully as other regional offices develop, new spaces will be created for the promotion of art .



Byrrubio by Gisela Romero

Charcoal I by Carlos Chacín



During 2011, the following exhibitions were carried out in CAF Gallery: "Environments. Three views of contemporary Colombian art", "Panorama. Young Venezuelan artists", XIV Luisa Palacios Biennial Exhibition of Graphic Miniatures and, in the framework of the 40th anniversary of CAF, "Colors and Shapes of Integration. Works of 40 Ibero-American plastic artists". At the same time, Artespacio presented "Drawings" by Fernando Montes, "Femenine perspectives" by Shadi Ghadirian, "Terrain" (Terreno), "Los Alteños" (from El Alto), by Patricio Crooker and Alfredo Zeballos, 2011 SIART, and "Latin American Lessons in neighborhood development".



Concert Angels I, by Roberto Weil





Sports and Integration

CAF promotes sports as a tool for development and social inclusion, and a way to strengthen social capital networks.

Within this objective and complementing its Social Action for Sports Program, in recent years the Institution has organized the CAF-Caracas Marathon, and the La Paz 3600 run, a 10-kilometer competition in Bolivia.

The CAF Marathon was first organized in February of 2011, to commemorate the Institution's 40th anniversary. The event was supported by the Venezuelan Athletic Federation, which adopted it as a Venezuelan National Competition. The event was also supported by the Ibero-American Athletic Association which designated it as an Ibero-American Marathon Competition and is certified by the International Association of Athletics Federations (IAAF), and sponsored by the Association of International Marathons and Distance Runs (AIMS).



In its first edition, more than 3,000 individuals from 20 countries participated, which was also a qualifying event for the Guadalajara Pan-American Games.

The results were so favorable that CAF decided to continue this international event with a new edition in 2012, turning it into a regular contribution to regional integration and social inclusion through the practice of sports.

In November 2011, the third edition of the 10k run, La Paz 3,600 took place in Bolivia. A record number of 10,000 people participated, running through the streets of La Paz in a joyful sports event.



Internal Management

CAF continued its decentralization with the consolidation of the Regional Operating Centers in Panama and Uruguay. The approval of the modification of the Establishing Agreement stands out, which will improve the management of diverse funds with CAF's own resources.

With respect to external relations and CAF's position in the region and the rest of the world, there were significant achievements for the Institution. In particular, in 2011 strategic relations were strengthened with institutions in China, India, Singapore, France and the United Kingdom.

With respect to risk management, the identification and evaluation of credit operational risks, market risks, and risks associated with CAF's liquidity continues, as well as the Program to Prevent and Detect Asset Laundering in all of CAF's products and services. In addition, progress was made in the implementation of the Management System for Business Continuity to guarantee CAF's operations in crisis situations. With respect to the management of human capital, the curriculum of the Entrepreneurial Development Program (PRODES) was redesigned; the processes to transfer and hire employees in the North and South regional offices were consolidated, and the variable compensation model was defined as the Annual Incentives Program. In addition, more training and studies were offered through CAF's Online University and corporate programs to update and develop the staff, together with the Monterrey Technological and the Universidad Metropolitana de Venezuela.

The Institution's positioning strategy was strengthened through the restructuring of Strategic Communication, with

the development of the external and internal information management, brand and editorial units. The strategy is aimed at reinforcing CAF's image as the "development bank of Latin America," aligned with its missions of promoting the region's sustainable development and integration, emphasizing the new Latin American dimension of the Institution. Internal communications were strengthened by creating a new mechanism called TuDEI, the new CAF intranet, which promotes teamwork and facilitates the management of in-house communication.

The Media Improvement Program was restructured with the objective of strengthening the management of external communications. This program is carried out annually with the New Ibero-American Journalism Foundation, the European Association of Journalists, and the Newspaper Group of America to expand knowledge about the Institution and its Comprehensive Agenda for Sustainable Development and Regional Integration among the mass media of Ibero-America.

Adjustments were made in the structure and organization of the Operations and Technology Directorate so as to ensure it contributes to CAF's strategic vision. The emphasis on the development of a culture of risk, service, efficiency, and control aimed at the continuous improvement of business processes stands out. During the year, a number of business support activities were implemented. These included risk management, treasury operations, a comprehensive accounting and administrative system (Agresso), the generalized use of the business portal as a corporate tool and forms for managing the credit portfolio, among others.

Regarding physical facilities, the architectural plans for the new headquarters in Caracas were initiated. The project, in line with CAF's mission, includes areas for cultural, environmental, and urban promotion. At the same time, the expansion of the Offices in Argentina, Panama and Peru was completed, adapting them to the growth of CAF's activity in those countries.



Special Focus:
Urban Development and
Mobility in Latin America:
challenges and possibilities





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2011

Special Report:
Urban Development
and Mobility in Latin
America: challenges
and possibilities

Urban expansion

Mobility conditions

Priority for public transportation, pedestrians, and cyclists

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Comparative mobility indices by mode of transportation

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Final comments



Urban Development And Mobility in Latin America

Documents the history of urban development and transportation systems in 15 metropolitan areas of Latin America which are a part of CAF's Urban Mobility Observatory (OMU, in Spanish)

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Printed and digital
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The strong growth of the main cities in the region has had a significant impact on road systems, traffic congestion, mass transportation, public services and accident indices.

Demographic projections show an even greater growth in coming decades. It is estimated that in 2020 there will be 90 million additional inhabitants in the main Latin American urban centers. The population saturation also shows its negative effects in increasing levels of poverty and social exclusion, as well as in the environmental pollution indices. Given that habitability, environmental sustainability, equity, and social inclusion are the main objectives in CAF's agenda for the comprehensive development of its shareholder countries. In 2011 CAF published "Urban Development And Mobility in Latin America", based on the studies conducted at the Urban Mobility Observatory (OMU).

The document shows a variety of institutional, economic, social, and mobility conditions in the 15 metropolitan areas under analysis. The total population in these cities reaches 107 million people, ranging between 1.29 million in San Jose, Costa Rica, to 19.2 million in Mexico City. Considering all the cities, there are 27 million vehicles for individual use and 230,000 for public transportation. The inhabitants of these cities make 214 million trips daily, most of them on public transportation. In most of these cities, mobility is of poor quality, with deficient public transportation systems, congestion, air pollution and high levels of traffic accidents.

This document seeks to contribute to improved planning, which will not only reverse the negative impacts of the disorderly urban growth, but also discover new opportunities to improve the living conditions of millions of Latin Americans.

Urban expansion

In recent decades, Latin American cities have experienced profound changes in their size and territorial organization. As shown in the cases analyzed, the territory in the environments of urban areas has

been progressively occupied without planning or control, leading to precarious growth from an urban and environmental perspective, in most cases occupied by groups of low-income people who depend on public transportation for their movements.

Especially starting in the 1970's, middle class neighborhoods started to develop, many times in isolated areas, presumably seeking security, which accelerated the urban segregation process. Behind these phenomena are the enormous social and economic disparities in Latin American societies, as well as the weakness of the state and the institutions in charge of urban problems. These changes had a significant impact on the mobility patterns of the inhabitants. To meet the new mobility needs, public and private transportation systems have experienced great changes. In most of the Spanish-speaking metropolitan areas, public transportation is organized through bus systems and an atomized provision of thousands of individual providers who use low-quality and low-capacity vehicles.

In Brazil, for example, large bus systems regulated by the Public Sector have developed, but some illegal forms of public transportation have appeared, using low-capacity vehicles. At the same time, the number of privately owned cars has grown substantially in all countries.

The increase in the number of privately owned vehicles between 2000 and 2006 has been high in Brazil (54%), Colombia (40%), Mexico (60%), Peru (44%) and Venezuela (42%), where annual growth rates have fluctuated between 4% and 8% (ECLAC, 2007).

The employment structure has also changed, as Oscar Figueroa pointed out in "National development policies and urban transportation policies. Coherence and contradictions." Regarding social issues, during the 1980's there was a reduction in industrial employment in large cities and a significant increase in employment in the service sector (in 1990, 48% of the economically active population worked in services, compared with 25% in 1950), hiding significant informal employment. (Figueroa, 1999, page 598). What makes this phenomena relevant is that the mobility pattern of a significant part of the population is very unstable since there are no regular daily trips, thus introducing pressures on public transportation systems.



Mobility conditions

Public transportation predominates in nine of the 15 cities under study, and represents more than 50% in Bogota, Caracas, Mexico City, Lima and Montevideo. Individual cars predominate in Buenos Aires. At the same time, non-motorized transportation is particularly relevant in Curitiba, Guadalajara, Leon, Santiago, and Sao Paulo. When public transportation vehicles are rated according to their importance with respect to the total number of passengers, the bus, the small bus, and the mini bus take care of most of the transportation: all the motor vehicles

on tires transport 85% of the total, while the remaining 15% utilizes rail transportation.

The study showed that the average mobility in the cities studied was of two daily trips per inhabitant, while the highest levels of public transportation use per inhabitant correspond to Mexico, Santiago, and Lima. Thus, the average mobility of the OMU cities is below that of the cities in developed countries and exceeds that of other developing countries in Asia and Africa.

This level of mobility is important in that, given the direct relationship between income and mobility, the future growth of Latin America could require an increase in the average mobility of its inhabitants and, at the same time, will require better mass transportation. As the ownership of private automobiles increases, it is likely that the number of trips undertaken in them will increase. In the metropolitan area of Sao Paulo, when a family buys the first automobile,

close to 40% of the trips are made in that vehicle. If the family buys a second car, 70% of the trips are made in the two vehicles (Vasconcellos, 2002). In Santiago, the number of automobiles per household rose from 0.32 in 1977 to 0.56 in 2001, increasing the number of motorized trips per household from 4.65 to 6.66 (Sectra, 2009). This situation also produces an increase in road congestion. In Sao Paulo, for example, between 1997 and 2008, the extent of slow traffic roads grew by 57% in the morning and 19% in the afternoon (CET, 2008). In the latter case, the growth has been lower as a result of the total exhaustion of the road capacity.

The increase in reliance on the car also creates problems for the countries that are dependent on oil imports. In Chile, Uruguay, and Peru, fuel imports represent more than 10% of the country's total imports (ECLAC, 2005). In addition, this growth increases the conflict with pedestrians and cyclists, and generates more accidents.

To address the new mobility needs, the public and private transportation systems have experienced great changes.

Priority for public transportation, pedestrians, and cyclists

In all the cities analyzed there are preferential routes for public transportation, pedestrians and cyclists. However, the effective priority is minimal as it applies only to 1% and 2% of total roads. Priority routes for buses add up to only 904 km (within a road system used by buses of 42,000 km in length), while that of pedestrians and cyclists reaches only 996 km (within a system of routes of 245,000 km in length).

After the successful case of Curitiba, where a large network of preferential roads for buses was started in 1974,

in recent years two priority systems for buses have been executed with great success. The first is Transmilenio in Bogota, which started to operate in 2000 with a length of 60 km, special stations, same level boarding, prepayment models and articulated buses. In the beginning, the system transported 500,000 passengers daily, but within six months the number increased to 800,000 and it reached 1.5 million passengers per day in 2008, with a length of 84 km. The success of Transmilenio has generated a national plan to implement similar corridors in seven Colombian cities that is unique in Latin America (ECLAC, 2008).

The second case is Mexico City's Metrobus, built in 2005 in Avenida Insurgentes (north - south) with a length of 20 km.

In the beginning, the system transported 260,000 passengers

daily. The initial success (confirmed by the approval of 80% of the users) allowed its expansion in 2008 to reach 30 km, and the construction of a second 20 km corridor in 2009, running east-west, with a demand of 330,000 passengers daily.

Productivity and cost of public transportation

The diversity of the fleets and the characteristics of the supply make it difficult to reach general conclusions regarding public transportation systems. In the case of buses and small buses (most used), the Passenger Index per Km Travelled (IPK, in Spanish) has, in some cases, very low values (0.6 in Caracas, 1.4 in Lima and Rio de Janeiro) when compared with other cities (Santiago, Montevideo, San Jose, and Leon, with values between 2.5 and 3). This could be due to an excess supply resulting from excessive competition in the routes, as well as to a poor distribution of the lines in urban areas.

In the case of rail systems, the degree of utilization (passenger/km of route/day) has very low values, typical of systems that have lost their relevance. There are use indices of less than 5,000 passengers per km of route per day, while the high productivity metro systems (for example Sao Paulo and Santiago) reach 25,000 passengers per km daily. This shows that there is a large idle capacity that should be considered to determine the use of this type of transportation in the future.

With respect to user access to public transportation, the proportional costs of 50 bus trips during one month relative to the minimum wage is higher in Brazilian cities (between 25% and 30%). However, those who receive

a transportation voucher from their employer (40% of users) spend close to 12%. Given that the acceptable proportion should not exceed 6%, it is possible to conclude that in most cases that high costs are a detriment to mobility. For example, the current proportion of the cost of transportation relative to the minimum wage is 20.8% in Montevideo, 18% in Guadalajara, 13.2% in Santiago, 11% in Leon, and 10.8% in Bogota.

Economic instability, the low income of most of the population, and the supply of public transportation makes the issue of fees a critical subject. One of the most important consequences is the increase in the average value of rates over time. As stated by Figueroa, "If during the 1970's and part of the 1980's the rates of public transportation reached close to USD 0.10 in most cities, currently this has significantly changed, multiplying the rate by three or more." (Figueroa, 1999, page 601)

The health of public transportation systems does not always depend solely on the rates charged to users. The issue of subsidies recurs in political discussions regarding public transportation, since it is related to the distribution of resources within society and the consequences that these subsidies have on the efficiency. In European countries, the value subsidies can be very high relative to the cost of a ticket: 69% in Brussels, 49% in London,

and 57% in Madrid (EMTA, 2009). In the case of the areas analyzed in this study, most of the subsidies are applied to the rail systems, although 4 subsidized bus systems stand out: Buenos Aires,

Montevideo, Santiago and Sao Paulo. The total subsidy for all public transportation services (USD 3.3 billion annually) is equivalent to 18.1% of the amount collected and 15% of the total cost.

The growth in ownership of personal cars will have considerable consequences on pollution in many of the areas under study. Thus, it is important to develop comprehensive programs to control emissions and promote the use of cleaner sources of energy.

Air pollution

The problem of air pollution cannot be analyzed in detail, as most cities do not have systems to measure the concentration of contaminants (an internationally adopted indicator). However, specific studies in large metropolitan areas such as Mexico City, Sao Paulo, and Santiago, confirm that the problem is serious, with contaminant concentrations well above the limits established by the World Health Organization. The data available show that cars and motorcycles are responsible for close to 85% of the emission of contaminants that are detrimental to human health.

The growth of car use will have a considerable impact on the contamination of several areas under study. Thus, it is important to develop comprehensive programs to control emissions and promote the use of cleaner sources of energy. An example is the metropolitan area of Santiago, where the concentration of particles in the air has decreased by 40% for the particles with a diameter of 10 microns, and by 50% for the particles with a diameter of 1.5 microns between 1960 and 1990 as a result of programs to control emissions (Catholic University of Chile, 2008).

Road safety

In general, road safety is deficient. For example, the annual number of traffic deaths in the largest metropolitan areas studied in the OMU (1,566 in Sao Paulo and 2,172 in Mexico City) is higher than the numbers in large cities in developed countries (263 in Tokyo, 271 in New York, and 231 in London, NYDOT, 2008). The severity of the problem is reflected by the fact that close to 51% are pedestrians, an indication of how unsafe the streets can be.



Traffic management

The growth of vehicles usage requires traffic management to foresee and minimize conflicts and their negative consequences. Most of the areas analyzed do not have specific organizations for traffic management, or the human and material resources

needed. The exceptions are the cities of Brazil, especially Sao Paulo and Belo Horizonte. In addition, there are only a few cases where special operations are organized to maximize the use of road capacity, such as flexible traffic flow patterns.

Comparative mobility indices by mode of transportation

The analysis of the available data shows that the pattern of the metropolitan areas under study, as well as the supply and access to transportation systems, register average mobility indicators that show a great disparity between those who use public versus individual transportation. The use of individual transportation costs almost six times more per trip than the use of public transportation.

The average consumption of energy per trip in individual transportation is four times higher than that in public transportation. In addition, the average emission of local contaminants per trip in individual transportation is nine times higher than the emission in public transportation, while the emissions of CO₂ are four times higher. Therefore, the question that should be asked is this: how should urban transportation policies be designed in the future, in light of the benefits and costs of public transportation systems compared with car travel?

Regulation of public transportation

Bus services in the 15 metropolitan areas under study are predominantly private and offered by a variety of enterprises. Though most areas authorize the services through concessions, these concession are not subject to the bidding processes, and there are still many cases where services are authorized through permits, which are weaker legal instruments. In the case of smaller buses that provide public transportation services, these are privately owned and operated, and poorly regulated.

There is a permanent tension between the public and private operators, as well as between the urge to regulate transportation services. With respect to the supply and property of urban public transportation, Latin America has experienced two structural changes. The first corresponds to the substitution of

streetcars by buses in the 1940's and 1950's, which drastically changed urban transportation policies: "The age of buses corresponds to the proliferation of organizations that use widespread technologies, of national property, made up of a great number of small owners with a low entrepreneurial profile." (Figueroa, 2008, page 21)

With the second structural change, from an organizational perspective, the system changed from one with a strong presence of the state to one with a high participation by the private sector. As Figueroa points out, "until the 1970's there were public enterprises in Mexico DF, Santo Domingo, Caracas, Lima, La Paz, Santiago, Montevideo, Sao Paulo, and Rio de Janeiro ... different processes put an end to most of them, in the framework of the crisis of public transportation and actions to reduce

the role of the State.” (Figueroa, 1999, page 601)

With respect to the level of regulation for urban public transportation services in Latin America, two models exist: the highly regulated one in Brazil and to a lesser extent in Costa Rica, and the medium or low level of regulation in other countries. In Brazil, public transportation is defined in the National Constitution as an “essential public service” and the mayor’s offices or municipalities are responsible for regulation. In the other Latin American countries there is a lower level of control, which is reflected, for example, in the driver’s license required to drive a public transportation vehicle and the way it is obtained, which is also diluted between the various authorities in charge of planning and managing urban transportation (between the different territorial and/or jurisdictional levels).

It may be concluded that in the region, as in the other developing countries, the tension between state participation, privatization, and strong or weak regulations, is expressed through recurring cycles of public transportation that alternate with private supply over time (Vasconcello, 2002). Therefore, the conflicts that arise permanently create instabilities that promote changes in supply modes, between more state participation or privatization, and more or less regulation. Clandestine transportation, which started to operate in Brazil in the 1990’s, is an example of the attempt to change the cycle of regulated supply for an open competition cycle in the streets, as in most Latin American countries. At the same time, the new transportation regulation based on the Bus Rapid Transit (BRT) systems in large cities such as Mexico City and Bogota, to a certain extent, are attempts to do away with open competition and regulate and control supply.

As in other developing countries, the tension between state participation, privatization, and strong or weak regulation, expresses itself in the form of recurring cycles of public transportation that alternate with private supply over time.

Challenges

In the area of urban development there is deep concern over accelerated growth that is uncontrolled and has negative environmental impacts. Comprehensive transportation plans must consider this issue. In this respect, the most ambitious project seems to be that of Sao Paulo, with its General Management Plan, which defines priority areas to optimize the use of infrastructure in the city. However, this vision faces important economic and political obstacles.

In the institutional area, several cities (Sao Paulo, Belo Horizonte, Bogota, Caracas and Lima) are a cause for concern because of the lack, weakness, or ineffectiveness of their public sector planning and management of urban transportation. Sometimes plans could not be executed, and at other

times the entities that make up the planning and management systems were unable to adequately coordinate their efforts. In all the metropolitan areas there is political consensus to create effective mechanisms for institutional coordination. For most, the political complexity of the metropolitan areas and the different problems they face generate many obstacles that prevent this.

Another relevant aspect refers to the efficiency and quality of public transportation. The supply deficiencies, the low quality of the vehicles and the unsafe operation are critical problems. This generates various proposals to organize integrated networks of public transportation that can overcome these deficiencies. This proposal is related to the guarantee of a better institutional

coordination and to the use of advanced technologies to manage and control public transportation.

In addition, there are problems related with the demand and efficiency of public transportation connected to among other things the increased use of automobiles and motorcycles. This generates a large number of proposals for the modernization and expansion of public transportation. The most common proposal is the construction or expansion of BRT bus corridors. There are cities that are planning to build their first BRTs, such as Buenos Aires, Caracas, Guadalajara, Lima, and Rio de Janeiro, while the expansion of the existing systems is proposed for the cities of Belo Horizonte, Bogota, Curitiba, Leon, Mexico City, Porto Alegre, Santiago and Sao Paulo.

For the railroad and metro systems, the cities that have one or the other are planning to expand, and two cities are discussing the construction of the first line (Bogota and Curitiba). There are also proposals for the modernization and expansion of these systems in Buenos Aires, Guadalajara, Porto Alegre, Rio de Janeiro and Sao Paulo.

The expansion of the routes for traffic appears in few cases, and Guadalajara has pursued this approach. There are also ambitious proposals to create or expand pedestrian and infrastructure for bicycles, in places such as Santiago, Mexico City and Leon. Cooperation between the technical staff and employees from the cities mentioned could facilitate the way in which the region will face transportation challenges.

Final comments

The studies carried out show a series of complexities associated with urban development and transportation, which constitute the contemporary challenges that must be overcome to improve competitiveness in the cities and reduce poverty. At the same time, the studies provide information on the impacts resulting from the growth of car usage and the precariousness of public transportation systems, which are reflected in lengthy trip times (especially for users of public transportation), congestion, environmental pollution, and high accident rates, to the detriment of the most vulnerable, such as pedestrians.

Each topic analyzed in this publication on urban development and mobility demand and traffic management, existing regulations and legal framework, environment and pollution, financing

and subsidies, road safety constitute a major challenge. Public policies seeking to build sustainable transportation network will have to overcome these challenges to improve the quality of life of the inhabitants. When considering the goal of economic growth in Latin America, the complex challenges of safe and effective transportation are among the most important to resolve to bring that about.

A variety of actions have been proposed to change these conditions and provide a higher quality and more equitable urban space for its inhabitants. However, everything will depend on the correct political decisions, the definition of adequate institutional models, the coordination of urban transportation policies and the allocation of economic resources to make the needed changes. Understanding the complexities that these cities face, CAF has been consistently working toward

comprehensive solutions through technical assistance for the holistic development of transportation, urban development, and mobility projects which, at the same time, complement the provision of financing for sustainable projects and programs.

Through studies and the expansion of the OMU, CAF expects to make a contribution to the analysis of the sector by reviewing the current state of the 15 most important cities of the region, to which others will be added to provide information on critical issues that need to be addressed. The analysis of the current conditions of Latin American's metropolitan areas and of its trends and expectations, will inform the plan of action that CAF may undertake.

From accumulated experience it is possible to plan and define some activities to address the new needs and challenges of our region, guiding CAF's actions toward:

- Providing support for the use of comprehensive urban and financial mechanisms to organize a more sustainable growth and urban renewal;
- Promoting the organization of public transportation systems to enhance social inclusion and access for all citizens, with quality, efficiency, safety, and a cost that is in line with what users can afford to pay;
- Collaborating in the establishment of financing mechanisms for public transportation, which combine public and private resources, and other alternative sources;
- Implementing the use of techniques and technologies to control the negative impacts of expanding urban area and the increase use of personal cars, especially in the areas of air pollution, road safety, and climate change;

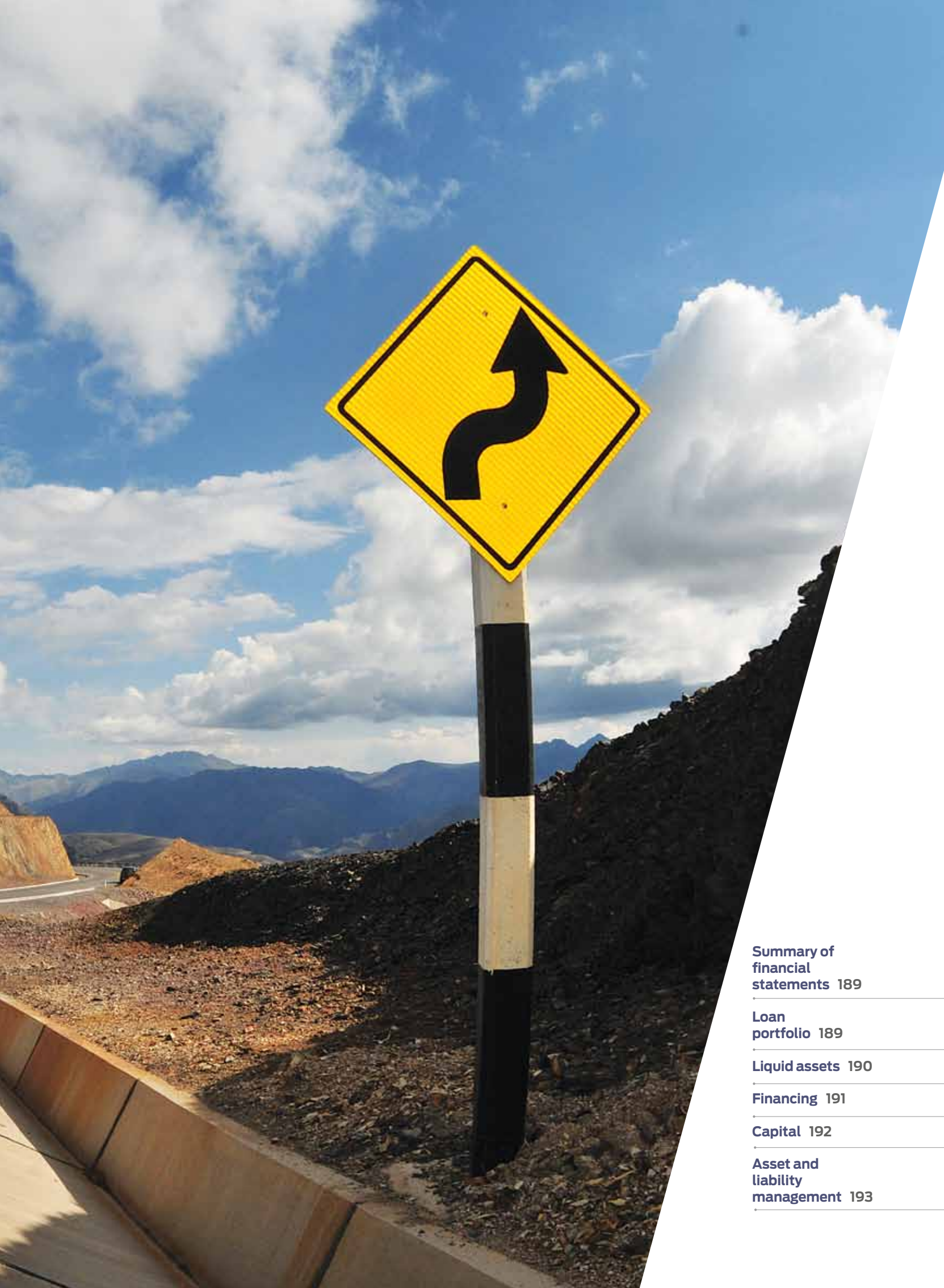
- Promoting the use of new techniques to manage and control traffic in large cities, to increase efficiency and safety.
- Strengthening the development of technically solid institutions supported by legal frameworks that promote planning, regulation, and the implementation of public policies, programs, and projects that improve the quality of life of the region's inhabitants.

With the challenges identified and strategy to deal with them formed, CAF continues to serve as a form for the analysis of urbanization in Latin America, and to structure better public policies that contribute to the improvement of competitiveness, sustainability, equality and social inclusion in the region.



Management's discussion and analysis of financial condition





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2011

Management's
discussion
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condition

Summary of financial statements

Loan portfolio

Liquid assets

Funding

Capital

Asset-Liability management

USD 21.5 billion
Total assets 

USD 5.7 billion
Liquid assets 

USD 15.1 billion
Loan portfolio 

USD 6.4 billion
Equity 

In 2011, CAF reaffirmed its position as the most important source of multilateral financing for its founding members and its role as an important provider of financing for its shareholder countries in Latin America and the Caribbean. CAF approved operations for USD 10.0 billion and disbursed USD 7.1 billion, mainly for medium- and long-term projects.

One of the main achievements of 2011 was CAF's Board of Directors unanimous approval, in record time, of a new USD 2.0 billion capital increase to be contributed beginning in 2013 through 2016. This increase strengthens the Institution's capital base and enables CAF to support development in the region by financing long-term projects. This new capital increase is particularly relevant given the challenges posed by the current global crisis. The capital increase, in addition to the previous USD 2.5 billion in 2009 and USD 1.5 billion in 2007, represents a total of USD 6.0 billion in capital contributions that CAF will receive in the coming years. These funds will sustain the growth of CAF loan operations, while maintaining the Institution's solvency.

During 2011, Paraguay fulfilled the requirements to become a full member, the last country on the list of five – Argentina, Brazil, Panama, Paraguay,

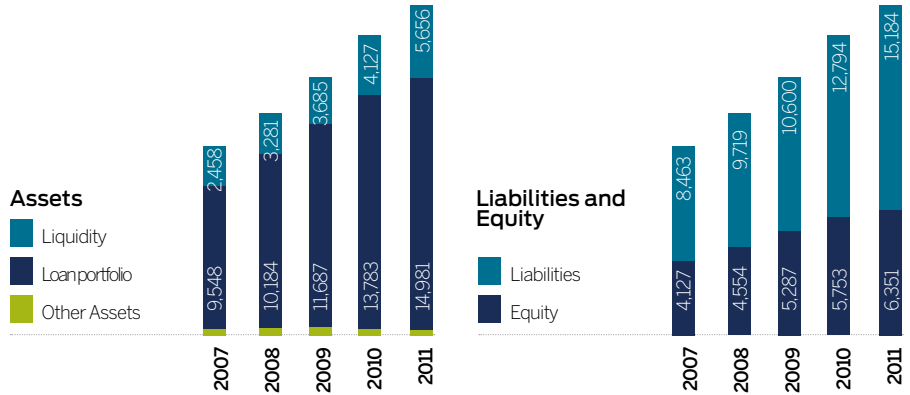
and Uruguay – that were undergoing this process. In addition, CAF received in 2011 a total of USD 539 million in capital contributions from its shareholder countries.

During 2011, CAF's earnings were in line with recent years. Net earnings reached USD 152.6 million, a slight decrease from 2010 results, partly due to the decline in the LIBOR rate. However, net interest income showed a slight recovery compared with previous years, due to the increase of the loan portfolio. As a result, the main profitability indicator, Return on Equity (ROE), reached 2.5%.

In 2011, CAF raised approximately USD 1.4 billion in the international bond markets, issuing bonds in the United States, Switzerland, Japan and Europe. In Latin America, CAF issued the first bond placed by a multilateral institution in Panama, and a 10-year placement in Mexico, which is the longest maturity that CAF has ever issued in that market.

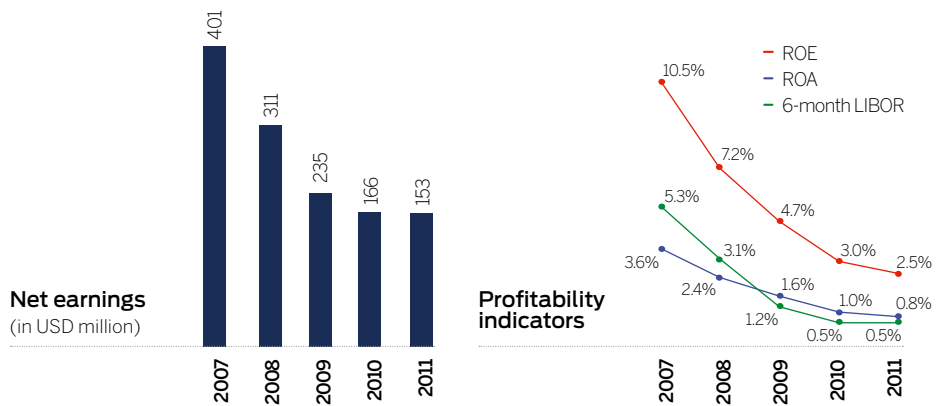
With respect to short-term financing, time deposits were the main source of funding, with a closing balance at the end of 2011 of approximately USD 3.7 billion. In addition, CAF has maintained its presence in the U.S. and European commercial paper markets, raising a record amount of more than USD 11 billion in 2011.

GRAPH 1. **Balance sheet** as of December 31 each year (in USD million)



USD 21.5 billion
Total Assets 

GRAPH 2. **Net earnings and profitability** for the period ending on December 31 each year



Finally, the rating agencies once again recognized CAF's credit worthiness and its role as one of the main multilateral institutions in the region. In this regard, Fitch Ratings, Japan Credit Ratings, Moody's Investors Service, and Standard & Poor's ratified the ratings assigned to CAF's short- and long-term

debt, as shown in Table 1. In June of 2011, Standard & Poor's ratified the "positive" outlook of the Institution's long-term credit rating.

These agencies have reaffirmed CAF as the Latin America's frequent bond issuer with the highest credit ratings.

This reflects the strength and stability of CAF's operational results, the prudent management of its financial and credit policies, the independence

with which it undertakes its operations and the continuous support of its shareholder countries.

TABLE 1. Credit ratings

	Long term	Short term	Outlook
Fitch Ratings	A+	F1	Stable
Japan Credit Rating Agency	AA-	-	Stable
Moody's Investors Service	A1	P-1	Stable
Standard & Poor's	A+	A-1	Positive

Summary of financial statements

At the end of 2011, CAF's total assets reached USD 21.5 billion, which represents an increase of 16% over the previous year (Graph 1). This increase was mainly due to i) the growth of the loan portfolio, which closed at USD 15.0 billion, 9% higher than the previous year, and ii) the growth of liquidity, which totaled USD 5.7 billion, 37% higher than the previous year, representing 26.3% of total assets and 38.1% of total indebtedness.

As of December 31, 2011, CAF's shareholders' equity reached USD 6.4 billion, with paid-in capital of USD 3.2 billion, additional paid-in capital of USD 740 million, and USD 2.4 billion in reserves and retained earnings. At year-end 2011, total shareholders' equity represented 29.5% of total assets and 38.7% of risk-weighted assets, according to the methodology established in the Basel Agreement.

Net interest income in 2011, showed a slight recovery compared to the previous year, as a result of the growth of the loan portfolio which more than compensated the decrease in LIBOR. It is worth noting that the LIBOR rate is the main reference for fixing CAF's interest rates on assets and liabilities, and given the Institution's high capitalization, there is a positive correlation between net income and changes in that rate.

Net income and Return on Equity (ROE) remained, as in previous years, in line with the established benchmarks. In 2011, net income reached USD 152.6 million and the ROE 2.5%, while the average yield of the US 10-year Treasury bonds and the 6-month average LIBOR reached 2.76% and 0.51%, respectively (Graph 2). In addition, the Return on Assets (ROA) for the year was 0.8%.

Loan portfolio

The loan portfolio reached USD 15.0 billion at the end of 2011, representing a 9% increase compared to the USD 13.8 billion of the previous year.

The distribution of the loan portfolio remained concentrated on public sector projects, which represented 84% of the portfolio at the end of 2011.

Looking at the loan portfolio distribution by country, Venezuela had the largest exposure, with 17.7% of the total portfolio, followed by Peru with 17.2%, Ecuador with 16.8%, Argentina with 12.8%, Colombia with 12.1%, Bolivia with 9.5%, Brazil with 6.6%, Uruguay with 2.3% and Panama with 2.1%. The growing participation of the shareholders which have recently become full members, contributed to the diversification of the loan portfolio. At the end of 2011, the new full members represented 24.5% of the loan portfolio. CAF's policies limit its exposure to any individual country to a maximum of 30% of the total portfolio.

Financing for infrastructure, social and environmental development projects continued to be one of CAF's main activities, which together represented 81.4% of the loan portfolio at the end of 2011.

At the same time, the loan portfolio maintained its excellent credit quality (Table 2). At the end of 2011 there was just one loan in non-accrual status, representing only 0.05% of the total portfolio, while loan loss provisions totaled USD 131 million, or 0.87% of the loan portfolio. During 2011, there were no loan write-offs.

TABLE 2. **Portfolio quality** (in USD million)

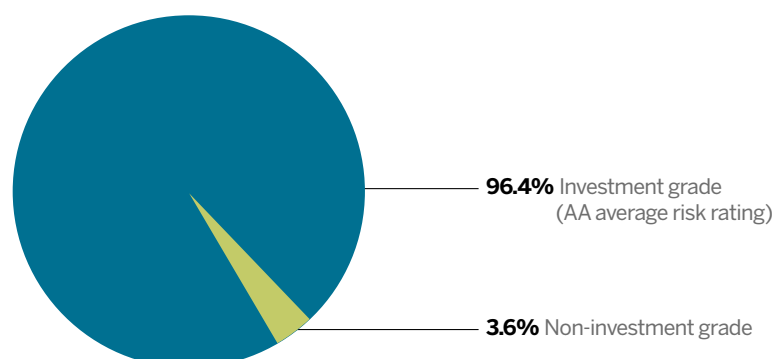
	2007	2008	2009	2010	2011
Overdue	0.0	0.1	0.0	0.0	0.0
Loans in non-accrual status	0.0	0.0	0.0	0.0	8.2
Provision for loan losses	168.3	143.2	143.9	141.4	130.6
Overdue as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Non-accrual loans as a percentage of loan portfolio	0.00%	0.00%	0.00%	0.00%	0.05%
Provision as a percentage of loan portfolio	1.76%	1.41%	1.23%	1.03%	0.87%

Liquid assets

As of December 31, 2011, liquid assets reached USD 5.7 billion, equivalent to 26.3% of total assets and 38.1% of financial liabilities. The investment portfolio was characterized by its short duration an average of 0.4 years and its excellent credit rating (Graph 3): 96.4%

of the portfolio was rated as investment grade, with an average rating of AA/Aa2, and only 3.6% was rated non-investment grade. CAF's policies require that at least 80% of the liquid assets be held in investment grade instruments with a credit rating of at least A-/A3.

GRAPH 3. **Liquid assets** as of December 31, 2011



Funding

At the end of 2011, financial liabilities reached USD 14.9 billion, while total liabilities amounted to USD 15.2 billion.

Regarding bond issues in the international markets, in 2011 CAF placed approximately USD 1.4 billion, of which the following stand out: one placement in the US market for USD 500 million, one issue in the European market for EUR 250 million (approximately USD 344 million), two issues in the Swiss market for a total of CHF 255 million (approximately USD 275 million), and one issue for JPY 10 billion (approximately USD 125 million) in the Japanese market. In addition, CAF placed two transactions, one in Panama for USD 40 million and another in Mexico for MXN 1.3 billion (approximately USD 98 million), in line with its strategy of increasing its presence in the local markets of its shareholder countries.

Furthermore, CAF's commercial paper programs in the US and European markets have increased in importance as a source of funds, raising a record amount of more than USD 11 billion during 2011. Spreads have remained at competitive levels and the Commercial Paper Program in the US increased from USD 1.5 billion to USD 2.0 billion, enabling the institution to access a new and broader investor base.

Term deposits represented the main source of short-term financing in 2011, exceeding USD 3.6 billion at year-end. Thus, these instruments have maintained their importance as a stable and competitive source of funds.

Regarding medium- and long-term loans, two long-term credit lines were subscribed with AFD and JBIC, for a total of USD 560 million, to finance infrastructure projects. At the same time, CAF obtained loans from other prime institutions for USD 318 million, and continued with the local currency loan program for microfinance institutions, among others.

As of December 31, 2011, 67% of CAF's funding came from international capital markets. Bonds represented the main source of funds, with 54% of total funding (Graph 4). In addition, deposits received from institutional investors in the region represented 25% of total debt, followed by commercial papers with 13% and other medium and long term borrowings with 8%. CAF has maintained long-standing relations with the most important international banks, official institutions from around the world and other multilateral financing institutions.

Issues placed during 2011 are detailed in Table 3.

USD 15.1 billion
Loan and investment portfolio 

GRAPH 4. **Liabilities** as of December 31, 2011

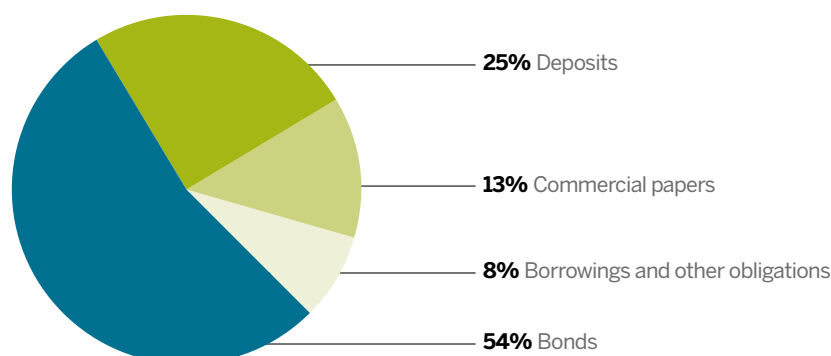


TABLE 3. **2011 Debt issues**

Date	Market	Amount in original currency (in million)	Equivalent in USD (in million)
Bond issuance			
January	Swiss	CHF 130	135
February	Euro	EUR 250	344
May	Panama	USD 40	40
June	Samurai	JPY 10,000	125
July	Yankee	USD 500	500
November	Swiss	CHF 125	140
October	Mexico	MXN 1,317	98
2011 Subtotal			1,382
1993-2011 Total			13,888
Short-term issuance programs			
Commercial Papers (US)		USD 2,000	2,000
Commercial Papers (Europe)		USD 2,000	2,000

USD 6.4 billion
Equity 

Capital

During 2011, CAF received USD 539 million in new capital contributions from its shareholder countries. An important part of this amount was raised through the capital increase program subscribed since 2007 by the five Series C shareholder countries that were in the process of becoming full members countries (Argentina, Brazil, Panama, Paraguay and Uruguay), that totalized USD 1.5 billion. It is worth noting, that during 2011 Paraguay became a full member. The remaining contributions corresponded to the capital increase

approved in 2009 for USD 2.5 billion, with scheduled contributions through 2017.

At the end of 2011, the Institution's capital amounted to USD 6.4 billion, a 10% increase compared to the end of 2010, strengthened by the contributions of shareholder countries as well as by retained earnings.

As a result of the capital increases, capitalization ratios remained above the levels established in the institution's policies (Table 4).

TABLE 4. Capitalization ratios

	2007	2008	2009	2010	2011
Portfolio/Capital (times) ¹	2.4	2.3	2.3	2.5	2.4
Debt/Capital (times) ²	2.0	2.1	2.0	2.2	2.3
Capital/Risk-weighted assets (BIS) ³	36.3%*	38.4%*	41.7%*	37.2%*	38.7%*

1 According to CAF's Establishing Agreement, the exposure limit should be less or equal to 4.0.

2 According to CAF's Establishing Agreement, the indebtedness limit should be less or equal to 3.5.

3 According to internal policies, the capitalization level should be greater or equal to 30%.

* Ratio calculated according to the Basel II Methodology.

Asset-liability management

CAF's lending and borrowing activities are primarily conducted in floating-rate USD, thus mitigating the exchange and interest rate risks. As of December 31, 2011, 99.7% of assets and 98.8% of liabilities were denominated in USD after swaps, while 99.4% of loans and 99.0% of financial liabilities were based on the 6-month LIBOR after swaps. Transactions that are not denominated in USD nor based on the 6-month LIBOR are swapped into these terms. The swap book reached USD 7.8 billion at the end of 2011. CAF's policies require that ratings for the swap counterparties be at least A+/A1, or to have collateral agreements. In addition, CAF has Credit Support Annexes (CSA) with its main counterparties. This helps reduce the credit risk since valuations are made on a mark-to-market basis,

and the debtor party must place the corresponding collateral according to certain pre-established parameters. CAF does not engage in the trading of derivative instruments. These instruments are only used for hedging purposes.

CAF seeks to maintain a conservative relationship between the average life of assets and the average life of liabilities. As of December 31, 2011, the average life of its assets was 4.7 years while the average life of its liabilities reached 3.3 years. The latter value does not include shareholder's equity, which constitutes a high percentage of CAF's financing and favors the maturity profile of liabilities.

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Independent Public Accountants Report **199**

Management's Report on the Effectiveness of Internal Control Over Financial Reporting



The Management of Corporación Andina de Fomento (CAF) is responsible for establishing and maintaining effective internal control over financial reporting in CAF. Management has evaluated CAF's internal control over financial reporting as of December 31, 2011, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

CAF's internal control over financial reporting is a process effected by those in charged of governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2011. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2011.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the deception or overriding of controls. Accordingly, even an effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

CAF's financial statements as of December 31, 2011, have been audited by an independent accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unqualified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2011.

L. Enrique García

Executive President and Chief
Executive Officer

Hugo Sarmiento K.

Corporate Vice President,
Chief Financial Officer

Marcos Subía G.

Director, Accounting and
Budget

January 27, 2012

Independent Accountants' Report on Management's Assertion on Effectiveness of Internal Control Over Financial Reporting



Lara Marambio & Asociados.

RIF J-00327665-0
Torre Corp Banca, piso 21
Av. Blandin, La Castellana
Caracas 1060 - Venezuela

Tel: +58 (212) 206 8501
Fax: +58 (212) 206 8870
www.deloitte.com/ve

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF):

We have examined management's assertion, included in the accompanying Management's Report on the Effectiveness of Internal Control Over Financial Reporting, that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of December 31, 2011, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). CAF's management is responsible for maintaining effective internal control over financial reporting and for its assertion on the effectiveness of internal control over financial reporting included in the accompanying Management's Report on the Effectiveness of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States of America generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that CAF maintained effective internal control over financial reporting as of December 31, 2011 is fairly stated, in all material respects, based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheets of CAF as of December 31, 2011 and 2010, and the related statements of income, changes in stockholders' equity and cash flows for the years then ended, and our report dated January 27, 2012 expressed an unqualified opinion of those financial statements.

January 27, 2012
Caracas – Venezuela

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Report of Independent Auditors



To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF):

We have audited the accompanying balance sheets of Corporación Andina de Fomento (CAF) as of December 31, 2011 and 2010 and the related statements of income, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of CAF's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Andina de Fomento (CAF) as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the management's assertion that CAF maintained effective internal control over financial reporting at December 31, 2011, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated January 27, 2012 expressed an unqualified opinion thereon.

Lara Marambio & Asociados.

RIF J-00327665-0
Torre Corp Banca, piso 21
Av. Blandin, La Castellana
Caracas 1060 - Venezuela

Tel: +58 (212) 206 8501
Fax: +58 (212) 206 8870
www.deloitte.com/ve

January 27, 2012
Caracas – Venezuela

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CORPORACIÓN ANDINA DE FOMENTO (CAF)

Balance Sheets

December 31, 2011 and 2010

(In thousands of U.S. dollars)

ASSETS	NOTES	2011	2010
Cash and due from banks		256,797	119,834
Deposits with banks	2	1,543,885	1,403,443
Marketable securities			
Trading	3 and 18	3,760,325	2,456,745
Other investments	2	95,211	146,852
Loans (US\$ 64,811 and US\$ 67,678 at fair value as of december 31, 2011 and 2010)	4 and 18	14,980,744	13,783,043
Less loan commissions, net of origination costs		77,033	70,129
Less allowance for loan losses	4	130,636	141,364
Loans, net		<u>14,773,075</u>	<u>13,571,550</u>
Accrued interest and commissions receivable		196,316	159,559
Equity investments ¹	5	111,889	94,721
Derivative instruments	17 and 18	703,264	524,989
Property and equipment, net	6	36,840	29,901
Other assets	7	57,748	39,281
Total assets		<u><u>21,535,350</u></u>	<u><u>18,546,875</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	8	3,672,063	2,739,497
Commercial papers	9	1,977,050	1,524,285
Borrowings (US\$ 356,851 and US\$ 347,310 at fair value as of december 31, 2011 and 2010)	10 and 18	1,138,450	998,089
Bonds (US\$ 7,947,340 and US\$ 7,089,124 at fair value as of december 31, 2011 and 2010)	11 and 18	8,072,328	7,212,812
Accrued interest payable		163,561	120,001
Derivative instruments	17 and 18	93,869	132,887
Accrued expenses and other liabilities	12	66,776	66,117
Total liabilities		<u>15,184,097</u>	<u>12,793,688</u>
STOCKHOLDERS' EQUITY			
Subscribed and paid-in capital (authorized capital US\$10,000 million)	14	3,229,365	2,813,940
Additional paid-in capital		739,733	616,171
Reserves		2,229,576	2,156,937
Retained earnings		152,579	166,139
Total stockholders' equity		<u>6,351,253</u>	<u>5,753,187</u>
Total liabilities and stockholders' equity		<u><u>21,535,350</u></u>	<u><u>18,546,875</u></u>

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Income

Years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

	NOTES	2011	2010
Interest income			
Loans	1(g)	363,260	320,068
Investments and deposits with banks	1(f), 2 and 3	26,849	33,965
Loan commissions	1(g)	38,910	31,522
Total interest income		<u>429,019</u>	<u>385,555</u>
Interest expense			
Deposits		14,082	9,255
Commercial papers		9,350	9,771
Advances		163	-
Bonds		166,977	136,651
Borrowings		10,986	10,057
Commissions		11,470	7,481
Total interest expense		<u>213,028</u>	<u>173,215</u>
Net interest income		215,991	212,340
Credit to allowance for loan losses	4	(11,771)	(2,990)
Net interest income, after credit to allowance for loan losses		<u>227,762</u>	<u>215,330</u>
Non-interest income			
Other commissions		8,405	3,798
Dividends and equity in (losses) earnings of investees		(6,244)	3,301
Other income		2,404	801
Total non-interest income		<u>4,565</u>	<u>7,900</u>
Non-interest expenses			
Administrative expenses		81,006	69,735
Other expenses		3,565	1,069
Total non-interest expenses		<u>84,571</u>	<u>70,804</u>
Net income before unrealized changes in fair value related to financial instruments		147,756	152,426
Unrealized changes in fair value related to financial instruments		4,823	13,713
Net income		<u><u>152,579</u></u>	<u><u>166,139</u></u>

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of changes in Stockholders' Equity

Years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

	NOTES	Reserves pursuant to					Retained earnings	Total stockholders' equity
		Subscribed and paid-in capital	Additional paid-in capital	General reserves	Article N° 42 of by-laws	Total reserve		
Balances at December 31, 2009		2,485,645	539,222	1,668,515	358,713	2,027,228	234,709	5,286,804
Capital increase	14	150,835	254,409	-	-	-	-	405,244
Capitalization of Additional paid-in capital	14	177,460	(177,460)	-	-	-	-	-
Net income	14	-	-	-	-	-	166,139	166,139
Appropriated for general reserve	14	-	-	106,238	-	106,238	(106,238)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	23,471	23,471	(23,471)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(105,000)	(105,000)
Balances at December 31, 2010		2,813,940	616,171	1,774,753	382,184	2,156,937	166,139	5,753,187
Capital increase	14	199,045	339,942	-	-	-	-	538,987
Capitalization of Additional paid-in capital	14	216,380	(216,380)	-	-	-	-	-
Net income	14	-	-	-	-	-	152,579	152,579
Appropriated for general reserve	14	-	-	55,989	-	55,989	(55,989)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	16,650	16,650	(16,650)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(93,500)	(93,500)
Balances at December 31, 2011		<u>3,229,365</u>	<u>739,733</u>	<u>1,830,742</u>	<u>398,834</u>	<u>2,229,576</u>	<u>152,579</u>	<u>6,351,253</u>

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

	NOTES	2011	2010
Cash flows from operating activities			
Net income		152,579	166,139
Adjustments to reconcile net income to net cash used in operating activities -	3	(1,883)	4,209
Unrealized (gain) loss on trading securities			
Amortization of loan commissions, net of origination costs		(12,845)	(11,943)
Credit to allowance for loan losses	4	(11,771)	(2,990)
Impairment charge for equity investments		1	-
Equity in earnings of investees		10,527	(678)
Amortization of deferred charges		2,077	2,297
Depreciation of property and equipment	6	2,957	2,224
Provision for employees' severance indemnities and benefits		7,977	7,812
Provision for employees' pension plan		1,317	1,334
Unrealized changes in fair value related to financial instruments		(4,823)	(13,713)
Net changes in operating assets and liabilities			
Severance indemnities paid or advanced		(7,144)	(3,973)
Employees' savings plan paid or advanced		(1,545)	(31)
Trading securities, net	3	(1,301,697)	(246,700)
Interest and commissions receivable		(36,757)	(23,854)
Other assets		(20,544)	(12,552)
Accrued interest payable		43,560	21,908
Accrued expenses and other liabilities		54	7,748
Total adjustments and net changes in operating assets and liabilities		<u>(1,330,539)</u>	<u>(268,902)</u>
Net cash used in operating activities		<u>(1,177,960)</u>	<u>(102,763)</u>
Cash flows from investing activities			
Purchases of other investments	2	(186,308)	(273,927)
Maturities of other investments	2	237,949	330,436
Loan origination and principal collections, net	4	(1,177,631)	(2,070,844)
Equity investments	5	(27,696)	(8,561)
Purchases of property and equipment			(4,051)
Net cash used in investing activities		<u>(1,163,582)</u>	<u>(2,026,947)</u>
Carried forward,		<u>(2,341,542)</u>	<u>(2,129,710)</u>

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Statements of Cash Flows

Years ended December 31, 2011 and 2010

(In thousands of U.S. dollars)

	NOTES	2011	2010
Brought forward,		(2,341,542)	(2,129,710)
Cash flows from financing activities			
Net increase in deposits		932,566	88,791
Net increase in commercial paper		452,765	258,868
Proceeds from advances		50,000	-
Repayment of advances		(50,000)	-
Proceeds from issuance of bonds	11	1,447,991	1,986,056
Repayment of bonds	11	(790,682)	(448,608)
Proceeds from borrowings	10	288,971	337,008
Repayment of borrowings	10	(158,151)	(137,141)
Distributions to stockholders' funds	15	(93,500)	(105,000)
Proceeds from issuance of shares	14	538,987	405,244
Net cash provided by financing activities		2,618,947	2,385,218
Net increase in cash and cash equivalents		277,405	255,508
Cash and cash equivalents at beginning of year		1,523,277	1,267,769
Cash and cash equivalents at end of year		1,800,682	1,523,277
Consisting of			
Cash and due from banks		256,797	119,834
Deposits with banks		1,543,885	1,403,443
		1,800,682	1,523,277
Supplemental disclosure			
Interest paid during the year		159,749	143,237
Noncash financing activities			
Changes in derivative instruments assets		178,275	88,244
Changes in derivative instruments liabilities		(39,018)	87,751

See accompanying notes to the Financial Statements

CORPORACIÓN ANDINA DE FOMENTO (CAF)

Notes to the Financial Statements

For the years ended December 31, 2011 and 2010

(In thousands of US Dollars)

1. Significant accounting policies

a. Description of Business – Corporación Andina de Fomento (“CAF”) commenced operations on June 8, 1970 established under public international law which abides by the provisions of its by-laws. Series “A” and “B” Shareholder countries are: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. Series “C” Shareholder countries are: Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Portugal, Spain and Trinidad and Tobago. In addition, there are 14 banks which are Series “B” shareholders. CAF is headquartered in Caracas, Venezuela.

CAF’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping the shareholder countries make their economies diversified, competitive and more responsive to social needs.

CAF offers financial and related services to the governments of, and public and private institutions, corporations and joint ventures in, its shareholder countries. Primarily, CAF’s principal activity is to provide short, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in shareholder countries. Furthermore, CAF manages and supervises third-party cooperation funds of other countries and organizations, generally non-reimbursable, destined to finance programs agreed with donor organizations which are in line with CAF policies and strategies.

CAF raises funds for operations both within and outside its shareholder countries.

b. Financial Statement Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the functional currency is the U.S. dollar.

c. Use of estimates – In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. The most important estimates related with the preparation of the CAF’s financial statements refer to revenue recognition, valuation and classification at fair values of financial instruments, and allowance for loan losses, among others. Management believes these estimates are adequate. Actual results could differ from those estimates.

- d. Transactions in other currencies* – Transactions in currencies other than U.S. dollars are translated at exchange rates prevailing on the international markets at the dates of the transactions. Currency balances other than U.S. dollars are translated at year-end exchange rates. Any foreign exchange gains or losses, including related hedge effects, are included in the statement of income.
- e. Cash and Cash Equivalents* – Cash and cash equivalents are defined as cash, due from banks and short-term deposits with an original maturity of three months or less.
- f. Marketable Securities* – CAF classifies its investments, according with management intention, in debt securities in one of two categories: trading or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the short term. Held-to-maturity securities are those securities which CAF has the ability and intent to hold until maturity.

Trading securities are recorded at fair value. Gains and losses on trading securities are included in interest income of investments and deposits with banks in the statements of income.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary, results in a reduction in carrying amount. The impairment is charged to income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method.

Dividend and interest income are recognized when received and earned, respectively.

- g. Loans* – CAF grants short-, medium- and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities both to public and private entities for development and integration programs and projects in stockholder countries.

CAF classifies its portfolio for credit risk purposes into sovereign and non-sovereign.

Sovereign loans include those loans granted to national, regional or local governments or decentralized institutions and other loans fully guaranteed by national governments.

Non-sovereign loans include those credits granted to corporate and financial sectors, among others, which are not guaranteed by national governments.

Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, less the allowance for loan losses and loan commissions net of origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as loan commissions in the statement of income.

The accrual for interest on loans is discontinued at the time a private sector loan is 90 days (180 days for public sector loans) delinquent unless the credit is well-secured and in process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on a cash-basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The non-accrual loans are considered impaired. Factors considered by management in determining impairment include payments status and the probability of collecting scheduled principal and interest payments when due.

CAF maintains risk exposure policies to avoid concentrating its loan portfolio in one country or specific economic groups, which might be affected by market situations or other circumstances. Due to that, CAF uses certain measurement parameters, such as: CAF's net stockholders' equity, total loan portfolio, economic groups from public and private sectors, among others.

h. Allowance for Loan Losses – Allowance for loan losses is maintained at a level CAF believes adequate to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. Allowance for loan losses is established by CAF based on the individual long-term foreign currency debt rating of the borrower countries considering the weighted average rating of three recognized international risk rating agencies as of the date of the financial statements preparation. The country risk rating considers a default probability. Given CAF's status as a preferred

creditor and taking into account the immunities and privileges conferred by its shareholder countries, which are established in CAF's by-laws and other similar agreements, a factor reflecting a lower default probability – usually equivalent to a better risk rating– is used.

A specific allowance is established by CAF for impaired loans. A loan is considered as impaired when, based on currently available information and events, there exists the probability that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the original loan's effective interest rate.

Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

- i. Equity Investments* – CAF participates with equity investments in companies and investment funds in strategic sectors, with a view to promoting the development of such companies and their participation in the securities markets and to serve as a catalytic agent in attracting resources to shareholder countries.

Equity investments are accounted for using the equity method or at cost. If CAF has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist at a 20% - 50% of equity ownership level, the equity investments are accounted for using the equity method. Under the equity method, the carrying value of the equity investment is adjusted for CAF's proportionate share of earnings or losses, dividends received and certain other transactions of the investee company. These investments do not have readily determinable fair values.

A decline in the value of any equity investment accounted at cost that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. These investments are evaluated and any impairment is charged to income and a new cost basis for the investment is established.

- j. Property and Equipment - net* – Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged directly to the statements of income for the year as incurred, and improvements and renewals are capitalized. Depreciation, is computed on the straight-line method, and charged to the statements of income over the estimated useful life of assets.

The assets in conformity with their estimated useful life are as follows:

Buildings	30 years
Buildings improvements	15 years
Furniture and equipment	2 to 10 years
Vehicles	5 years

- k. Other Assets* – Other assets include intangible assets, which are reported at cost less accumulated amortization. The amortization is computed in accordance with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

l. Deposits, Commercial Papers and Borrowings – Deposits, commercial papers and borrowings are recorded at amortized cost. The borrowings account includes those obligations with local or foreign financial institutions and commercial banks.

m. Bonds – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF's operations, are recorded in bonds. Bonds are recorded as follows:

- Bonds denominated in other currencies are recognized at fair value, as provided by ASC 825-10-25 "Fair Value Option". Gains or losses resulting from changes in the fair value of these bonds and the up-front costs and fees related with these bonds are recognized in the statement of income as they occur. CAF enters into cross-currency interest rate swaps as an economic hedge of the interest rate and foreign exchange risks related to these bonds.
- Bonds denominated in US\$ are hedged for interest rate risk using interest rate swaps, and are put into fair value hedge accounting relationships assuming no hedge ineffectiveness (the "short cut method"), as established in ASC 815-20-25-102. The up-front costs and fees related to these bonds are deferred and amortized during their life time.

Transactions related to partial repurchases of bond issuances result in the derecognition of the related liabilities. The difference between the repurchase price and the debt's settlement net cost is recognized as income/loss for the year.

n. Employees' Severance Indemnities – Accrual for severance benefits comprises all the liabilities related to the workers' vested rights according to CAF's employee policies and the Labor Law of the Bolivarian Republic of Venezuela.

Under the current Labor Law, employees earn a severance indemnity equal to five days of salary per month, up to a total of 60 days per year of service. Labor indemnities are earned once an employee has completed three months of continuous service. From the second year of service, the employees earn an additional two-day salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary. Severance benefits are recorded in the accounting records of CAF and interest on the amounts owed to employees are paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service up to a maximum of 150 days.

o. Pension Plan – CAF established in March 2005 a defined benefit pension plan which is mandatory for all new employees as of the date of implementation of the plan and voluntary for all other employees. The plan is contributory and the benefits are based on years of service and the employee's average salary for the three consecutive years of service with the highest salary. These contributions are reviewed on a periodic basis by CAF based on actuarial assumptions.

p. Derivative Instruments and Hedging Activities – All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, for which hedge accounting would be applied, CAF designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment (“fair value hedge”), a hedge of a forecasted transaction or of the variability of cash flows to be received or paid related to a recognized asset or liability (“cash flow hedge”). CAF formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking the derivatives that are designated as fair-value or cash-flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. CAF also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded as income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded as other comprehensive income, until income is affected by the variability in cash flows of the designated hedged item.

CAF discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires or is sold, terminated, or exercised; the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur; a hedged firm commitment no longer meets the definition of a firm commitment; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, CAF continues to carry the derivative on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, CAF continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, CAF continues to carry the derivative on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in income. In all situations in which hedge accounting is discontinued, CAF continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in income.

q. Guarantees – CAF provides guarantees for loans issued in support of projects located within a shareholder country that are undertaken by public and private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention that private lenders or holders of securities share the risk along with it. CAF's responsibility is limited to payment up to the amount of the guarantee upon default by the client. The guarantee fee income received is deferred and recognized over the life of the transaction.

r. Recent Accounting Pronouncements Applicable –

- *ASU 2011-01 Deferral of the Effective Date of Disclosures about Troubled Debt Restructurings in Update No. 2010-20*

On January 20, 2011, the FASB issued ASU 2011-01, which temporarily defers the effective date in ASU 2010-20 for public-entity creditors' disclosures about troubled debt restructurings (TDRs) until the Board finalizes its project on determining what constitutes a TDR for a creditor. The effective date of the new disclosures about troubled debt restructurings for public entities and the guidance for determining what constitutes a troubled debt restructuring will then be coordinated. Currently, that guidance is anticipated to be effective for interim and annual periods ending after June 15, 2011. This statement will be considered for future periods, if applicable.

- *ASU 2011-03, Transfers and Servicing (Topic 860): Reconsideration of Effective Control for Repurchase Agreements*

On April 29, 2011, the FASB issued ASU 2011-03 which eliminates from U.S. GAAP the requirement for entities to consider whether a transferor (i.e., seller) has the ability to repurchase the financial assets in a repurchase agreement ("repo") even in the event of default by the transferee. The elimination of this requirement may lead to more conclusions that a repo arrangement should be accounted for as a secured borrowing rather than as a sale. The guidance in the ASU is effective prospectively for transactions, or modifications of existing transactions, that occur on or after the first interim or annual period beginning on or after December 15, 2011. This statement has not affected CAF's financial results.

- *ASU 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*

The ASU is the result of joint efforts by the FASB and IASB to develop a single, converged fair value framework on how (not when) to measure fair value and on what disclosures to provide about fair value measurements. The amendments in this Update apply to all reporting entities that are required or permitted to measure or disclose the fair value of an asset, a liability, or an instrument classified in a reporting entity's shareholders' equity in the financial statements. Some of the disclosures required by the amendments in this Update are not required for nonpublic entities. Those disclosures include the following:

1. Information about transfers between Level 1 and Level 2 of the fair value hierarchy.
2. Information about the sensitivity of a fair value measurement categorized within Level 3 of the fair value hierarchy to changes in unobservable inputs and any interrelationships between those unobservable inputs.
3. The categorization by level of the fair value hierarchy for items that are not measured at fair value in the balance sheet, but for which the fair value of such items is required to be disclosed. The amendments in this Update are to be applied prospectively.

For public entities, the amendments are effective during interim and annual periods beginning after December 15, 2011. For nonpublic entities, the amendments are effective for annual periods beginning after December 15, 2011. Early application by public entities is not permitted. Nonpublic entities may apply the amendments in this Update early, but no earlier than for interim periods beginning after December 15, 2011. This statement will be considered for future periods.

- *ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Supplementary Comprehensive Income*

The FASB issued ASU 2011-05, which revises the manner in which entities present comprehensive income in their financial statements. The new guidance removes the presentation options in ASC 220 and requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The ASU does not change the items that must be reported in other comprehensive income.

For public entities, the amendments in ASU 2011-05 are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. For nonpublic entities, the amendments are effective for fiscal years ending after December 15, 2012, and interim and annual periods thereafter. Early adoption is permitted and the amendments do not require transition disclosure.

On December 23, 2011, the FASB issued ASU 2011-12, which indefinitely defers the provision in ASU 2011-05, Presentation of Comprehensive Income, related to the presentation of reclassification adjustments. Among other provisions, ASU 2011-05 required entities to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which OCI is presented (for both interim and annual financial statements). Accordingly, ASU 2011-12 defers only this aspect of ASU 2011-05. During the deferral period, entities will still need to comply with the existing requirements in U.S. GAAP for the presentation of reclassification adjustments. This statement has not affected CAF's financial results.

- *2011-11 Balance Sheet (Topic 210) Disclosures about Offsetting Assets and Liabilities*

The FASB issued ASU 2011-11, which creates new disclosure requirements about the nature of an entity's rights of set-off and related arrangements associated with its financial instruments and derivative instruments. The amendments in this Update will enhance disclosures required by U.S. GAAP by requiring improved information about financial instruments and derivative instruments that are either (1) offset in accordance with either Section 210-20-45 or Section 815-10-45 or (2) subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are offset in accordance with either Section 210-20-45 or Section 815-10-45. This information will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements on an entity's financial position, including the effect or potential effect of rights of set-off associated with certain financial instruments and derivative instruments in the scope of this Update. The disclosure requirements are effective for Annual reporting periods beginning on or after January 1, 2013, and interim periods therein, with retrospective application required. The new disclosures are designed to make financial statements that are prepared under U.S. GAAP more comparable to those prepared under IFRSs. This statement will be considered for future periods, if applicable.

2. Deposits with banks and other investments

Deposits with banks mature in three months or less and include the following:

	December 31,	
	2011	2010
U.S. dollars	1,533,316	1,403,230
Other currencies	10,569	213
	1,543,885	1,403,443

As of December 31, 2011 and 2010, deposits due in 90 days or more (original maturity) are reported in the balance sheet as other investments..

3. Marketable securities

Trading Securities

A summary of trading securities follows:

	December 31,			
	2011		2010	
	Amount	Average maturity (years)	Amount	Average maturity (years)
U.S. Treasury Notes	7,117	1.51	45,011	1.77
Bonds of non-U.S. governments and government entities	995,483	0.74	258,673	2.23
Financial institutions and corporate securities:				
Commercial paper	1,442,343		882,529	
Certificates of deposit	428,609		340,711	
Bonds	620,495		666,388	
Others	266,278		263,433	
	2,757,725	0.49	2,153,061	0.46
	3,760,325	0.56	2,456,745	0.68

Trading securities include net unrealized gains and losses of US\$ 1,883 and US\$ 4,209 at December 31, 2011 and 2010, respectively.

Net realized gains from trading securities of US\$ 4,084 and of US\$ 11,781 at December 31, 2011 and 2010, respectively, are included in the statement of income in the line Investment and deposits with banks.

CAF places its short-term investments in several financial institutions and limits the amount of credit risk. As of December 31, 2011 and 2010, CAF does not have any significant concentrations of credit risk. Total marketable securities includes the equivalent of US\$ 158,893 and US\$ 97,485, in other currencies, at December 31, 2011 and 2010, respectively.

4. Loans

Loans include short-, medium- and long-term loans to finance projects, working capital and trade activities. The majority of the loan contracts have been subscribed with the Series "A" and "B" shareholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

Shareholder country	December 31,	
	2011	2010
Argentina	1,913,325	1,395,137
Bolivia	1,417,564	1,301,123
Brazil	989,489	1,115,992
Colombia	1,816,515	1,965,880
Costa Rica	149,346	152,388
Dominican Republic	158,276	119,722
Ecuador	2,508,673	2,436,631
Jamaica	5,607	-
Mexico	18,776	19,466
Panama	321,489	139,604
Paraguay	100,448	66,049
Peru	2,573,155	2,181,681
Uruguay	351,725	656,678
Venezuela	2,652,070	2,227,613
Loans	14,976,458	13,777,964
Fair value adjustments	4,286	5,079
Carrying value of loans	14,980,744	13,783,043

Fair value adjustments to the carrying value of loans represent adjustments to the carrying value of transactions in designated fair value.

At December 31, 2011 and 2010, loans in other currencies were granted for an equivalent of US\$ 41,793 and US\$ 34,506, respectively, principally in Bolivian Bolivianos, Peruvian Nuevos Soles and Colombian Pesos. At December 31, 2011 and 2010, loans include fixed interest rate loans of US\$ 89,469 and US\$ 38,286, respectively.

Loans classified by public sector and private sector borrowers, are as follows:

	December 31,	
	2011	2010
Public sector	12,613,728	11,050,387
Private sector	2,362,730	2,727,577
	14,976,458	13,777,964

The loan portfolio average yield is shown below:

	December 31,			
	2011		2010	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	14,976,458	2.70	13,777,964	2.44

Loans by industry segments are as follows:

	December 31,			
	2011	%	2010	%
Agriculture, hunting and forestry	34,053	-	40,454	-
Exploitation of mines and quarries	50,000	1	66,000	1
Manufacturing industry	280,763	2	199,896	1
Supply of electricity, gas and water	5,013,277	34	4,089,458	30
Transport, warehousing and communications	5,316,619	34	4,362,460	32
Commercial banks	1,076,707	7	1,698,488	12
Development banks	250,351	2	253,993	2
Social and other infrastructure programs	2,954,688	20	3,067,215	22
	<u>14,976,458</u>	<u>100</u>	<u>13,777,964</u>	<u>100</u>

Loans mature as follows:

	December 31,	
	2011	2010
Remaining maturities -		
Less than one year	2,211,155	2,328,806
Between one and two years	1,640,247	1,635,890
Between two and three years	1,349,666	1,377,283
Between three and four years	1,333,411	1,240,399
Between four and five years	1,201,470	1,102,446
Over five years	7,240,509	6,093,140
	<u>14,976,458</u>	<u>13,777,964</u>

Loan portfolio is classified on credit risk type basis, as follows:

	December 31,	
	2011	2010
Sovereign guaranteed	12,065,730	10,512,483
Non-sovereign guaranteed	2,910,728	3,265,481
	<u>14,976,458</u>	<u>13,777,964</u>

CAF maintains an internal risk rating system to evaluate the quality of the portfolio, which identifies, through standardized rating and review parameters, those risks related to credit transactions. The credit quality of the loan portfolio as of December 31, 2011 and 2010, as represented by the internal credit risk classification, is as follows:

	December 31,	
	2011	2010
Risk classification		
Satisfactory	14,932,028	13,757,964
Special Mention	36,276	20,000
Doubtful	8,154	-
	14,976,458	13,777,964

Loan portfolio quality

The loan portfolio quality indicators are presented below:

	December 31,	
	2011	2010
Overdue loans	0	0
Nonaccrual loans	8,154	0
Impaired Loans	8,154	0
Loans written-off	0	0
Overdue loan principal as a percentage of loan portfolio	0%	0%
Nonaccrual loans as a percentage of loan portfolio	0.05%	0%
Allowance for losses as a percentage of loan portfolio	0.87%	1.03%

At December 31, 2011, all loans were performing except for loans to a private client for US\$ 8,154 which were classified as impaired and were in nonaccrual status. During 2010, there were no loans in non-accrual status.

Purchase of loan portfolio

During 2011, CAF carried out operations related to the purchase of loans for the amount of US\$ 75,000. During 2010, CAF did not conduct this type of operations.

A/B Loans

CAF administers loan-participations sold, and assumes the credit risk only for the portion of the loan owned by CAF. At the end of the years 2011 and 2010, CAF administered loans of this nature whereby other financial institutions provided funds amounting to US\$ 1,396,404 and US\$ 1,002,034, respectively.

Troubled debt restructurings

During 2011 and 2010, there were no troubled debt restructurings.

Allowance for Loan Losses

Changes in the allowance for loan losses are presented below:

	December 31,	
	2011	2010
Balances at beginning of year	141,364	143,911
Credit to results of operations	(11,771)	(2,990)
Recoveries	1,043	443
Loans written-off	-	-
Balances at end of year	130,636	141,364

5. Equity investments

Equity investments, which have no market value, are as follows:

	December 31,	
	2011	2010
Direct investments in companies accounted under equity method	7,318	30,466
Investment funds accounted under equity method	12,323	23,034
Direct investments in companies at cost	27,442	9,674
Investment funds at cost	64,806	31,547
	<u>11,889</u>	<u>94,721</u>

6. Property and equipment - net

A summary of property and equipment follows:

	December 31,	
	2011	2010
Land	17,820	16,650
Buildings	23,662	20,412
Buildings improvements	19,024	17,058
Furniture and equipment	13,789	13,641
Vehicles	785	752
	<u>75,080</u>	<u>68,513</u>
Less accumulated depreciation	<u>38,240</u>	<u>38,612</u>
	<u>36,840</u>	<u>29,901</u>

The depreciation expenses of US\$ 2,957 and of US\$ 2,224 for property and equipment at December 31, 2011 and 2010, respectively, are included in the statement of income.

7. Other assets

A summary of other assets follows:

	December 31,	
	2011	2010
Intangible assests, net	10,253	7,858
Deferred charges, net	22,482	26,820
Other assets	25,013	4,603
	<u>57,748</u>	<u>39,281</u>

8. Deposits

	December 31,	
	2011	2010
Demand deposits	105,855	430,367
Time deposits:		
Less than one year	3,566,208	2,309,130
	<u>3,672,063</u>	<u>2,739,497</u>

At December 31, 2011 and 2010, the interest rates on deposits ranged from 0.10% to 1.86% and from 0.01% to 1.35%, respectively. Deposits are issued for amounts not under US\$ 100. Total deposits include US\$ 169,168 and US\$ 136,180, at December 31, 2011 and 2010, respectively in other currencies.

9. Commercial paper

CAF's commercial paper of US\$ 1,977,050 at December 31, 2011 mature in 2012 (US\$ 1,524,285 at December 31, 2010 - matured in 2011). At December 31, 2011 and 2010, the interest rates on commercial paper ranged from 0.16% to 1.02% and from 0.26% to 1.16%, respectively.

10. Borrowings

A summary of borrowings follows:

	December 31,	
	2011	2010
U.S. dollars	1,107,857	977,147
Peruvian Nuevos Soles	10,351	10,575
Other currencies	3,391	3,057
	1,121,599	990,779
Fair value adjustments	16,851	7,310
Carrying value of borrowings	1,138,450	998,089

At December 31, 2011 and 2010, there are fixed interest-bearing borrowings in the amount of US\$ 155,655 and US\$ 155,113, respectively.

Borrowings, by remaining maturities, are summarized below:

	December 31,	
	2011	2010
Remaining maturities -		
Less than one year	131,527	143,618
Between one and two years	101,886	130,822
Between two and three years	362,241	148,869
Between three and four years	195,588	233,505
Between four and five years	63,921	107,590
Over five years	266,436	226,375
	1,121,599	990,779

Some borrowing agreements contain covenants conditioning the use of the funds for specific purposes or projects.

At December 31, 2011 and 2010 there were unused term credit facilities amounting to US\$ 804,882 and US\$ 172,000, respectively.

11. Bonds

An analysis of bonds follows:

	December 31,					
	2011			2010		
	Principal outstanding			Principal outstanding		
	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)	At original exchange rate	At spot exchange rate	Weighted average cost, after swaps (%) (Year-end)
U.S. Dollars	4,545,954	4,545,954	2.56	4,300,007	4,300,007	2.42
Euros	1,013,806	973,722	2.46	1,043,647	1,046,260	1.86
Yen	591,917	640,394	2.12	417,384	483,554	2.40
Colombian Pesos	205,352	249,128	3.35	205,352	243,221	3.38
Venezuelan Bolivars	109,302	54,651	(1.44)	209,302	104,651	(0.63)
Swiss Francs	730,380	752,160	2.40	455,616	478,062	2.30
Mexican Pesos	166,915	148,184	2.21	68,807	60,618	1.14
Peruvian Nuevos Soles	119,546	137,872	1.17	125,748	139,882	1.21
	<u>7,483,172</u>	<u>7,502,065</u>		<u>6,825,863</u>	<u>6,856,255</u>	
Fair value adjustments		570,263			356,557	
Carrying value of bonds		<u>8,072,328</u>			<u>7,212,812</u>	

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2011	2010
Remaining maturities -		
Less than one year	738,314	767,225
Between one and two years	748,641	738,123
Between two and three years	548,299	748,476
Between three and four years	957,546	498,119
Between four and five years	1,138,400	698,107
Over five years	3,351,972	3,375,813
	<u>7,483,172</u>	<u>6,825,863</u>

At December 31, 2011 and 2010, fixed interest rate bonds amounted to US\$ 7,032,177 and US\$ 5,906,811, respectively, of which US\$ 2,627,507 and US\$ 1,742,141, respectively, are denominated in Yen, Euros, Swiss Francs, Colombian Pesos, Mexican Pesos and Peruvian Nuevos Soles.

There were no bonds repurchased during the years ended December 31, 2011 and 2010.

12. Accrued expenses and other liabilities

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2011	2010
Employees' severance indemnities, benefits and savings plan	56,614	54,317
Other liabilities	10,162	11,800
	<u>66,776</u>	<u>66,117</u>

13. Pension plan

CAF established in March 2005 a defined benefit pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan is contributory and the benefits are based on years of service and the average employee's salary for the three consecutive years of service with the highest salary. The employees make monthly contributions to the Plan equal to 7% of their salary. All contributions are made in cash. Voluntary participants must contribute to the Plan certain withheld benefits. At December 31, 2011 the Plan has 300 participants.

The measurement date used to determine pension plan benefits is December 31.

The Plan's benefit obligation (PBO) and assets as of December 31, 2011 and 2010 follows:

	December 31,	
	2011	2010
Plan's benefit obligation (PBO)	4,871	3,388
Plan Assets	4,493	3,121
Unrecognized actuarial losses, net	378	267

As of December 31, 2011 and 2010, the PBO's net assets are as follows:

	December 31,	
	2011	2010
Net assets:		
Cash	-	-
Deposits with banks	4,493	3,121
Accrued interest	-	-
	4,493	3,121

The table below summarizes the evolution of the periodic cost of projected benefits related to the PBO for the years ended December 31, 2011 and 2010:

	December 31,	
	2011	2010
Service cost	719	574
Interest cost	148	35
Expected return on plan assets	(138)	(35)
	729	574

A summary of the net projected cost for the year 2012 follows:

Service cost:

Contributions to the plan	815
Guaranteed benefit	96
	911
Interest cost	213
Expected return on plan assets	(80)
	1,044

Weighted-average assumptions used to determine net benefit cost since the origination of the Plan to December 31, 2011 and 2010 follows:

Discount rate	4%
Expected long-term rate return on Plan assets	4%
Salary increase rate	3%

14. Stockholders' equity

Authorized Capital

The authorized capital of CAF at December 31, 2011 and 2010, amounts to US\$ 10,000,000, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of CAF, when internal resources are inadequate.

Shares

CAF's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares grant the right of representation on CAF's Board of Directors of one principal director and one alternate director per share. Series "A" shares have a par value of US\$ 1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares grant the right of representation on CAF's Board of Directors of one principal director and one alternate director for each of the following countries: Bolivia, Colombia, Ecuador, Peru and Venezuela. Also, the commercial banks that currently hold shares of CAF are entitled altogether to one principal director and one alternate director on the Board of Directors. Series "B" shares have a par value of US\$ 5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Argentina, Bolivia, Brazil, Colombia, Ecuador, Panama, Paraguay, Peru, Uruguay and Venezuela. These shares provide for representation on the Board of Directors of CAF of two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$ 5.

A summary of the changes in subscribed and paid-in capital for the years ended December 31, 2011 and 2010, follows:

	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
At December 31, 2009	5	382,826	113,103	6,000	1,914,130	565,515	2,485,645
Capitalization of additional paid-in capital	-	30,403	5,089	-	152,015	25,445	177,460
Exchanged shares	-	50,695	(50,695)	-	253,475	(253,475)	-
Issued for cash	3	12,858	16,589	3,600	64,290	82,945	150,835
At December 31, 2010	8	476,782	84,086	9,600	2,383,910	420,430	2,813,940
Capitalization of additional paid-in capital	-	40,237	3,039	-	201,185	15,195	216,380
Exchanged shares	-	63,106	(63,106)	-	315,530	(315,530)	-
Issued for cash	2	19,891	19,438	2,400	99,455	97,190	199,045
At December 31, 2011	10	600,016	43,457	12,000	3,000,080	217,285	3,229,365

During 2011, Argentina and Paraguay became Series "A" stockholders. During 2010, Brazil, Panama and Uruguay became Series "A" stockholders.

Subscribed and paid-in capital is presented as follows at December 31, 2011:

Stockholder	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Argentina	1	57,989	-	1,200	289,945	-	291,145
Bolivia	1	35,533	-	1,200	177,665	-	178,865
Brazil	1	52,988	-	1,200	264,940	-	266,140
Colombia	1	126,340	-	1,200	631,700	-	632,900
Ecuador	1	35,815	-	1,200	179,075	-	180,275
Panama	1	11,593	-	1,200	57,965	-	59,165
Paraguay	1	9,246	-	1,200	46,230	-	47,430
Peru	1	126,743	-	1,200	633,715	-	634,915
Uruguay	1	16,676	-	1,200	83,380	-	84,580
Venezuela	1	126,742	-	1,200	633,710	-	634,910
Chile	-	-	5,146	-	-	25,730	25,730
Costa Rica	-	-	3,056	-	-	15,280	15,280
Dominican Republic	-	-	5,421	-	-	27,105	27,105
Jamaica	-	-	169	-	-	845	845
Mexico	-	-	4,379	-	-	21,895	21,895
Portugal	-	-	709	-	-	3,545	3,545
Spain	-	-	24,072	-	-	120,360	120,360
Trinidad & Tobago	-	-	505	-	-	2,525	2,525
Commercial banks	-	351	-	-	1,755	-	1,755
	10	600,016	43,457	12,000	3,000,080	217,285	3,229,365

At December 31, 2011, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Stockholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Series "B"		Series "C"		Series "B"		Series "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Argentina	12,676	63,380	-	-	25,200	126,000	-	-
Bolivia	6,690	33,450	-	-	14,400	72,000	-	-
Brazil	14,680	73,400	-	-	25,200	126,000	-	-
Colombia	9,154	45,770	-	-	50,400	252,000	-	-
Ecuador	6,690	33,450	-	-	14,400	72,000	-	-
Panama	7,903	39,515	-	-	7,200	36,000	-	-
Paraguay	9,951	49,755	-	-	7,200	36,000	-	-
Peru	23,944	119,720	-	-	50,400	252,000	-	-
Uruguay	3,662	18,310	-	-	7,200	36,000	-	-
Venezuela	23,944	119,720	-	-	50,400	252,000	-	-
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Portugal	-	-	718	3,590	-	-	16,164	80,820
Spain	-	-	13,816	69,080	-	-	40,000	200,000
Trinidad & Tobago	-	-	142	710	-	-	-	-
Commercial banks	10	50	-	-	-	-	-	-
	<u>119,304</u>	<u>596,520</u>	<u>14,676</u>	<u>73,380</u>	<u>252,000</u>	<u>1,260,000</u>	<u>58,564</u>	<u>292,820</u>

Subscribed and paid-in capital is presented as follows at December 31, 2010:

Stockholder	Number of shares			Amount			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Bolivia	1	32,652	-	1,200	163,260	-	164,460
Brazil	1	39,888	-	1,200	199,440	-	200,640
Colombia	1	116,123	-	1,200	580,615	-	581,815
Ecuador	1	32,914	-	1,200	164,570	-	165,770
Panama	1	8,912	-	1,200	44,560	-	45,760
Uruguay	1	116,367	-	1,200	581,835	-	583,035
Peru	1	13,232	-	1,200	66,160	-	67,360
Venezuela	1	116,365	-	1,200	581,825	-	583,025
Argentina	-	-	44,542	-	-	222,710	222,710
Chile	-	-	4,779	-	-	23,895	23,895
Costa Rica	-	-	2,838	-	-	14,190	14,190
Dominican Republic	-	-	5,034	-	-	25,170	25,170
Jamaica	-	-	157	-	-	785	785
Mexico	-	-	4,067	-	-	20,335	20,335
Paraguay	-	-	4,124	-	-	20,620	20,620
Spain	-	-	18,076	-	-	90,380	90,380
Trinidad & Tobago	-	-	469	-	-	2,345	2,345
Commercial banks	-	329	-	-	1,645	-	1,645
	<u>8</u>	<u>476,782</u>	<u>84,086</u>	<u>9,600</u>	<u>2,383,910</u>	<u>420,430</u>	<u>2,813,940</u>

At December 31, 2010, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Stockholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Serie "B"		Serie "C"		Serie "B"		Serie "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	7,042	35,210	-	-	14,400	72,000	-	-
Brazil	11,314	56,570	-	-	25,200	126,000	-	-
Colombia	10,421	52,105	-	-	50,400	252,000	-	-
Ecuador	7,042	35,210	-	-	14,400	72,000	-	-
Panama	9,880	49,400	-	-	7,200	36,000	-	-
Peru	25,352	126,760	-	-	50,400	252,000	-	-
Uruguay	6,070	30,350	-	-	7,200	36,000	-	-
Venezuela	25,352	126,760	-	-	50,400	252,000	-	-
Argentina	-	-	9,318	46,590	-	-	25,200	126,000
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Paraguay	-	-	10,883	54,415	-	-	-	-
Spain	-	-	18,422	92,110	-	-	40,000	200,000
Trinidad & Tobago	-	-	142	710	-	-	-	-
Commercial banks	4	20	-	-	-	-	-	-
	<u>102,477</u>	<u>512,385</u>	<u>38,765</u>	<u>193,825</u>	<u>219,600</u>	<u>1,098,000</u>	<u>67,600</u>	<u>338,000</u>

General Reserve

CAF maintains a general reserve approved by the stockholders' Assembly, which is considered an equity reserve. Stockholders decided to increase the reserve by US\$ 55,989 and US\$ 106,238 during the years ended December 31, 2011 and 2010, by appropriations from net income for the years ended December 31, 2010 and 2009, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

CAF's by-laws establish that at least 10% of annual net income is to be allocated to a reserve fund until that fund amounts to 50% of the subscribed capital. Additional allocations may be approved by the stockholders. At the stockholders' Assembly in March 2011 and 2010, it was authorized to increase the reserve by US\$ 16,650 and US\$ 23,471, from net income for the years ended December 31, 2010 and 2009, respectively.

Capitalization of additional paid-in capital

At the stockholders' Assembly in March 2011 and 2010, it was authorized to capitalize through dividends in shares by US\$ 216,380 and US\$ 177,460, from additional paid-in capital, respectively.

15. Distributions to stockholders' funds

Stockholders may distribute a portion of retained earnings to special funds, created to promote technical and financial cooperation, sustainable human development, and management of poverty relief funds in shareholder countries.

In March 2011 and 2010, stockholders agreed to distribute US\$ 93,500 and US\$ 105,000, from retained earnings at December 31, 2010 and 2009, respectively, to the stockholders' funds.

16. Tax exemptions

CAF is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

17. Derivative instruments and hedging activities

CAF utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. CAF does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rate and foreign exchange rates, CAF exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes CAF, which creates credit risk for CAF. When the fair value of a derivative contract is negative, CAF owes the counterparty and, therefore, it does not possess credit risk. CAF minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings, subject to fixed interest rates and denominated in other currency into floating interest rate instruments denominated in U.S. dollars. CAF enters into derivative instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by CAF consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

CAF monitors the credit risk associated with derivative transactions. Credit risk is managed by establishing exposure limits based on the credit rating and size of the individual counterparty, among other factors. To further reduce the credit risk in derivatives, CAF enters into credit support agreements with its major swap counterparties. This provides risk mitigation, as the swap transactions are regularly marked-to-market and the party being the net obligor is requested to post collateral when net mark to-market exposure exceeds certain predetermined thresholds, which decrease as counterparty's credit rating deteriorates. This collateral is in the form of cash or highly rated and liquid government securities. CAF offsets the fair value amount recognized for derivative instruments and the fair value amount recognized for the collateral, whether posted or received, under master netting arrangements executed with the same counterparty, in accordance with ASC 815-10-45-5.

The amount recognized for the right to receive collateral or the obligation to post collateral that have been offset (i) at year-end 2011, was US\$ 202,585 received and (ii) at year-end 2010 were US\$ 17,530 and US\$ 29,401, respectively.

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2011 and 2010:

	Notional amount		Fair value	
	Interest rate swap	Cross- currency swap	Derivative assets	Derivative liabilities
At December 31, 2011 -				
Loans	-	29,525	-	6,035
Loans	31,000	-	-	821
Borrowings	340,000	-	16,851	-
Bonds	4,416,318	-	411,582	-
Bonds	-	2,941,867	274,831	87,013
	<u>4,787,318</u>	<u>2,971,392</u>	<u>703,264</u>	<u>93,869</u>
At December 31, 2010 -				
Loans	-	22,499	-	7,532
Loans	40,100	-	907	-
Borrowings	340,000	-	5,970	(1,340)
Bonds	4,176,318	-	260,030	-
Bonds	-	2,525,857	258,082	126,695
	<u>4,556,418</u>	<u>2,548,356</u>	<u>524,989</u>	<u>132,887</u>

For the years ended December 31, 2011 and 2010 all of CAFs' derivatives which had been designated as hedging relationship were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of income.

18. Fair value measurements

ASC 820 "Fair Value Measurements and disclosures", defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the CAF's market assumptions to determine the best price of these instruments. These two types of inputs create the following fair value hierarchy:

- *Level 1:* Quoted prices for identical instruments in active markets.
- *Level 2:* Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- *Level 3:* Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Determination of Fair Value

The following section describes the valuation methodologies used by CAF to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

When available, CAF generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, CAF makes use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as interest rates, currency rates, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable.

Where available, CAF may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

The following methods are used to estimate the fair-value hierarchy of CAF's financial instruments:

- *Marketable securities:* CAF uses quoted market prices to determine the fair value of trading securities and those transactions are classified in Level 1 of the fair-value hierarchy.
- *Loans:* The fair value of fixed rate loans, which are hedged using derivative transactions, is determined using the current variable interest rate for similar loans. Loans transactions are classified in Level 2 of the fair value hierarchy.
- *Derivative assets and liabilities:* Derivative transactions contracted and designated by CAF as hedges of risks related to interest rates, currency rates or both for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated utilizing market prices given by the counterparties. Derivative transactions are classified in Level 2 of the fair-value hierarchy.
- *Bonds and borrowings:* For bonds issued and medium and long term borrowings of CAF the fair value are determined utilizing internal valuation techniques, such as, discounting expected cash flows using the appropriate discount rates for the applicable maturity, reflecting the fluctuation of the variables such as interest and exchange rates. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels CAF's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2011 and 2010:

	Level 1	Level 2	Level 3	Net balance
At December 31, 2011 -				
Assets -				
Marketable Securities:				
U.S. Treasury Notes	7,117	-	-	7,117
Bonds of non-U.S. governments and government entitie	995,483	-	-	995,483
Financial institutions and corporate securities:				
Commercial papers	1,442,343	-	-	1,442,343
Certificate of deposits	428,609	-	-	428,609
Bonds	620,495	-	-	620,495
Others	266,278	-	-	266,278
	<u>2,757,725</u>	<u>-</u>	<u>-</u>	<u>2,757,725</u>
	3,760,325	-	-	3,760,325
Loans	-	64,811	-	64,811
Derivative instruments::				
Interest rate swap	-	428,433	-	428,433
Cross-currency swap	-	274,831	-	274,831
	<u>-</u>	<u>703,264</u>	<u>-</u>	<u>703,264</u>
	<u>3,760,325</u>	<u>768,075</u>	<u>-</u>	<u>4,528,400</u>
Liabilities -				
Bonds	-	7,947,340	-	7,947,340
Borrowings	-	356,851	-	356,851
Derivative instruments:				
Interest rate swap	-	821	-	821
Cross-currency swap	-	93,048	-	93,048
	<u>-</u>	<u>93,869</u>	<u>-</u>	<u>93,869</u>
	<u>-</u>	<u>8,398,060</u>	<u>-</u>	<u>8,398,060</u>
At December 31, 2010 -				
Assets -				
Marketable Securities:				
U.S. Treasury Notes	45,011	-	-	45,011
Bonds of non-U.S. governments and government entities	258,673	-	-	258,673
Financial institutions and corporate securities:				
Commercial papers	882,529	-	-	882,529
Certificate of deposits	340,711	-	-	340,711
Bonds	666,388	-	-	666,388
Others	263,433	-	-	263,433
	<u>2,153,061</u>	<u>-</u>	<u>-</u>	<u>2,153,061</u>
	2,456,745	-	-	2,456,745
Loans	-	67,678	-	67,678
Derivative instruments				
Interest rate swap	-	266,907	-	266,907
Cross-currency swap	-	258,082	-	258,082
	<u>-</u>	<u>524,989</u>	<u>-</u>	<u>524,989</u>
	<u>2,456,745</u>	<u>592,667</u>	<u>-</u>	<u>3,049,412</u>
Liabilities -				
Bonds	-	7,089,124	-	7,089,124
Borrowings	-	347,310	-	347,310
Derivative instruments				
Interest rate swap	-	-	-	-
Cross-currency swap	-	132,887	-	132,887
	<u>-</u>	<u>132,887</u>	<u>-</u>	<u>132,887</u>
	<u>-</u>	<u>7,569,321</u>	<u>-</u>	<u>7,569,321</u>

19. Fair value of financial instruments

In accordance with ASC 825 Financial Instruments, CAF also estimated the fair value of all financial instruments in CAF's balance sheet, including those financial instruments carried at cost, as presented in the table below. The fair value estimates, methods and assumptions set forth below for CAF's financial instruments are made solely to comply with the requirements in ASC 820 Fair Value Measurements and Disclosures and should be read in conjunction with the financial statements.

The following is a summary of the carrying value and estimated fair value of CAF's financial instruments at December 31, 2011 and 2010:

	December 31,			
	2011		2010	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and due from banks	256,797	256,797	119,834	119,834
Deposits with banks	1,543,885	1,543,885	1,403,443	1,403,443
Other investments	95,211	95,211	146,852	146,852
Loans, net	14,915,933	14,917,736	13,715,365	13,718,781
Equity investments (Cost method)	92,248	92,248	41,221	41,221
Accrued interest and commissions receivable	196,316	196,316	159,559	159,559
Financial liabilities				
Deposits	3,672,063	3,672,063	2,739,497	2,739,497
Commercial paper	1,977,050	1,977,050	1,524,285	1,524,285
Borrowings	781,599	781,836	650,779	651,159
Bonds	124,988	127,167	123,688	126,057
Accrued interest payable	163,561	163,561	120,001	120,001

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value under ASC 820 Fair Value Measurements and Disclosures:

- Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits and accrued interest payable: The carrying amounts approximate fair value because of the short maturity of these instruments.
- Loans: CAF is one of the few institutions that offer loans for development in the stockholder countries. A secondary market does not exist for the type of loans granted by CAF. As rates on variable rate loans and loan commitments are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined using the current variable interest rate for similar loans.
- Equity investments: The fair value of equity investments recorded at cost is determined based on a financial analysis of the investees.

For additional information regarding CAF's determination of fair value, included items accounted for at fair value under ASC 820 Fair Value Measurements and disclosures, see note 18.

20. Fair value option

ASC 825-10-25 "Fair value option" permits to choose to measure eligible financial assets and financial liabilities at fair value. Once the fair value option has been chosen for an instrument, this choice cannot be reversed. Fair value changes on these financial assets and financial liabilities must be recorded in the statement of income.

CAF's management decided to measure at fair value those financial assets and liabilities denominated in currencies other than US dollars for which it has contracted a derivative as an economic hedge for other currency and interest rate risks.

The results recorded in the statement of income resulting from the periodic cash flows and unrealized changes in fair value as of December 31, 2011 and 2010 for instruments that fair value option was chosen, and for derivatives used as economic hedges for these instruments, are as follows:

	December 31,	
	2011	2010
Bonds	5,777	16,897
Loans	(954)	(3,184)
	<u>4,823</u>	<u>13,713</u>

21. Commitments and contingencies

Commitments and contingencies include the following:

	December 31,	
	2011	2010
Credit agreements subscribed	5,759,730	6,371,035
Lines of credit	3,823,830	2,735,226
Letters of credit	155,110	195,327
Guarantees	<u>251,895</u>	<u>225,973</u>

These commitments and contingencies result from the normal course of CAF's business and are related principally to loans that have been approved or committed for disbursement.

In the ordinary course of business, CAF has entered into commitments to extend credits; such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also, based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

Guarantees mature as follows:

Remaining maturities -	December 31,	
	2011	2010
Less than one year	38,456	54,715
Between one and two years	-	62
Over five years	213,439	171,196
	<u>251,895</u>	<u>225,973</u>

To the best knowledge of CAF's management, CAF is not engaged in any litigation that is material to CAF's business or that is likely to have any impact on its business, financial condition or results of operations.

22. Third-party assets under management

CAF, as a multilateral financial institution, acts as administrator of several third-party and CAF's own shareholder funds. These shareholder funds are financed through distributions made each year by the shareholders' meeting from CAF's prior year's net income.

In connection with the operations carried out by the Funds, CAF's financial responsibility is limited to the fund's balance, less commitments contracted. Since CAF does not maintain residual interests in these funds, it does not expect the generation of economic benefits for future distribution. These funds are not part of CAF's accounts.

As of December 31, 2011 and 2010, managed funds net assets are US\$ 466,173 and US\$ 426,461, respectively. The balances of main managed funds are as follows:

	December 31,	
	2011	2010
Compensatory Financing Fund (FFC) (1)	289,856	256,961
Entrepreneurial Investment and Development Fund	43,407	35,233
Fund for the Promotion of Sustainable Infrastructure	27,344	29,257
Technical Assistance Fund (FAT)	23,271	24,079
Human Development Fund (FONDESHU)	20,241	20,001
Latin American Carbon, Clean Alternative Energies Program (PLAC)	8,268	8,260
Cross-Border Cooperation and Integration (COPIF)	3,049	3,160
Others	50,737	49,510
	<u>466,173</u>	<u>426,461</u>

(1) This fund was created by CAF's Stockholders for the purpose of compensating a portion of interest costs of certain loans granted by CAF to finance economic and social infrastructure projects.

23. Segment reporting

Management has determined that CAF has only one reportable segment since it does not manage its operations by allocating resources based on a determination of the contributions to net income of individual operations. CAF does not differentiate between the nature of the products or services provided, the preparation process, or the method for providing the services among individual countries. For the periods ended December 31, 2011 and 2010, loans made to or guaranteed by six countries individually generated in excess of 10 percent of loan income, before swaps, as follows:

	Diciembre 31,	
	2011	2010
Argentina	40,721	30,065
Bolivia	35,625	34,376
Colombia	49,931	45,512
Ecuador	60,059	54,300
Peru	64,798	55,270
Venezuela	63,371	57,004
	<u>314,505</u>	<u>276,527</u>

24. Subsequent events

Management has evaluated subsequent events through January 27, 2012, financial statements issue date. As a result of this evaluation, there are no subsequent events, as defined, that require a disclosure in CAF's financial statements at the year ended December 31, 2011, except for:

- On January 20, 2012 CAF issued bonds denominated in Euros 82,000, 4.25%, due 2027.

Shareholders' Assembly¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves the Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

The Board of Directors is comprised of representatives of Series A, B and C shareholders. It establishes CAF's policies, appoints the President, approves credit operations, the annual budget, and approves guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated to the Executive Committee or the President, according to criteria set forth by the Board.

Executive Committee

The Executive Committee was established by the Board of Directors in 1971. It is comprised of directors designated by Series A, B and C shareholders, and is chaired by the President. It approves financial operations within the limits established by the Board.

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of the Chairman of the Board, directors elected by the Board for a two-year period, and CAF's President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's Annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly; the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the Annual report of its implementation.

President

The President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The President is appointed for a five year period, and may be re-elected.

1 The XLII Ordinary Shareholders' meeting as well as the XIV Extraordinary Shareholders' Meeting were held on March 15th, 2011.

2 During 2011, four Board of Directors meetings were held on March 15th (CXLI Board of Directors Meeting), June 28th (Extraordinary Board of Directors Meeting), June 28th (CXLII Board of Directors Meeting) and November 29th (CXLIII Board of Directors Meeting).

3 The XVIII Audit Committee was held on March 14th, 2011.

Board of Directors

(as of December 31st, 2011)

Chairman of the Board (2010-2011)

Juan Carlos Echeverry (as of December 31st, 2011)

Minister of Finance and Public Credit of Colombia¹

Series A Shareholders (2011-2014)

ARGENTINA

Principal: Amado Boudou

Minister of Economy and Public Finance

Alternate: Julio Miguel De Vido

Minister of Federal Planning,

Public Investment and Services

BOLIVIA

Principal: Elba Viviana Caro Hinojosa

Minister of Planning of Development

Alternate: Harley Rodríguez Téllez

Vice Minister of Public

Investment and External Financing

BRAZIL

Principal: Miriam Belchior

Minister of Planning, Budget and

Management

Alternate: Carlos Augusto Vidotto

Secretary of International Affairs of
the Ministry of Planning, Budget and

Management

COLOMBIA

Principal: Juan Carlos Echeverry

Minister of Finance and Public Credit

Chairman of the Board (2011-2012)

Alternate: Sergio Diaz-Granados Guida

Minister of Commerce, Industry and

Tourism

ECUADOR

Principal: Camilo Samán Salem

President of the Board Directors of

Corporación Financiera Nacional

Alternate: Jorge Wated Reshuan

General Manager

Corporación Financiera Nacional

PANAMA

Principal: Frank De Lima

Minister of Economy and Finance

Alternate: Mahesh Khemlani

Vice Minister of Finance

PERU

Principal: Luis Miguel Castilla Rubio

Minister of Economy and Finance

Alternate: Carlos Augusto Oliva Neyra

Vice Minister of Finance

URUGUAY

Principal: Fernando Lorenzo

Minister of Economy and Finance

Alternate: Mario Bergara

President of the Central Bank of Uruguay

VENEZUELA

Principal: Jorge Giordani

Minister of Planning and Finance

Alternate: Eyilde Margarita Gracia

Vice Minister of Planning and Finance

Series B Shareholders

BOLIVIA

Principal: Luis Alberto Arce

Minister of Economy and Public Finance

Alternate: Roger Edwin Rojas Ulo

Vice Minister of Treasury and Public Credit

COLOMBIA

Principal: José Darío Uribe

General Manager of Banco de la República

Alternate: Hernando José Gómez

General Director of National Planning

Department

ECUADOR

Principal: Patricio Rivera

Minister of Finance

Alternate: Pedro Delgado Campaña

President of the Board of Directors of the

Central Bank of Ecuador

PERU

Principal: Alfonso Zárate Rivas

President of the Board of Directors

of Corporación Financiera de

Desarrollo(COFIDE)

Alternate: Laura Berta Calderón Regio

Vice Minister of Economy

VENEZUELA

Principal: Edmée Betancourt de García

President of Banco de Desarrollo Económico

y Social de Venezuela (BANDES)

Alternate: Gustavo Hernández

Vice Minister of Finance

Ministry of Planning and Finance

PRIVATE BANKS

Principal: Carlos González-Taboada

Vice President of the Board and General

Manager of Scotiabank Perú

Alternate: Miguel Ignacio Purroy

President of Banco del Caribe Banco Universal

(BANCARIBE) Venezuela

Series C shareholders (2010-2012)

SPAIN

Principal: Elena Salgado

Second Deputy Prime Minister and Minister

of Economy and Finance

TRINIDAD & TOBAGO

Alternate: Winston Dookeran

Minister of Finance

CHILE

Alternate: Matías Acevedo

General Manager of CORFO

¹ Until March 31, 2011, Luis Alberto Arce, Bolivia's
Minister of Economy and Public Finance, was CAF's Chairman of the Board.

Executive Management

(as of December 31st, 2011)

President and Chief Executive Officer L. Enrique García
Executive Vicepresident Luis Enrique Berrizbeitia
General Advisor Luis Sánchez Masi
Chief Legal Counsel Ricardo Sigwald

Corporate Comptroller Marcelo Zalles
Director, Risk Management Marcia Arliani
Director, Internal Audit Martha Diez
Corporate Director, Credit Management Stephen Foley
Director, Special Assets Renny López

Corporate Director, Human Capital José Bellido
Director, Human Capital Operations Corina Arroyo
Director, Human Capital Planning Leopoldo Gómez

Corporate Director, Technology and Operations Germán Alzate
Director, Operations Control Renato Castellanos
Director, Information Technology Diego Grillo

Corporate Secretary, Secretariat and External Relations Andrés Rugeles
Director, Strategic Communication Mara Rubiños

Corporate Vicepresident, Public Policy and Strategic Development Leonardo Villar
Director, Public Policy and Competitiveness Michael Penfold
Director, Research Pablo Sanguinetti
Director, SMEs and Microfinance Manuel Malaret

Corporate Vicepresident, Country Programs Lilliana Canale
Director, Regional Programs Alexis Gómez
Director, Governance and Technical Cooperation Elvira Lupo
Director, Argentina Álvaro García
Director, Bolivia Emilio Uquillas
Director, Brazil Moira Paz Estenssoro
Director, Colombia Víctor Traverso
Director, Ecuador Hermann Krützfeldt
Director, Panama Rubén Ramírez
Director, Peru Eleonora Silva
Director, España Germán Jaramillo
Director, Uruguay Gladis Genua

Corporate Vicepresident, Infrastructure Antonio Juan Sosa
Senior Director, Infrastructure Manuel Llosa
Director, Northern Region Projects Lucía Meza
Director, Southern Region Projects Rolando Terrazas

Corporate Vicepresident, Corporate Finance and Investment Banking Peter Vonk
Corporate Director, Productive and Financial Sectors Carlos Sanz
Director, Productive and Financial Sectors Northern Region Víctor Loero
Director, Productive and Financial Sectors Southern Region Félix Bergel
Director, Structured Financing Carmen Elena Carbonell
Director, Financial Advisory Services Ignacio Fombona

Corporate Vicepresident, Social and Environmental Development José Carrera
Director, Social Development Bernardo Requena
Director, Environment Ligia Castro
Director, Social Sustainability Silvia de Oteiza

Corporate Vicepresident and Chief Financial Officer Hugo Sarmiento
Director, Financial Policies and International Emissions Gabriel Felpeto
Director, Institutional Financing Carolina España

Director, Treasury Alfonso Machado
Director, Accounting and Budget Marcos Subía
Director, Logistics and Administrative Services Jaime Caycedo

Products and services

CAF's activities are aimed at supporting sustainable development and regional integration among its shareholder countries. As a multilateral source of financial resources, the Institution attracts funds from international markets to Latin America, with the objective of promoting investment and trade opportunities in the region.

Likewise, CAF provides resources generally non-reimbursable, for a series of special programs that support its mission within the framework of its Agenda for Comprehensive Development.

These funds are devoted to socioeconomic development in shareholder countries, through the Financing of operations that contribute to improving the competitiveness of their economies, the development of infrastructure, physical integration, the promotion of micro-, small- and medium-sized businesses, the strengthening of financial markets, the development of human capital and the reform and modernization of states.

The Institution offers financial products and services to shareholder states and public, private and mixed capital companies based in shareholder countries.

The products and services offered by CAF are mainly aimed at supporting the implementation of its Agenda for Comprehensive Development and its special programs. They include a series of financial tools designed to meet clients' requirements and market opportunities, under the following headings:

Loans

Loans represent CAF's main financing tool. They are employed in investment projects and activities related to the Institution's corporate mission.

Project financing

Project Financing loans are allocated to develop and execute projects in road transportation, telecommunications, water and environment, border development and the physical integration of shareholder countries. CAF also provides financing to corporate projects in the industrial field, to enhance and renovate productive capacity and to insert businesses into regional and global markets.

Credit lines

Credit lines allow the Institution to offer maximum resources for a given period without an express commitment to the client.

Project structuring and financing

CAF actively participates in the financing of projects structured with limited guarantees (limited recourse lending). This category is mainly utilized for the financing of BOO (Build, Operate and Own) operations in the infrastructure sector, generally arising from concessions granted by governments, or to finance oil and gas, mining and other extractive projects.

Co-financing

Co-financing is a type of loan that complements the financial resources provided by CAF and attracts external capital to the region. Through these instruments, the Institution grants the A portion of the loan using its own resources, while distributing the B portion among international banks and institutional investors. In addition, CAF co-finances operations with other multilateral organizations, such as the Inter-American Development Bank, the World Bank, the International Investment Corporation, the Nordic Investment Bank, the International Finance Corporation and the International Fund for Agricultural Development, as well as with official bodies and local and international private banks.

Support to the private sector

The private sector has a direct impact as a wealth creator, a generator of employment and a promoter of trade and markets. Companies also have a key multiplier role in education and technology transfer.

CAF promotes the participation of the private sector in investment projects in the productive sectors of shareholder countries. In addition, the Institution offers advice on governance, corporate governance and the promotion of corporate social responsibility, which also requires the active participation of the sector, and structures physical integration projects to include private sector participation, on account of the large capital investments involved in infrastructural developments.

It offers direct assistance through traditional term loans and indirect assistance through partial credit guarantees for government obligations in the underlying transactions or part-financing.

An example of CAF's activities in this regard is the advice given on the structuring of concessions in the framework of Peru's Inter-Oceanic Roads project, which was successfully financed by the private sector.

Guarantees

Guarantees are used by the Institution to back up credit operations approved by other sources for governments, businesses and financial institutions.

Partial Credit Guarantees

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed to a third party. Through this mechanism, CAF attracts fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

Financial advice

The Institution provides financial advice to public and private sector clients. Among other services, CAF offers advice in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors offers to participate in public bid processes; iv) mergers and acquisitions; and v) valuations.

Public-Private Participations

CAF actively participates in the structuring of financing operations with the private sector, in order to overcome the shortage of funds available to finance infrastructural projects. Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets.

Treasury services

Treasury services include deposits via the money desk, from overnight to 12 months, offered by CAF to its shareholder countries.

Equity investments

Equity investments are capital investments utilized by CAF to support business development in shareholder countries and their access to capital, as well as to attract resources to the region.

Cooperation funds

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or of conditional recovery, depending on the nature and purpose of the operation.

Cooperation funds are primarily intended to support reforms related to state modernization processes, such as privatization, administrative decentralization and institutional strengthening.

They also contribute to export and investment plans, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and the promotion of cultural values.

CAF also administrates and supervises funds, mostly non-reimbursable, from other countries and bodies, which are devoted to financing programs agreed with donor organizations and according to the policies and strategies of the Institution.

Head and Country Offices

Head office Venezuela

Av. Luis Roche, Torre CAF, Altamira, Caracas
Telephone: +58 (212) 209.2111 (master)
Fax: +58 (212) 209.2444
E-mail: infocaf@caf.com

Argentina

Av. Eduardo Madero, No. 900
Edificio Catalinas Plaza, piso 15,
C1106ACV, Ciudad de Buenos Aires
Telephone: +54 (11) 4310.1111 (master)
Fax +54 (11) 4310.1100
E-mail: argentina@caf.com

Bolivia

Av. Arce Nº 2915, Zona San Jorge, La Paz
Telephone: + 591 (2) 264.8111 (master)
Fax: + 591 (2) 243.3304
E-mail: bolivia@caf.com

Brazil

SAF/SUL Cuadra 2, Lote 4, Bloco D, Edifício Via Esplanada,
Sala 404 CEP
70070-600 Brasilia - DF
Telephone: +55 (61) 3226.8414
Fax: +55 (61) 3225.0633
E-mail: brazil@caf.com

Colombia

Carrera 9a. Nº 76-49
Edificio ING, Piso 7
Bogotá
Telephone: +57 (1) 744.9444 (master)
Fax: +57 (1) 313.2721 / 313.2787
E-mail: colombia@caf.com

Ecuador

Av. 12 de Octubre N. 24 - 562 y Cordero
Edificio World Trade Center, Torre A, Piso 13, Quito
Telephone: +593 (2) 398.8411 (master)
Fax +593 (2) 222.2107
E-mail: ecuador@caf.com

Spain

Plaza Pablo Ruiz Picasso, N.1
Torre Picasso, planta 24
28020, Madrid
Telephone: +34 (91) 597.3894 (master)
Fax: +34 (91) 597.4927
E-mail: espana@caf.com

Panama

Calle 50 y Calle Santo Domingo
Edificio Global Bank, Piso 40, Oficina 4001
Código Postal 0832, Ciudad de Panama
Telephone: +507 297.5311
Fax: +507 297.5301
E-mail: panama@caf.com

Peru

Av. Enrique Canaval y Moreyra No. 380
Edificio Torre Siglo XXI, Piso 13
San Isidro Lima 27
Telephone: +51 (1) 710.8511 (master)
Fax: + 51 (1) 716.9885
E-mail: peru@caf.com

Uruguay

Plaza Independencia 710
Torre Ejecutiva, Piso 9
Montevideo
Telephone: +598 291782 1
Fax: +598 2917.8201
E-mail: uruguay@caf.com

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