

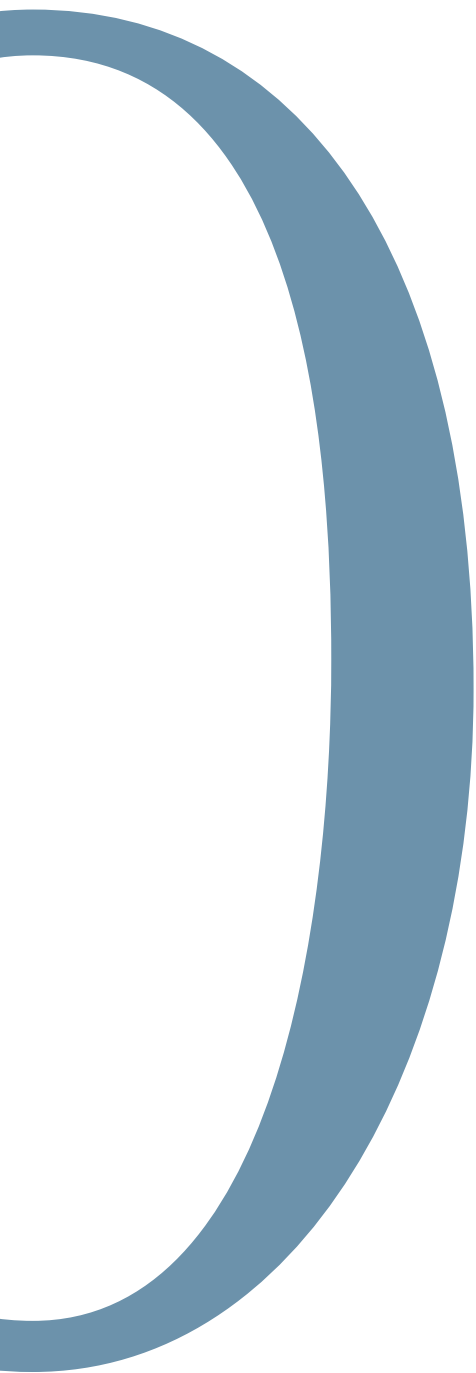
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Initiatives for sustainable development





40



Initiatives for sustainable development

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Forty years ago, the vision of Latin American countries uniting to promote sustainable development and regional integration became a reality. Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela agreed to give financial support to this ideal and to create CAF. 7

Forty years later, guided by that same spirit of integration which gave rise to its creation, this dynamic, innovative institution has transcended its Andean frontiers to become a full-fledged Latin American Development Bank with sixteen regional shareholder countries, and Spain and Portugal as European partners.

CAF has been a key instrument in the development of our region. The *40 initiatives for sustainable development* presented in the following pages show some of the achievements made possible through the efforts and contributions of many individuals and institutions, and particularly through the support of CAF's shareholder countries. With this publication we want to share our vision of Latin America's potential and invite you to contribute to this history-in-the-making, until Latin America can assume its rightful place on the world stage.



L. Enrique García
Executive President

Forty years

CAF began operations in 1970 through an agreement among the governments of Bolivia, Chile, Colombia, Ecuador, Peru, and Venezuela. The aim was to create an important financial instrument for funding the integration of the countries in the Andean Group. The year before, these countries had signed the Sub-Regional Integration Agreement, known as the Cartagena Agreement, which, among other things, involved trade liberalization and joint industrial programming among member countries. Before that, they had signed the Bogota Declaration in 1966 and CAF's Establishing Agreement in 1968. Thus, the Andean Group turned an ideal held by the countries in the sub-region into reality.

In its Establishing Agreement, CAF adhered to the principles established in the Treaty of Montevideo, the Punta del Este Charter, the Bogota Declaration, and the Declaration of the Presidents of America in Punta del Este.

The Establishing Agreement stated that it was necessary for each country that had signed the Bogota Declaration to adopt the goal of creating better economic conditions for participating in a Latin American common market, and it also expressed the desire to achieve harmonious, balanced growth in the sub-region.

Collective and joint actions by the countries in the sub-region were deemed important for their development and for the creation of a common market together with other Latin American nations. In this context, the first initiatives financed by CAF were mainly aimed at promoting integration. In its first decade, the Institution financed expansion projects of small enterprises in the private sector in order to increase their productivity and exports to the Andean countries. In 1972, CAF granted the first loan to finance a physical integration project between two of its shareholder countries.

During the first years of its operation, CAF signed cooperation agreements with other national

and multilateral development organizations in order obtain long-term financing for implementing its first five-year plan.

In 1974, CAF's efforts to create a mechanism for promoting and financing trade in shareholder countries, and to increase sub-regional integration through export growth and diversification, led to the establishment of the Andean Trade Financing System (SAFICO, in Spanish).

In 1975, CAF entered a new stage of administrative and institutional consolidation in which it established new goals for its operations, and focused on obtaining financial and technical resources and on promoting new projects.

In 1976, the countries signed an agreement to harmonize their financial, monetary, and exchange policies. This led to the establishment, in 1978, of the Andean Reserve Fund which would later become the Latin American Reserve Fund.

In 1979, CAF changed its credit policy to give priority to development projects that were national priorities for its shareholder countries. That year, the Andean Council of Ministers of Foreign Affairs and the Andean Parliament were created.

The decade of the 1980's witnessed new efforts to increase Latin American integration. The most outstanding was the Treaty of Montevideo, which created the Latin American Integration Association (ALADI, in Spanish), with Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela as participants. The new association resulted from the transformation of the Latin American Free Trade Association (ALALC, in Spanish), created in the 1960's, into a more flexible regional integration organization. The ALADI made it possible for other countries to adhere to the Treaty of Montevideo.

In the early 1980's, CAF's Board approved a new operational policy which enabled the Institution to expand its field of action, consolidate its position as the financial arm of Andean integration,

and boost the process of development in shareholder countries. This policy led the Institution to finance its first energy development projects, including an electrical power plant in Ecuador, an electric grid interconnection in Bolivia, and a network of gas pipelines in Colombia. At the same time, CAF took its first steps in the social arena by signing cooperation agreements with the International Fund for Agricultural Development (IFAD), the OPEC Fund, and the World Food Program. This gave rise to a new role, as fund manager, for the execution of projects financed by other institutions. 11

However, the economic crisis of the 1980's led to the stagnation of the integration process until a change in the Andean Group's orientation decisively boosted new integration mechanisms. In alignment with the group's vision, CAF adopted a number of strategies to increase its resources and extend its field of action. In December 1989, the Institution doubled its authorized capital and invited other Latin American countries to become members. This led to the incorporation of Mexico as a shareholder in 1990, followed by Brazil in 1992, Trinidad & Tobago in 1994, and Jamaica, Panama, and Paraguay in 1997.

During the 1990's, CAF began an important program for raising funds in capital markets in order to increase its support for shareholder countries. Its active presence in the main international markets significantly increased the Institution's financial strength and its capacity to support regional development and integration.

In 1993, CAF's obtained an investment grade risk rating for the first time. Every year since then, it has obtained the highest credit ratings of all Latin American frequent issuers. Over the years, the Institution's optimal financial performance has led to more than ninety five percent of its financing coming from international sources, thus making more financial resources available to larger projects in shareholder countries.

The new millennium marked the beginning of another transformation. CAF expanded its activities in the rest of the continent and became one of the main multilateral development organizations in Latin America. Argentina and Uruguay became shareholders in 2001, followed by Costa Rica and Spain in 2002, and the Dominican Republic in 2004.

The evolution of integration processes in the region inspired an amendment of CAF's Establishing Agreement to allow other Latin American countries to join as Series A shareholders. Thus, Argentina, Brazil, and Uruguay became full members in 2007, the same year the Institution opened its first regional office in Europe. In 2008, Panama and Paraguay became full members, and in 2009, Portugal became the second European Union shareholder.

In 2009, with a view to maintaining CAF's increasing influence in Latin America, its Executive Board and Shareholders' Assembly gave swift and unanimous approval to a significant capital increase of USD 2,500 million, an amount which will double its paid-in capital.

CAF plays a significant anti-cyclical and catalytic role in supporting the policies and strategies of the governments in its shareholder countries. Throughout its history, and especially since the 1990's, it has consistently achieved record figures in approvals and loan portfolio, with very significant growth rates.

The Comprehensive Development Agenda proposed by CAF complements its financial and business strategy in the search for high, sustained, and quality growth. The agenda addresses a series of strategic programs in the areas of infrastructure, development and social sustainability, environmental development, competitiveness, and international insertion, among others.

CAF's growth and financial soundness has enabled it to fund ever larger projects. Since the 1990's, it has positioned itself as the main source of multilateral financing for infrastructure in Latin America. Moreover, the Institution has become the region's leading multilateral

organization in energy financing. The private sector has been present in the project portfolio since CAF's earliest years, in recognition of the importance of combining the efforts of State and markets to stimulate and accelerate the region's productive development. 13

The research agenda and forum for discussion of public policy issues provided by CAF has positioned it in a privileged position in its relations with the most important think tanks, policy makers, and academic communities. Thus, the Institution helps shape a development agenda while strengthening its own role in supporting Latin America's rightful place on the world stage. In 2010, CAF commemorates its fortieth anniversary with eighteen countries and fourteen regional private banks as its shareholders. CAF continues committed to its mission of achieving sustainable development and regional integration in Latin America.



O/MC



GI/IB/MP



GI/S/IB



O/RG



AA



AA



CAF



GI/IB/MS



GI/IB/KS



GI/IB/SA



O/RL



CAF



AA



HJ



GI/IB/JM



CAF



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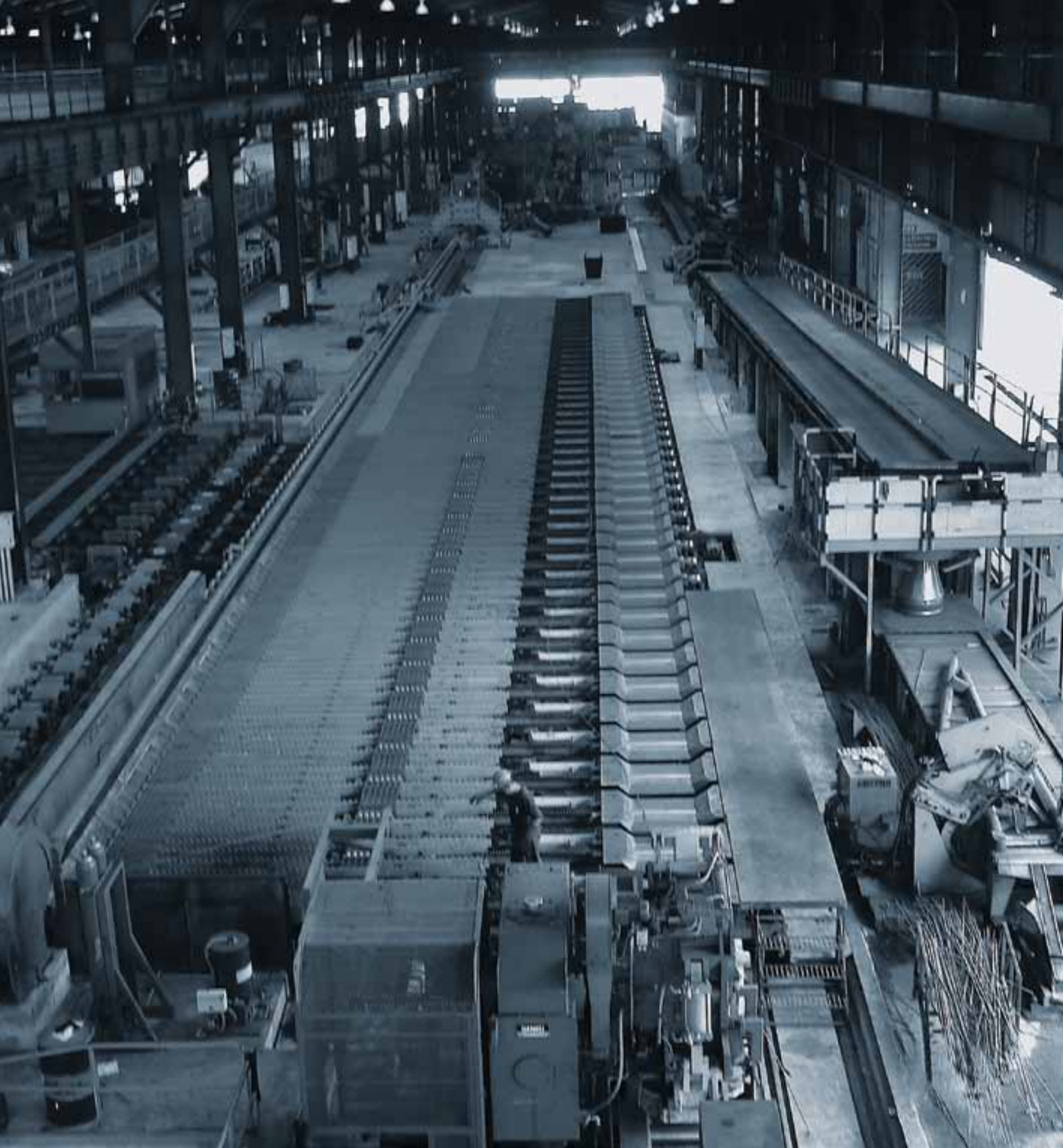


SG



GI/RHIW/GH





First initiatives

BOLIVIA, CHILE, COLOMBIA,
ECUADOR, PERU, VENEZUELA.

The first initiatives financed by CAF were mainly aimed at giving support to small private sector enterprises for development and expansion projects that would lead to increased productivity. With the exception of projects in Bolivia and Ecuador –countries considered to be relatively less developed economically– CAF financed projects that were essentially integrationist. In 1971, the Institution granted its first loan to the Republic of Bolivia, to fund the installation of a network of rice silos in Santa Cruz. That year, it also gave a loan to Empresa Ecuatoriana de Atún, S.A. to finance a fishing complex. This was the first loan granted to an Andean multinational private enterprise with capitals from Chile and Ecuador. In addition, CAF supported Acerías Nacionales de Ecuador, S.A., a company which also had Chilean and Ecuadorean capitals, by financing an expansion of the company’s productive capacity. A year later, it gave its first loans to the private sectors in Bolivia and Venezuela. The loan to Inversiones Generales, S.A. was the first one granted to a private company in Bolivia.

In 1973, CAF approved its first financial leasing operation for the acquisition of an aircraft by LANChile –a company which belonged to the Government of Chile at the time– and in 1974 it granted its first loan to a bi-national company with headquarters in Colombia. In 1973, CAF also granted one of the first loans to a private company in Chile, Viña Undurraga S.A., whose products were destined for export to the Andean Group. In 1975, the Institution approved a loan to La Cemento Nacional, a private enterprise in Ecuador with which it has since maintained a long relationship. A year later, it granted Petróleos de Perú a loan to finance the construction of the Northern Peru oil pipeline. This was the first initiative aimed at financing the construction of oil pipelines.



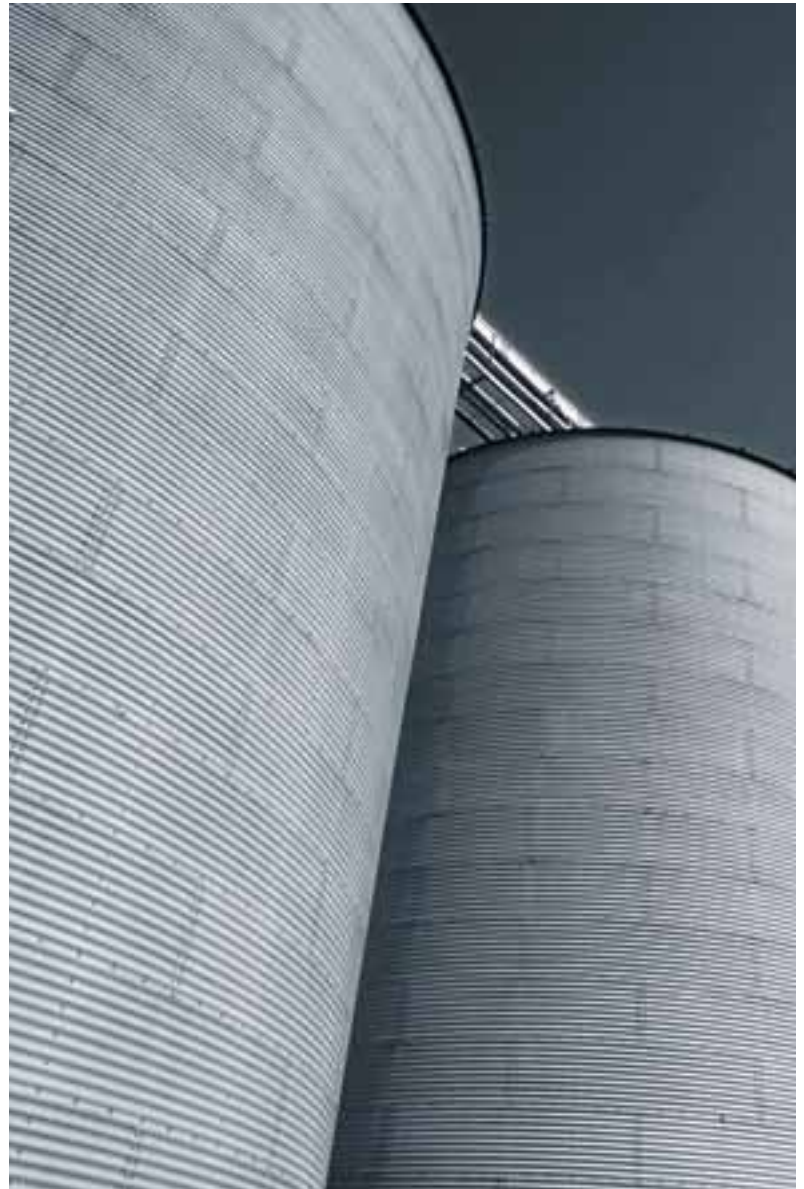
JR / PHOTODISC / GETTY IMAGES

One of the first loans approved by CAF was granted to Ecuatoriana de Atún, a bi-national enterprise with Chilean and Ecuadorean capitals.



VU

Founded in 1885, Viña Undurraga is one of the most traditional wineries in Chile. Its products are sold in more than sixty countries.



GB / BLOOMBERG / GETTY IMAGES

One of the first initiatives financed by CAF in Bolivia supported the installation of a network of rice silos in Santa Cruz.



First physical integration project

VENEZUELA

The first loan to finance a physical integration project between two CAF's shareholder countries was granted in 1972 for the construction of a bridge over the Limon River to improve the land connection between Colombia and Venezuela. 21

In 1973, CAF financed another integration initiative, by granting a loan to Moldeados Andinos C.A., a private company with headquarters in Venezuela which exported to the Andean Group. Two years later, it granted its first loan to finance a telecommunications project to Empresa Nacional de Telecomunicaciones de Bolivia, for the installation of a microwave ground station. CAF would later finance similar projects in Ecuador, Peru, and Venezuela. In 1978, the Institution financed the expansion of one of the oil refineries of Empresa Colombiana de Petróleos (ECOPETROL). This loan supported the development of home-grown technology, which is endorsed by the authorities in Andean integration.

In 1986, CAF financed the completion of the Chimore-Yacapani highway in Bolivia, which is part of the Andean trunk road system and of the Marginal Jungle Highway of Bolivia, an integration project. This was the first loan granted to finance the construction of roads that form part of the South American physical integration corridors. In 1988, CAF provided Ecuador with resources to build a bridge over the San Miguel River, and thus connect it to Colombia. The purpose of this loan was to execute a physical integration project between two CAF's shareholder countries.

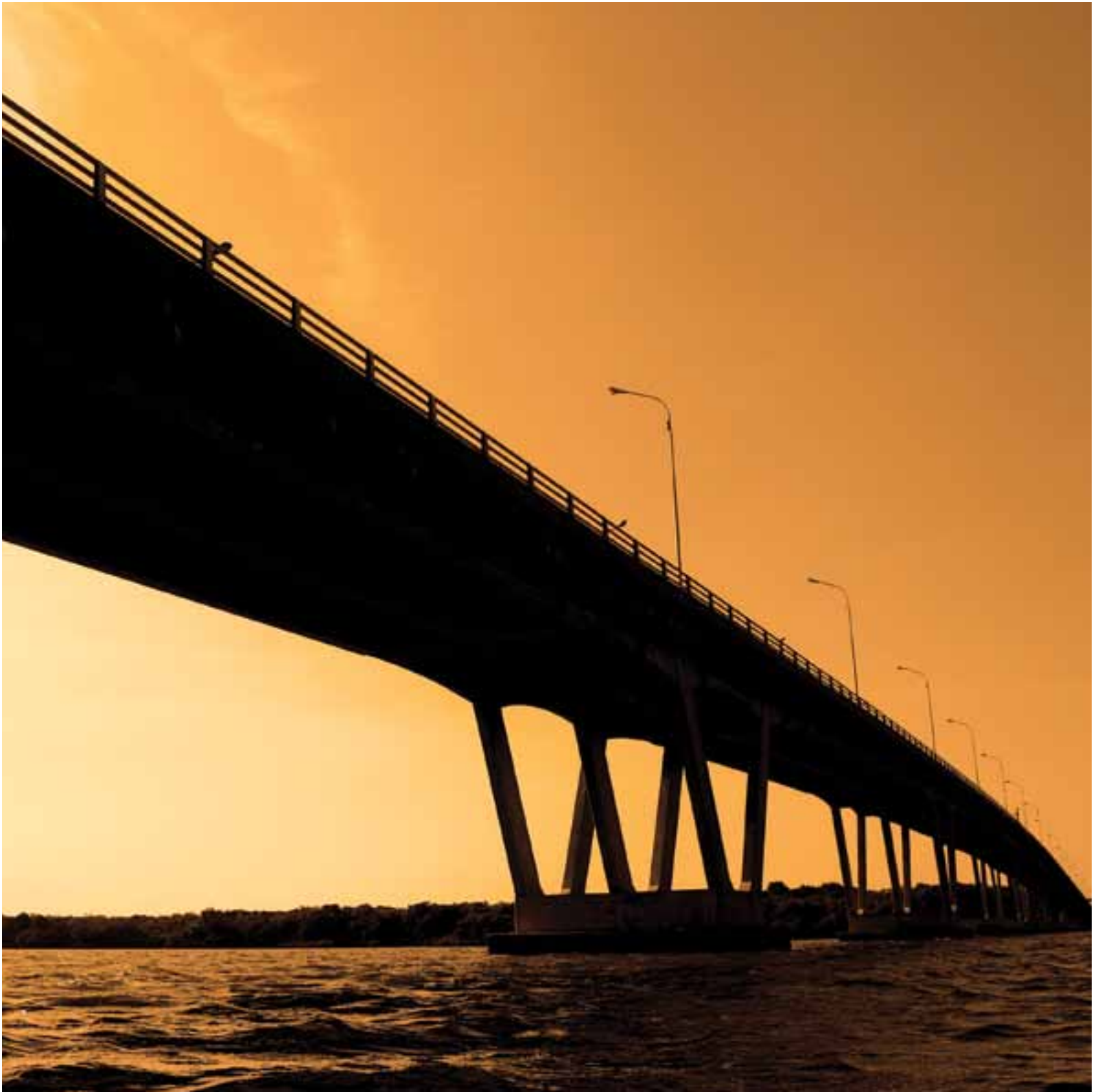
Since the construction of a bridge over the Limon River between Colombia and Venezuela in 1972 until the significant project portfolio currently held, CAF has led the development of regional infrastructure, a key component to achieve Latin American integration.



FOTOS: LA



The bridge over the Limon River in 1972 was the first project financial by CAF to support regional integration. The structure is 670 meters long and crosses the river in the state of Zulia, near the Venezuelan-Colombian border.





First initiatives in the energy and telecommunications sectors

BOLIVIA, COLOMBIA,

ECUADOR, PERU.

During the 1980's, CAF financed its first energy development projects. In 1983, it granted resources to Instituto Ecuatoriano de Electrificación to finance a power generation project. The loan was to support the execution of works that would complement the Paute hydroelectric project. Throughout its history, CAF has financed similar projects in its shareholder countries, including some for thermal power generation. 25

In 1985, the Institution financed an electric grid interconnection project for the first time. The resources granted to the Republic of Bolivia were for the execution of the Interconexión Central-Oriente by the National Electricity Company. Later, it would finance similar projects in Bolivia, as well as in Argentina, Brazil, Costa Rica, Ecuador, and Venezuela.

That year, CAF also granted a loan to Monómeros Colombo-Venezolanos to finance a project for producing anhydrous sodium sulfate from the residual gypsum generated in the petrochemical complex. Until then, wastes were discharged into the Magdalena River. Once executed, the project would eliminate a source of pollution by giving a use to the gypsum continuously discharged into the river.

In 1986, CAF granted its first loan for the development of landline telephony projects to Empresa Nacional de Telecomunicaciones de Perú. This loan was to finance the expansion of telephone networks in various regions of the country.

In 1989, it granted resources to Promotora de Interconexión de Gasoductos, S.A., which had headquarters in Colombia. This was its first loan to finance gas pipelines in shareholder countries. The aim of the project was to supply natural gas to small- and medium-sized cities located in the country's northern region. In later years, CAF would also finance the construction of an important gas pipeline between Bolivia and Brazil.

Infrastructure for development

During the 1990's, CAF recognized infrastructure as a basic element in the progress towards development and integration in Latin America. The Institution began to seek suitable opportunities and commissioned several studies that were included in its first publications on the subject. In 1992, it set in motion an ambitious plan for physical infrastructure and cross-border integration.

CAF then directed its efforts at those infrastructure sectors that could potentially support the integration process and increase the region's international competitiveness, including projects in the fields of roads, energy, telecommunications, and river integration in Latin America, both domestically and among shareholder countries.

In 2000, CAF joined the Initiative for the Integration of Regional Infrastructure in South America (IIRSA), a multinational proposal involving the transportation, energy, and telecommunications sectors in twelve countries in South America. IIRSA's goals are: to coordinate the territories in South America so that they can function increasingly as an integrated space for internal development; to improve competitiveness and the global insertion of the region's economy; and to stimulate sustainable socio-economic development in these countries by modernizing and integrating their infrastructure and logistics.

In recent years, CAF has continued to support the field of infrastructure, mainly to improve the conditions of access and territorial coordination in its shareholder countries, and to integrate territories on a regional scale. A second important field of activity has begun to emerge: the development of a basic platform of infrastructure in the cities of the region. In both these fields, CAF's Infrastructure Agenda is part of the agenda on economic growth and international insertion, as well as of the agenda on social development and poverty elimination.

CAF also seeks innovative financing mechanisms for public and private investment projects, 27 and supports the design, preparation, and structuring of new projects through specialized assistance and technical cooperation funds.

In addition, the Institution contributes to reinforce the regulatory frameworks, organizations and public entities involved in the planning, building, and maintaining of infrastructure through experience and technical support. CAF specializes in the planning, preparation, evaluation, supervision and technical assistance for complex investment projects in infrastructure, particularly in the areas of road engineering, hiring processes, urban transportation projects, and energy generation and transmission.

CAF offers many advantages, including: an efficient loan process approval, flexible and innovative products and services, direct financing for public enterprises and sub-national entities that qualify without sovereign guarantee, and the priority given to integration projects. This has led to a significant increase in the Institution's infrastructure portfolio, which in 2010 comprised approximately fifty percent of its total loan portfolio.

CAF in the international capital markets

28

During CAF's first two decades of operations, the funds it made available to its shareholder countries came almost exclusively from its capital. Towards the end of the 1980's, when the financial crisis affected the economies of many Latin American countries, the Institution began to look for new sources of funds.

This trend was consolidated in the 1990's, when CAF went under a profound process of institutional restructuring to optimize its procedures and maximize its competitiveness. This resulted in record levels of approvals and loan portfolio. Thus, the Institution developed a more aggressive funding policy in international capital markets.

Furthermore, the Institution sought to obtain investment grade risk ratings, achieving it for the first time in 1993. Every year since then, CAF has been assigned ratings that position it as the frequent issuer from Latin America with the highest credit ratings.

These factors have enabled CAF to reach optimum financial performance resulting in that, nowadays, more than ninety five percent of its funds come from international sources, thus making more resources available to support shareholder countries in the financing of larger projects.

CAF is one of the debt issuers with the highest credit ratings in Latin America. This has enabled its active and successful participation in international capital markets. In addition, the Institution maintains commercial paper programs both in the United States and Europe.

Financing strategy

CAF's financing strategy is based on diversifying sources and terms, mitigating risks associated with interest rates and currencies and obtaining competitive rates which enable an effective intermediation of its financial resources. 29

By diversifying its sources, the Institution is able to obtain the best financial conditions and gain access to the source offering the best alternatives when new funds are required. CAF is able to attract a constant and stable flow of funds at competitive rates, in order to maintain the liquidity levels stipulated in its financial policies and effectively accommodate its client's needs.

By diversifying terms, CAF is able to closely match the average maturity of its liabilities with that of its assets, thus eliminating maturity mismatches.

It should be noted that CAF uses the resources obtained in capital markets to fulfill its mission of supporting sustainable development and integration among its shareholder countries. It does this by financing projects that diversify these countries' economies, and make them more competitive and sensitive to social needs.

Since 1993, when the most renowned international risk rating agencies awarded CAF investment grade ratings, its ratings have improved periodically due to the strength and stability of its operational results, a cautious management of its credit portfolio, and its sound financial policies, among other reasons. All these factors, combined with the support of its shareholders, have led international markets to recognize CAF as one of the frequent issuers with the best credit ratings, totalling more than seventy issues amounting to USD 11 billion.

Evolution of CAF's risk ratings

1993

CAF became the first Latin American issuer to receive simultaneous investment grade ratings for its long-term debt in foreign currency from the best known rating agencies: Moody's Investors Service (Baa3), Standard & Poor's (BBB), and Fitch (A-).

1995

The British publication Euromoney named CAF Best Issuer in Latin America, and CAF was the first Latin American issuer to gain access to international financial markets after the Mexican crisis. In addition, Standard & Poor's and Moody's ratified their risk ratings.

1996

Two agencies raised their ratings on CAF's long-term debt. Moody's did so in January (from Baa3 to Baa2) and Standard & Poor's in November (from BBB to BBB+); at the same time, Standard & Poor's assigned an A2 rating to the short-term debt. Fitch ratified its ratings for the long-term (A-) and for the short-term (F2).

1997

In June, Moody's raised its rating for the long-term debt from Baa2 to A3, the highest risk rating given by this firm in Latin America. In addition, it assigned a rating of P-2 to the short-term debt.

1998

In spite of international financial difficulties, CAF's risk ratings were ratified by all three agencies, thus enabling it to continue in its leading position in the international capital markets. CAF was the first Latin American issuer to gain access to capital markets after the Asian crisis, thus reestablishing the trust of investors in the region.

1999

In August, Standard & Poor's raised its rating by two levels: from BBB+ to A for the long-term debt, and from A-2 to A-1 for the short-term debt. CAF became the Latin American issuer with the highest ratings. 31

2000

Fitch increased CAF's ratings for its long- and short-term debt from A- to A and from F2 to F1, respectively, thus enabling it to maintain its position as the best rated issuer in Latin America. Later in the year, Latin Finance named CAF Best Multilateral of the year for its performance as an issuer and catalytic agent, as well as for the work conducted during its decades of existence.

2001

In May, Moody's raised CAF's ratings for its long- and short-term debt from A3 to A2 and from P2 to P1, respectively. CAF continued to be the best rated Latin American issuer.

2003

CAF obtained three awards for its performance in the most demanding world financial centers: Issuer Agency of the Year, Best Bond Issue to Finance Development, and Best Multilateral, granted by the specialized publications Euromoney, Emerging Markets, and Latin Finance, respectively.

2004

During this year, CAF once more received the three awards it had obtained the previous year. In addition, its ratings were ratified by all the agencies, thus maintaining its position as the frequent issuer with the highest ratings in Latin America.

2005

Moody's raised CAF's ratings for its long-term debt from A2 to A1. In addition, the Japanese agency Japan Credit Rating Agency (JCR) rated CAF for the first time and assigned it AA- for its long-term debt, thus giving it the best credit rating in Latin America.

2006

Fitch raised the rating for the long-term debt from A to A+. In addition, it assigned long and short-term ratings for CAF's local debt of AAA and F1+, respectively. The other agencies ratified their ratings.

2007

In April, Standard & Poor's raised its long-term rating from A to A++. The other agencies maintained their rating levels and once again ratified CAF's position as the Latin American frequent issuer with the best credit ratings.

2008

CAF continued to maintain a leading position as a Latin American issuer in spite of the difficulties in the capital markets caused by the worsening of the global financial crisis. CAF's conservative financial policies and optimal operational results demonstrated its capacity to withstand the turbulence in the financial markets. Once again, the agencies ratified the ratings assigned to CAF.

2009

Throughout this year and after the financial markets crisis, the agencies maintained CAF's 33 credit ratings, both for the short- and the long-term in foreign currency. This enabled CAF to maintain its presence in the main financial markets of the United States, Europe, and Japan, and in local markets, with placements in Colombia, Mexico, Peru, and Venezuela. With over USD 2,000 million in placements in recent years, CAF continues to consolidate its financial structure, while at the same time increasing its presence in Latin America.

2010

CAF continues to keep the investment grade ratings granted by the main rating agencies: Fitch (A+), Japan Credit Rating Agency (AA-), Moody's Investors Service (A1), and Standard & Poor's (A+).



Bolivia-Brazil gas pipeline

BOLIVIA, BRAZIL.

The Bolivia-Brazil gas pipeline is one of the most important projects of infrastructure and energy integration in Latin America. In 1974, the Chiefs of State of both countries signed a Natural Gas Sale Agreement that outlined regional strategies in the fields of production, distribution, and marketing of gas for the main markets of South America. 35

The main objective of the project was to contribute to regional energy integration, by enabling the natural gas industry to expand its activities from the gas deposits in Bolivia to the Central and Southern regions of Brazil. For Brazil, this would substantially increase its energy matrix, while Bolivia could develop its gas reserves, increase production, and open a new export market.

In 1997, CAF financed the construction of the Bolivian and Brazilian stretches of the pipeline by granting loans to Petroleo Brasileiro, S.A. and Transportadora Brasileira Gasoduto Bolivia-Brasil, S.A. These were the first loans CAF granted to Brazil to finance its energy integration with Bolivia.

The gas pipeline, which starts in Rio Grande in Bolivia and ends in Porto Alegre, Brazil, is considered the longest natural gas pipeline in South America. Inaugurated in 1999, it gave rise to a new framework for continental integration enabling the set up of a continuous marketing process that generated clean and economical energy for Brazil while favouring the Bolivia's economy.

In April 2010, the Bolivian state-owned oil company, Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), announced the construction of two pipelines parallel to the current pipeline. Brazil is Bolivia's primary gas market, followed by Argentina. Gas is Bolivia's first export product.



CAF

The construction of the gas pipeline led to greater participation of private sector investors, which boosted the growth of the natural gas market.



Approximately 2,500 kilometers of the pipeline were built in Brazil and 557 kilometers in Bolivia.



FOTOS: CAF





Brazil-Venezuela electric grid interconnection system

BRAZIL, VENEZUELA.

The interconnection of the electric systems of Brazil and Venezuela arose from the need to supply electricity to the northern Amazon area. In view of the favorable conditions for producing hydroelectric energy in Venezuela, Brazil was interested in designing an energy supply plan that would not result in great costs of execution. For Venezuela, the project would enable the development of the mining industry along the area under the electric lines, and would supply electricity to the populations of Tumeremo and Santa Elena de Uairen. The initiative was further related to the development plans of Electrificación del Caroní and the southern region of the states of Amazonas and Bolívar. 39

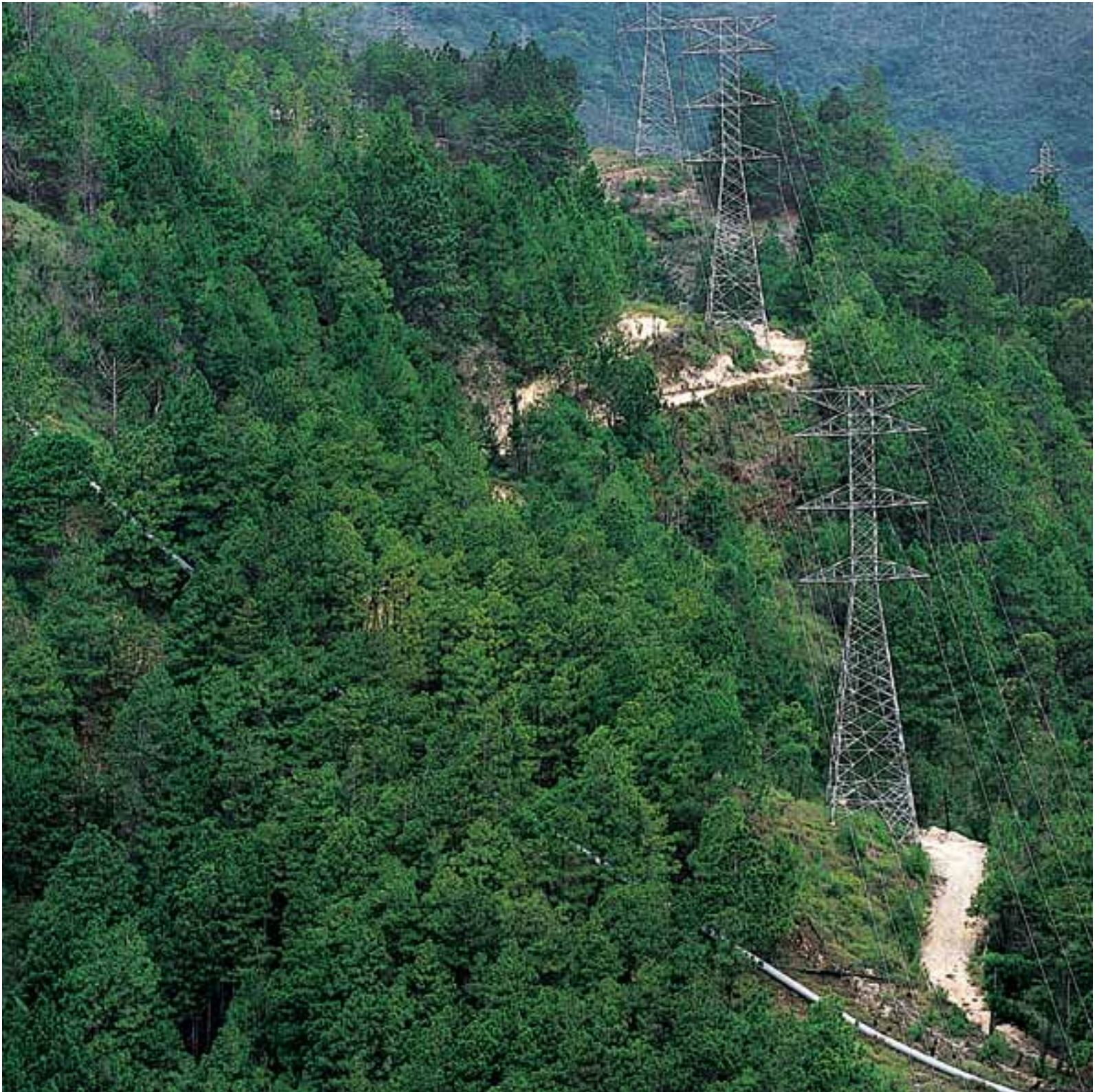
The project aimed to install and set up a 230 kv electricity transmission system between Santa Elena de Uairen on the Venezuelan frontier and the city of Boa Vista in Brazil. Since the 1990's, the city of Boa Vista, capital of the Brazilian state of Roraima, had experienced significant economic growth which was further boosted by the inauguration of the Manaus-Santa Elena de Uairen highway in 1998. However, the city's development was hampered by deficiencies in its electricity supply.

CAF supported the new stage of integration between the two countries in which an electricity transmission system would be installed to supply electricity to nine localities in the Brazilian state of Roraima. This stage would also establish the basis for the future expansion of the interconnected network. The project is linked to Group 1 of the Guyana Shield Axis of the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). The interconnection, which is the only one included in the axis of projects between the two countries, has been operating since 2001. It provides access to clean energy to 250,000 inhabitants, that is, seventy eight percent of the population of the state of Roraima.



FOTOS: CAF

Brazil and Venezuela converge in their vision of the future of energy integration in Latin America.









Urban renewal in Guayaquil

ECUADOR

Guayaquil has experienced the fastest and most widespread process of urban renewal in Latin America in recent decades. Its transformation began in the 1990's with the Malecón 2000 project and the work of restoration, construction, and environmental sanitation spread to avenues, streets, and neighborhoods to transform the rest of the city. 45

The municipality's initiative received the support of the central government, public and private enterprises, and CAF. The objective of the renewal program was to embellish the city and stimulate tourism, as well as to provide adequate use to public spaces, promote public culture, and raise the population's self-esteem.

The construction works included tunnels through the hills of Santa Ana and El Carmen, the Pascuales terminal highway, the Metrovía Integrated Mass Transport System, the San Eduardo tunnel, the widening of the Rafael Mendoza-Avilés bridge, the Malecón 2000 and the clean-up of Estero Salado, as well as projects to provide potable water, sewage disposal, and road paving in disadvantaged sectors.

CAF granted financial support for the Guayaquil road program, the recovery of Estero Salado, the widening and readjustment of the Rafael Mendoza-Avilés bridge, the public transportation plan, the San Eduardo Tunnel, the complementary works of the Guayaquil-Salinas road, and the municipality's sanitary sewage project, among other projects.

These building works have revitalized the cultural and commercial center and the services required; improved vehicle and pedestrian traffic, and contributed to the recovery of the area's commercial value.



The recovery of Estero Salado substantially improved the quality of life for the citizens settled on the river banks. There is also a program for removing solid waste from the water mirror.





The construction and modernization of parks, squares, bridges, main roads, traffic circles and transportation systems, and other environmental sanitation works transformed Guayaquil into one of the most modern and attractive cities of Latin America.









The construction of the highway ending in Pascuales and the Integrated Mass Transportation System began in 2001. The San Eduardo Tunnel construction works began five years later together with the modernization of the land terminal. Urban renewal continued with the widening and improvement of the Rafael Mendoza-Avilés bridge and the Guayaquil-Salinas road, and with the restoration of parks, squares, and neighborhoods.



IK



CAF



CAF





Support for social sustainability

CAF is committed to alleviating poverty and reducing inequality in the region, particularly in its shareholder countries. To this end, it has consolidated a comprehensive development agenda for boosting socio-productive capacity, increasing social integration, and preserving and promoting culture as a vehicle for social inclusion, particularly for excluded communities. The initiative has been undertaken in alliance with partners and operators to strengthen existing networks of social capital.

Through its Community Comprehensive Development Program, the Institution supports projects that contribute to improving the quality of life of the communities served. It also aims to create social capital, promote Corporate Social Responsibility and create development opportunities through support for projects for the comprehensive development and productive insertion of individuals. In these projects, socio-productive support must harmonize with other important aspects of human development, such as culture, education, health, and sports.

The main beneficiaries of this program are communities and producers at the foot of the social pyramid who are excluded from the formal socio-economic structure. Special attention is given to those communities located in regions adjoining projects financed by CAF. The components of the program are described below.

Productive component. This component focuses on improving the communities' ability to generate sustainable income, through the provision of training and technical assistance, productive resources inputs, equipment, etc. and through strengthening productive organizations.

Social component. This component focuses on the development of health projects, and education and skills training for the incorporation of excluded children and youth into society. It also covers the reinforcement of community organization in order to promote effective self-management.

Cultural component. This component focuses on increasing, recovering, and developing the region's cultural and patrimonial heritage. 55

In the last decade, the Program for Social Inclusion through Music has been one of CAF's most important investments in the area of social responsibility. Music is universally recognized as an ideal educational tool because of its capacity to improve the intellectual, physical, emotional, spiritual, and expressive abilities of individuals. The program is mainly directed at low-income children and youth. An excellent tool for social inclusion, music also inspires the noblest values and unites family and community, thus strengthening the social fabric. The program's activities include orchestral training through the Itinerant Andean Conservatory, choral training through the Andean Voices Choir, training through instrument repair through the Itinerant Andean Luthier Workshop, and Training for Trainers, which prepares local teachers so that the program can continue and expand.

Furthermore, through its Program for Social Inclusion through Sports, CAF seeks to prevent the exclusion of at-risk children and youth, and to provide opportunities for inclusion. The sports training provided to children, youth, and local coaches and referees encourages the development of positive values such as solidarity, discipline, responsibility, respect, ethics, and team work. This creates civic culture and civic conscience and contributes to a comprehensive education.



Rescue of cultural heritage

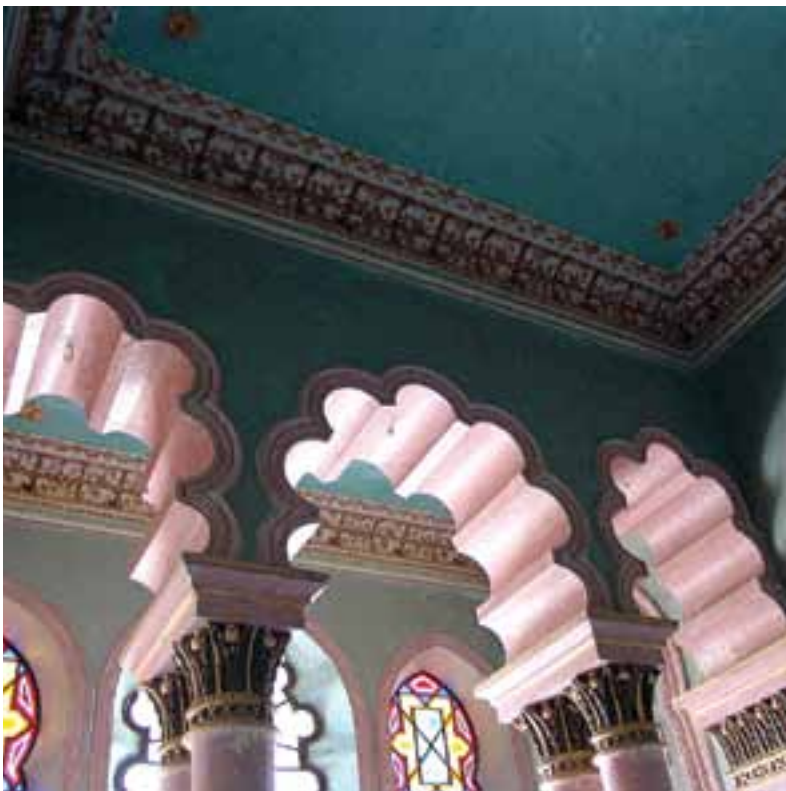
BOLIVIA, COLOMBIA, ECUADOR,

PERU, VENEZUELA.

Since 2005, CAF has supported the Heritage for Development Program of the Spanish Agency for International Cooperation for Development (AECID, in Spanish). AECID's aim is to cooperate in upholding the historic and cultural heritage of the countries whose use and enjoyment is a privilege of the entire community, and an essential component of its life, cultural identity and dignity. Moreover, upholding a community's heritage leads to improvements in its living conditions. CAF has worked with AECID through its Social Sustainability Agenda for Latin America. The agenda supports innovative projects in the fields of music, sports, training in basic skills, heritage rescue, and the generation of local opportunities. Its aim is to nurture the talents and capacity of individuals coming from those sectors of society that are traditionally excluded, so they can become agents of their own development. One of AECID's main lines of activity has been the revitalization of historic centers, through works that are often undertaken by workshop schools where teaching combines theory and practice, or general education and practical work, with an emphasis on the restoration of historic artifacts and buildings. Students are selected from the most disadvantaged social groups, with no access to other educational possibilities. For more than twenty years, AECID has devoted itself to the defense and sustainable management of cultural heritage, and has provided technical and financial support to more than forty workshop schools around the world. Through its alliance with CAF, approximately 1,400 youth have been already trained, and 1,600 are currently under training. The labor market insertion rate of these individuals is eighty percent. CAF supports seventeen workshop schools in Latin America. Especially noteworthy are the Sucre workshop school in Bolivia, and the Coro workshop school in Venezuela. Both cities were included by the United Nations' Educational Scientific and Cultural Organization (UNESCO) in its list of world heritage sites in 1991 and 1993, respectively.



FOTOS: CAF



The religious buildings in Sucre, built in the sixteenth century, combine local architectural traditions and styles imported from Europe.





Training in skills and heritage rescue enables youth to develop their productive capacity, insert themselves in the labor market and contribute to preserving Latin America's historic and cultural heritage.



AS

AS

AS



FOTOS: AS

CAF supports workshop schools in Chiquitania, Chiquitos, Potosi, and Sucre (Bolivia); Cartagena, Mompo, and Popayan (Colombia); Santo Domingo (Dominican Republic); Cuenca and Quito (Ecuador); Arequipa, Cusco, Lima, and Valle del Colca (Peru); and Coro and La Guaira (Venezuela).





The “House with One Hundred Windows” currently headquarters the Cultural Institute of the State of Falcon, located in the Colonial Center of Vela de Coro.





In 1993, UNESCO designated Santa Ana de Coro as a cultural heritage of humanity site.

This historic town combines Dutch and Spanish architectural styles with techniques developed by indigenous American people.





Support for competitiveness

ARGENTINA, BOLIVIA, COLOMBIA,

ECUADOR, PERU, VENEZUELA.

For over a decade, CAF has been committed to building competitive agendas in its shareholder countries, as a component of a strategy for development complemented by social and environmental sustainability. The development and implementation of these agendas is based upon the knowledge of the barriers and opportunities present in Latin America. This experience has been furthered by the efforts towards the promotion and reforms required by sectors with export potential. CAF has made the information gathered through its Competitiveness Program (PAC, in Spanish) freely available to the public, for use by those interested in contributing to the creation of an institutional framework that would facilitate public-private partnerships. 67

These partnerships would build the trust necessary for the flow of relevant information that could lead to agreements on the institutional reforms required. It could also lead to the identification of export sectors with the greatest potential, and to the discovery of new ways of strengthening value chains, as well as the capacity to create new productive clusters.

The assumption behind PAC is that countries cannot be inserted into international trade by decree in formal integration agreements; insertion requires an institutional framework that enables the population to mobilize and take advantage of the benefits of operating in a global economy. Competitiveness requires a balanced focus that emphasizes both important local problems and global reforms. It also requires a focus on microeconomic and institutional cooperation mechanisms to bring about innovation and improvements in productivity. Issues related to innovation, entrepreneurship, and local development require coordinated efforts if the region is to be able to face the new competitive challenges of the years to come.





FOTOS: IK

In the Peruvian automotive sector, the Management Model for Competitiveness focuses on strengthening the relationship between leading enterprises and suppliers, so that the latter become more competitive in terms of quality, technology, service, and price. This could lead to their entrance into the industry's list of worldwide suppliers.





FOTOS: CAF

The grapes, wines, and singanis cluster leads the agro-industry and exports of the southern region of Bolivia.







FOTOS: IK



The horticultural cluster in Ecuador promotes producers' participation in the value chain of processed and marketed foods through training, technical assistance, and the development of a supply model with a leading enterprise.



The companies in the Peruvian Agro-Exporter Producers' Association generate employment for 28,000 workers. Production includes citrus fruits, asparagus, bananas, mangoes, onions, pecans, eggfruit, and avocado.





For over a decade, CAF has promoted competitiveness and productivity in Latin America, and has executed more than 150 projects in the region in association with more than 470 public and private institutions.



FOTOS: CAF

CAF helps position the Venezuelan Premium Rum internationally, by promoting its denomination of origin abroad and greater integration of participants in the value chain.









Integration infrastructure

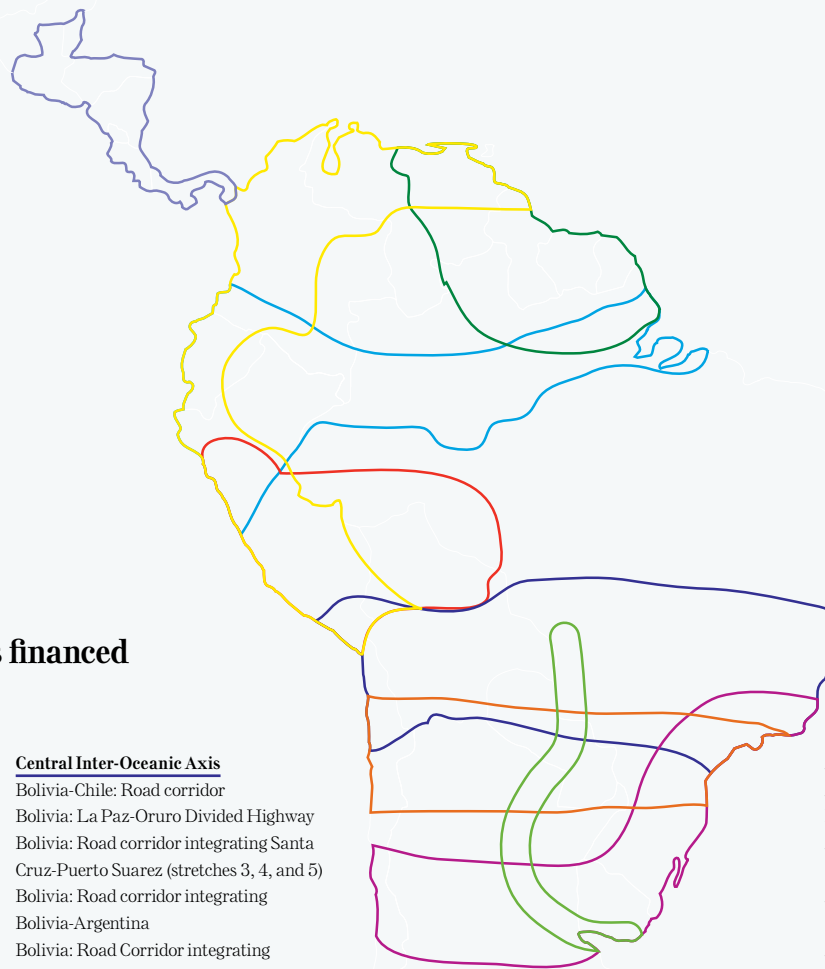
80

One of the most ambitious plans for productive modernization and regional integration is the Initiative for the Integration of Regional Infrastructure in South America (IIRSA). This macro-integration project involves all twelve countries in South America and aims at the development of transportation, energy, and telecommunications infrastructure in the region, in order to achieve equitable and sustainable territorial development.

The initiative was launched in the year 2000 during the Meeting of South American Presidents, who agreed to act jointly to promote the political, social, and economic integration processes in South America. This included the modernization of regional infrastructure, as well as specific projects for stimulating integration and development in isolated sub-regions. The initiative proposes an Indicative Territorial Planning process that will transform the region's vision of a physically integrated South America into a portfolio of infrastructure projects that use the Integration and Development Axes as a reference for integration and for economic and social development.

As a result of the work on indicative planning, South American governments have identified a portfolio of more than 570 projects classified into forty seven groups, and belonging to eight Integration and Development Axes which require an estimated investment of USD 74,500 million. These concrete projects in the fields of transportation, energy, and telecommunications are at different stages of execution, and are the focus of the efforts and investments in production agreed by the countries.

Over the last decade, CAF has approved a loan portfolio of over USD 6,300 million to execute 54 physical integration projects, that represent a total investment of USD 21,000 million.



Physical integration projects financed by CAF in Latin America

Andean Axis

Colombia: Buenaventura-Bogota Road Corridor
 Ecuador: Amazon highway connection with Colombia and Peru (Troncal del Oriente Highway)
 Ecuador: Segmented Bridge over the Babahoyo River
 Peru: Repairs and improvement of the Huancayo-Huancavelica Railroad
 Venezuela: Railroad connection between Caracas and the National Network
 Venezuela: Support for commercial navigation in the Orinoco-Apure River axis

Guyana Shield Axis

Brazil: Venezuela-Brazil road interconnection
 Brazil: Venezuela-Brazil electric grid interconnection
 Venezuela: Studies for a railroad connecting Guayana City-Maturin-State of Sucre
 Venezuela: Studies for a highway connecting Guayana City (Venezuela)-Georgetown (Guyana)

Amazon Axis

Ecuador: Central Trans-Andean Connection
 Ecuador: South Trans-Andean Corridor
 Ecuador: International Cargo Transference Terminal in the port of Manta
 Peru: Northern Amazon Road Corridor
 Peru: Pre-investments in the border region with Ecuador
 Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa)

Peru-Brazil-Bolivia Axis

Bolivia: Guayaramerin-Riberalta Highway
 Brazil: Highway Integration Program in the state of Rondonia
 Peru: Southern Inter-Oceanic Road Corridor (stretches 2, 3, and 4) and guarantees for private structuring

Central Inter-Oceanic Axis

Bolivia-Chile: Road corridor
 Bolivia: La Paz-Oruro Divided Highway
 Bolivia: Road corridor integrating Santa Cruz-Puerto Suarez (stretches 3, 4, and 5)
 Bolivia: Road corridor integrating Bolivia-Argentina
 Bolivia: Road Corridor integrating Bolivia-Paraguay
 Bolivia: "Y" for Integration Road Program
 Bolivia: La Guardia-Comarapa Highway repairs and improvement
 Bolivia-Brazil: Bolivia-Brazil Gas Pipeline
 Bolivia: Support Program for the Transportation Sector PAST IV
 Bolivia: Transredes Gas Pipeline
 Peru: Road Corridor integrating Bolivia-Peru

Capricorn Axis

Argentina: Paving of RN 81
 Argentina: Access to the Jama Pass (Argentina-Chile)
 Argentina: Studies for the repair and improvement of the Jujuy-La Quiaca Railroad
 Bolivia: Tarija-Bermejo Highway Program
 Paraguay: Repairs, improvement and paving of the RN 10 and RN 11 integration corridors and complementary works.

Paraguay-Parana Waterway Axis

Studies to improve navigation, institutional management, and the financial scheme for the operation of the waterway (Argentina, Bolivia, Brazil, Paraguay, and Uruguay).
 Argentina: Railroad works program for integrating Argentina and Paraguay

MERCOSUR-Chile Axis

Argentina-Brazil: Border center Paso de los Libres-Uruguiana
 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa alternative roadway)
 Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa alternative railroad route)
 Argentina: Buenos Aires-Santiago Corridor (Access to Paso RN 40 and RN 145)
 Argentina: Electric grid interconnection Rincon Santa Maria-Rodriguez
 Argentina: Electric grid interconnection Comahue-Cuyo
 Argentina: Road program integrating Argentina and Paraguay
 Brazil: Integration Road Program-Phase One. State of Santa Catarina
 Uruguay: Mega-concession of the main road connections to Argentina and Brazil
 Uruguay: Highway Infrastructure Program Phase II and III
 Uruguay: Highway Infrastructure Public Investment Program
 Uruguay: Program to Improve the National Electricity System
 Uruguay: Thermal Plant Project Punta del Tigre

Mesoamerica

Costa Rica: Investment Program in the Atlantic Corridor
 Panama: Highway repair and improvement program
 Panama: Bi-national Bridge over the Sixaola River
 Panama: Panama Canal Authority, expansion program



Bogota-Buenaventura road corridor

COLOMBIA

The Bogota-Buenaventura road corridor is considered Colombia's most important physical integration corridor, as its roads transport more than forty percent of the country's cargo sent to foreign markets by way of the Pacific Ocean. CAF has participated in the financing of this project for road improvement in several areas, such as the La Linea Tunnel, the Buga-La Paila road concession, and the construction of the divided highway in the Buga-Buenaventura stretch. It has also provided technical assistance for pre-investment studies, and for a port-services improvement program. 83

The Segundo Centenario-La Linea Tunnel cuts through the Central Mountain Range, and is 8.8 kilometers long, making it the longest tunnel in Colombia. The project includes the construction of the tunnel and its access roads to connect with the Armenia-Ibague road. Furthermore, it will enable the integration of economic activities in the Eastern and Western zones of the country, and will reduce the distance and travelling time from the interior to the port of Buenaventura.

This initiative seeks to establish an intermodal integration corridor from the Colombian port of Buenaventura on the Pacific Coast to Venezuela, by way of Bogota and Villavicencio, and using the Meta and the Orinoco rivers.

The corridor will improve transportation conditions among three important agricultural and industrial areas in Colombia: the West, the Coffee Axis, and the capital. In addition, it will complement the improvement of other road corridors that connect with the southern part of the country and the Atlantic Coast in the North. The tunnel is estimated to mobilize ninety seven percent of the cargo between these two large regions of the Andean zone.



The Segundo Centenario-La Linea is the longest tunnel in Colombia. Its construction will enable the integration of economic activities between East and West, and will reduce the distance and travelling time from the interior to the port of Buenaventura.









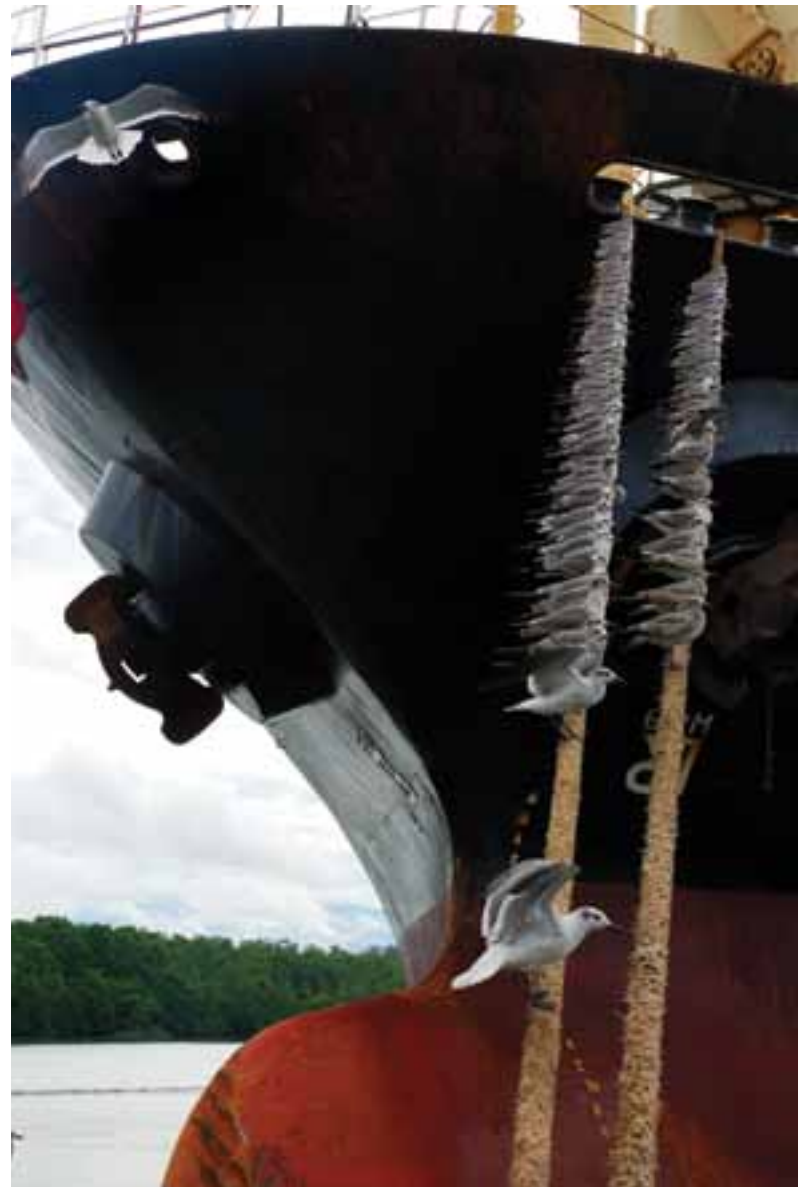
One of the most important
of the Colombian road network,
the corridor connects the port
of Buenaventura with the
interior and the Eastern parts
of the country.

FOTOS: ST



The port of Buenaventura, the largest on the Colombian Pacific coast, is one of the five port installations where CAF started its First-Class Ports Program.

CAF's interest in the area includes supporting the management of the maritime port, and projects related to social sustainability.





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ALIDA

Dirección
PALO VERDE

PALO VERDE



Urban mass transport system

VENEZUELA

Near the end of the 1940's, Caracas was undergoing one of its worst crises due to population growth and traffic congestion. The authorities considered the idea of building a Metro and presented the proposals of two French companies to the Municipal Council of Caracas. The Council rejected them, arguing that the city required a system other than underground. 91

In 1961, at the request of the government, a United Nations' mission recommended a rapid system travelling from the West to the East side of the city. Some years later, a comprehensive analytical study demonstrated that the solution to the problem was a mass transportation system.

The Caracas' Metro inaugurated its first phase with Line 1 in 1983, to become the first underground mass transportation system in Venezuela. A decade later, the system had two lines that provided West-East passenger transportation in the city.

CAF entered the project in 1994, by financing the construction of Line 3. This line was especially important since it enabled an interconnection with the National Railroad System that extends towards the West of the country.

In the year 2000, CAF financed Line 4 of the Caracas Metro, and in 2001 it granted the first of three loans for the construction of the line from Caracas to Los Teques. In 2002, it financed the construction of the Maracaibo Metro and in 2003, it granted resources to support the construction of the Valencia Metro.

In Latin America, CAF has promoted other urban mass transportation initiatives through the partial financing of various projects.



Coche

Dirección Pza. VENEZUELA







Inaugurated January 2nd, 1983, the Caracas' Metro is the most important metropolitan railway system in the city.





FOTOS.MOPVI



The Caracas-Los Teques Metro was inaugurated November 3rd, 2006. It currently transports more than 40,000 passengers per day.



 SALIDA

El Tambor

NO PASAR

SALIDA

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FOTOS: MOPVI

Inaugurated November 18th, 2006, the Valencia Metro has four lines and 31 stations. It is estimated that the project will be completely executed before the year 2020.









Santa Cruz-Puerto Suarez road corridor

BOLIVIA

The Santa Cruz-Puerto Suarez road corridor, which connects the city of Santa Cruz de la Sierra in Bolivia with Brazil, is one of the main integration infrastructure works in South America. The corridor has enabled a connection between the Pacific and the Atlantic Oceans through the central part of the continent. The road will contribute to the development of trade, agro-industry, mining, metal-mechanics, and tourism among six countries: Argentina, Bolivia, Brazil, Chile, Paraguay, and Peru. 103

Bolivia forms part of the Andean, the Inter-Oceanic, and the Peru-Brazil-Bolivia Axes of the IIRSA Initiative, and acts as the country that connects these three axes. The corridor also allows Bolivia to consolidate its only access to navigable international waters through the river channels that provide access to the Paraguay-Parana Waterway.

It is expected that the population alongside the corridor will be able to overcome economic stagnation. There are many areas along the Robore-Puerto Suarez stretch that currently have no access to the economic and social activity of the country. Due to the lack of access to markets, agricultural production had been limited to local consumption, and is solely destined for the Santa Cruz market. The most dynamic commercial activity takes place in the Puerto Suarez area.

This important road corridor was inaugurated January 15th, 2009, in a bilateral act attended by the presidents of Bolivia and Brazil.







FOTOS: HJ





FOTOS: HJ

The corridor enables the development of international trade with the MERCOSUR and Andean Community countries through the Paraguay-Parana Waterway.



The corridor is particularly important for the integration of Bolivia with neighboring countries. It also has an important impact on local development.







Social inclusion through music

BOLIVIA, COLOMBIA, ECUADOR,

PERU, VENEZUELA.

Inspired by the Venezuelan National System of Children's and Youth's Orchestras, conceived by the illustrious maestro José Antonio Abreu, CAF set its Program for Social Inclusion through Music in motion on its thirtieth anniversary, with the creation of a youth orchestra in the Andean countries. The program includes the Itinerant Latin Conservatory, the Latin Voices Choir, the Itinerant Latin Luthier Workshop, and the Training for Trainers. 111

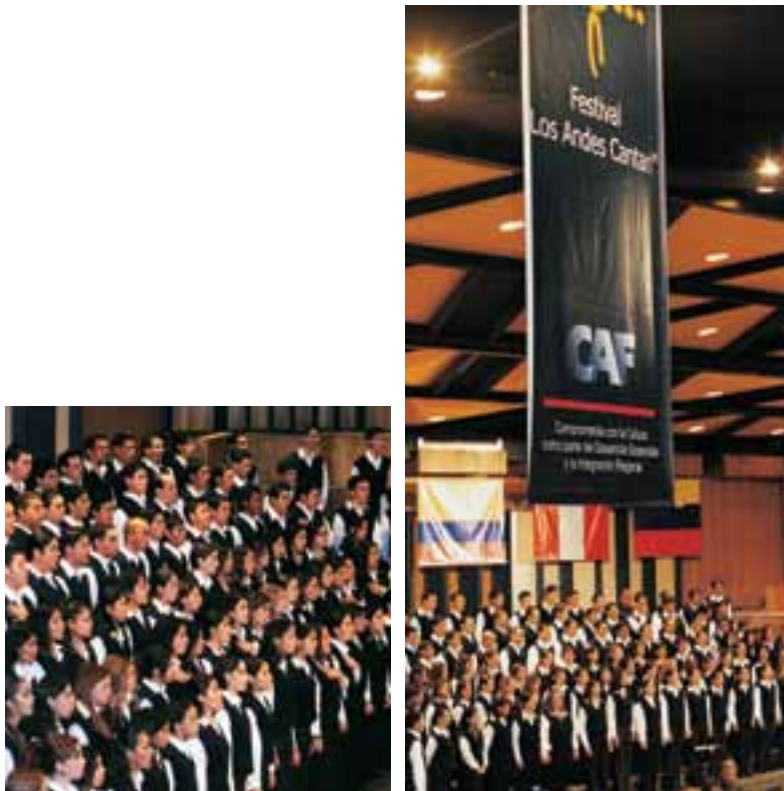
The *Andean Conservatory* was created in 2001, and later became the Itinerant Latin Conservatory. Unique in its nature, its objectives are to provide training in orchestral instrumental techniques, and to create a common platform and standard for staging high-quality musical performances and for guaranteeing uniform technical training and teaching methods.

Created in 2002, the *Latin Voices Choir* was originally named the Choir of Andean Voices. Its purpose was to nurture the infinite potential offered by the voice for developing body and spirit, and offer an alternative tool for alleviating the poverty of marginalized Andean children and youth.

The *Itinerant Latin Luthier Workshop* was created in 2003 to increase the capacity of youth and adults with low incomes to build, repair and provide maintenance for musical instruments.

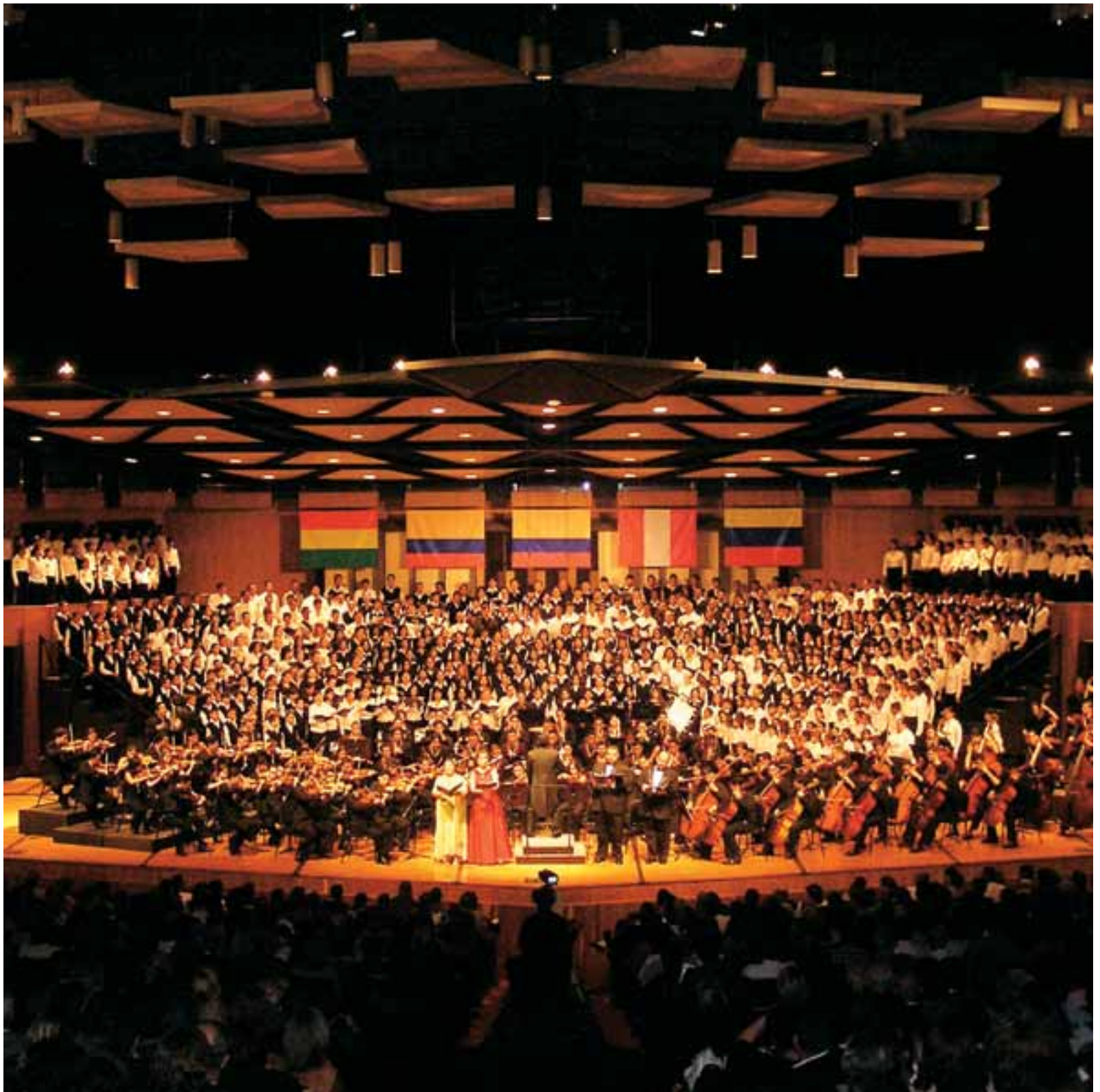
The *Training for Trainers* program seeks to provide continuity to the training in orchestral and choral skills provided to teachers in CAF's shareholder countries. This component was created independently from the orchestra and choir workshops.

Thanks to CAF's Program for Social Inclusion through Music, 40,000 children and youth, 380 teachers and 50 luthiers have received training in 105 workshops held in 26 cities in Bolivia, Brazil, Colombia, Ecuador, Peru, Uruguay, and Venezuela.



FOTOS: CAF

CAF seeks to consolidate its Program for Social Inclusion through Music in other shareholder countries. The Institution focuses on reinforcing the institutional and financial frameworks of systems that are already in operation.





FOTOS: CAF

The choral group Pequeños Cantores de los Andes participated in the Polyfolia Festival in France, an event that gathers the best choral groups in the world.



Through the Itinerant Andean Luthier Workshop individuals rescue and preserve intangible values that unite the social fabric and create civic conscience and culture.

Support for the private sector

116

From the beginning, and as addressed in its Establishing Agreement, CAF has recognized the importance of the private sector in the process of development and integration of the region.

The private sector has a direct impact on development by creating wealth, generating employment, and promoting trade and markets. Likewise, private enterprises play a key role in stimulating education, knowledge generation, and technological transfer. CAF stimulates private sector investment in the productive sectors of its shareholder countries, in order to boost its economic and social impact, complement the actions of the market, and act as a catalyzer for financing and international investment.

During the decade of the 1980's, when shareholder countries had limited access to international credit, CAF was one of the few international financial institutions prepared to finance its shareholder countries' foreign trade. The Institution focused its support on the financial sector—including development banks, second-tier financial institutions, and commercial banks—seeking to maintain the flow of international trade to the productive sector.

Once the foreign debt crisis had passed, CAF directed its actions at improving the private sector's productive capacity, its financial profile and its entrance in international markets. At present, the Institution continues to support the private sector in order to boost shareholder countries' economic growth and social development through an offer of products and services adapted to its clients' needs.

Thus, CAF grants medium- and long-term loans to private sector enterprises to finance investments in productive capacity, and lines of credit for working capital; it also offers long-term financing for projects, in the form of project financing in various industrial sectors such as mining and energy.

In addition, due to the large capital investments required for infrastructure development in Latin American countries, CAF structures public-private partnerships (PPP) for developing important national and integration works. To this end, it supports the participation of private initiatives in sectors such as transportation, roads, ports, airports, and where support may be needed to finance contracts awarded through public bids. 117

In many cases, CAF works in association with other private, public, or multilateral institutions under a co-financing mechanism. The Institution grants A/B loans, acting as a loan creditor (participant A) and extends the benefits of certain privileges to participant B.

CAF also offers partial credit guarantees to attend government and private sector obligations, in order to facilitate the structuring of complex projects and reduce financing costs. It also offers financial assistance for the design and execution of public bidding processes (concessions and privatizations), public-private partnerships, risk mitigation, raising debt (debt and/or capital), debt refinancing, enterprise valuation, and mergers and acquisitions.

Finally, CAF provides assistance in matters such as governance, corporate governance, and the promotion of corporate social responsibility, which also require the private sector's active participation.



Olmos irrigation and hydroelectric power generation project

PERU

The Olmos Irrigation and Hydroelectric Power Generation project is one of the most noteworthy productive infrastructure initiatives in Latin America. Conceived of as a comprehensive project, its aim is to use the waters of the Huancabamba River and other rivers of the Amazon Basin for irrigation and electricity generation projects in the area of Lambayeque located on the other side of the Andes Mountains, in the Pacific Ocean Basin. 119

The project has four components: i) construction of reservoirs to store and regulate water flows, ii) construction works for water transfer through the mountain, iii) construction of channels to conduct and distribute irrigation waters, and iv) construction of two hydroelectric power plants.

Given the size of the project, the Peruvian government decided to implement it in two stages, the first of which was to be undertaken in two phases. CAF participates in the partial financing of the first phase that covers the construction of the Limon Reservoir, the Trans-Andean Tunnel, the commuter or daily regulation reservoir, part of the first Olmos hydroelectric plant, and the irrigation works.

The project, which will have a significant impact on regional development, is the result of a public-private association. The Peruvian State assigned private management the responsibilities of obtaining part of the financing, designing, building and operating the completed works. CAF has played a particularly important role in the execution of the project, since it has financed, through long-term loans, the participation of both the public and private sectors. In addition, through the issuance of a partial credit guarantee to the Republic of Peru, CAF facilitated the project's access to financing from the local capital market.



FOTOS: CNO



Construction works on the Trans-Andean tunnel began in 2006, and involve crossing through the Andes Mountains at a depth of 2,000 meters below the mountain tops.



The construction of the Olmos Transfer will create a new area of economic development and improve the living conditions of the population in the North of Peru.



FOTOS: CNO



FOTOS: CNO



A drill was manufactured specifically for the project. It measures 312 meters and weighs 1,075 tons.



One of the main challenges of the Olmos Project was the construction of the Trans-Andean Tunnel under 262,000 tons of mountain rocks. Over twenty kilometers long, it is the longest tunnel in Peru.



FOTOS: CNO





“Sowing” Natural Gas for development

BOLIVIA

The “Sowing” Natural Gas for development project is aimed at improving the lives of Bolivia’s population, particularly those of school-age children, by providing equipment and natural gas connections to public schools in several cities. 127

The purpose of installing free natural gas connections in public schools and health centers is to enable food preparation and provide energy for heating in classrooms, bedrooms, and surgical rooms, as well as hot water in showers. The aim is to improve the quality of life for Bolivian families who would otherwise have no access to these services.

The project also involves supplying materials for indoor installation, such as measuring equipment, stoves, ovens, showers, and heating equipment for classrooms and health centers. In addition, it involves construction works in almost two hundred educational units and ten public health centers in four cities.

Project activities involve educating teachers, parents, and students in matters related to renewable and non-renewable energy, the advantages and benefits of natural gas and environmental protection. The professionals that participate in the project organize training workshops and educational fairs to raise the awareness of students, teachers, parents, medical and para-medical personnel about the uses and benefits of natural gas, and how they relate to subjects such as personal hygiene, health, and the environment.

The “Sowing” Natural Gas project resulted from a partnership among citizens, the private sector, and international organizations. CAF participates in this project together with the German technical cooperation agency (GTZ) and the Bolivian government, represented by Yacimientos Petrolíferos Fiscales de Bolivia.

The project seeks to improve the quality of life for school-age children in a number of cities throughout the country by installing natural gas networks and providing equipment to public schools.

Schools receive a natural gas meter, a regulator, a stove, water heaters, showers and space heaters.



FOTOS: SG



Environmental management for sustainability

130

CAF has placed its experience, knowledge, resources and strategies at the service of an Agenda for Comprehensive Development, in order to achieve high, sustained, and quality growth throughout the region.

The cross-border nature of environmental issues is of key importance for the region's present and future development. To this end, CAF is committed to making permanent efforts to help its shareholder countries exploit their natural capital in sustainable ways, and preserve the environment as the source and the support of their development. Furthermore, addressing the environmental and social aspects of projects is a key aspect of CAF's management, as demonstrated by its institutional mission, policies and programs, and the operations financed.

CAF's Environmental Strategy capitalizes upon the experience and the lessons learned in environmental matters over the last thirty-five years, and particularly, upon the progress made in this area over the last decade. This strategy stems from a vision of future challenges and opportunities in environmental development, both for the Institution and for its shareholder countries.

The Environmental Strategy pursues two main objectives: to generate and improve the legal and institutional frameworks, spaces and processes that can guarantee responsible environmental and social management; and to support shareholder countries in the conservation and sustainable use of their natural resources and ecosystems.

To advance on the first objective, CAF has designed and implemented a System of Operations for Environmental and Social Management, which includes a set of guidelines, policies, methodological approaches, procedures, instruments, and resources related to the environment, that were conceived to facilitate the decision-making process. The system takes environmental and social considerations into account in all of CAF's spheres of action, and in each one of the phases

in the credit approval process. The objectives of the System of Operations for Environmental and Social Management are twofold: to guarantee the sustainability of the physical environment; and to guarantee the social responsibility of the operations financed. 131

In addition, CAF has established an Institutional Plan for Environmental Management, which seeks to establish corporate environmental responsibility in its administrative activities, as well as in its headquarters and offices in shareholder countries.

Regarding the second objective in its Environmental Strategy, CAF has designed and executed a series of specialized programs related to the environment. These promote and support national and regional initiatives for the conservation of nature and the sustainable use of the region's natural capital. They also strengthen the environmental sector in each of the shareholder countries through the Biodiversity Program (BioCAF), the Latin American Carbon, Clean and Alternative Energies Program (PLAC^{+e}), the Natural Disaster Risk Management Program (PREVER, in Spanish), the Comprehensive Water Management Program, the Sustainable Urban Development Program, and the Program to Promote Sustainable Development in Financial Institutions.

In addition, CAF has contributed to strengthening the environmental sector in shareholder countries through investments in this sector's operations, and granting loans and non-reimbursable technical assistance for several environmental projects.



TransMilenio

5012

SALIDA

Mass transport system registered with the clean development mechanism

COLOMBIA

Transmilenio in Bogota and CAF were the first institutions in the world to develop a mass transportation project registered with the Clean Development Mechanism (CDM) of the Kyoto Protocol. This innovative system has become Colombia's most important initiative in transportation. It contributes to the reduction of global warming and represents a new concept in the development of mass transportation infrastructure. 133

With eighty four kilometers of roads for 1,059 articulated buses and 477 kilometers of roads for four hundred feeder buses –seventy of which facilitate access for handicapped people– Transmilenio is the best-known mass transportation bus system in the world. Currently, it moves seventy two percent of the population of Bogota, where it is the main transport system. It also contributes to a significant reduction of greenhouse gas emissions due to its greater efficiency and the partial substitution of private transportation by high- quality public transportation.

The initiative became the first of its type registered with the CDM of the Kyoto Protocol, and its contribution to the environment is globally acknowledged. This is due to the application of an innovative methodology developed by CAF and Transmilenio, pioneer in mass transportation and urban mobility.

Using a United Nation's approved methodology, CAF demonstrated how CO₂ emissions could be reduced, and opened an international space for other mass transportation projects to register with this mechanism. Between 2006 and 2012, the project will contribute to the reduction of close to 1,700,000 tons of carbon dioxide, the most abundant greenhouse gas on the planet.

Transmilenio's success has led it to become a world reference for urban mobility, and several cities around the world are now replicating it. Other Latin American examples worth mentioning are: the Transantiago System in Chile; the TMU in Guayaquil, Ecuador; Protransporte in Lima, Peru; and a similar model in Panama City.



GL/AFP/GETTY IMAGES



FOTOS: CAF



The system transports 1,400,000 passengers per day. Its ample infrastructure provides users security and comfort.



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

Micro, small, and medium-sized enterprises (MSME) represent, in numbers, the vast majority of enterprises in Latin American economies. In addition, they generate more than half the jobs and close to forty percent of the economic activity in the countries of the region. Despite their significant economic and social importance, these private enterprises usually have limited access to financial services, which limits their performance and potential growth. Therefore, facilitating their access to financing is a high priority for CAF, especially since their great capacity to generate employment is critical for attaining quality economic growth. Moreover, growth must be inclusive if inequality in the region is to be reduced.

CAF contributes to the financing of MSME through credit facilities granted to commercial and development banks in the region. At the same time, it undertakes a great number of initiatives with various specialized institutions to support these entrepreneurial sectors.

Microfinance institutions. For about fourteen years CAF has been supporting Latin American Microfinance Institutions (IMF, in Spanish) which specialize in financial services, especially loans for individuals who are not served by the traditional banking system because of their limited economic resources and the small scale and informality of their operations. These IMF have developed credit evaluation methodologies that take into account such human assets as honesty, working capacity and tenacity, as opposed to formal financial statements and physical assets.

Among its clients, CAF counts with more than forty micro financing institutions of different types, as well as investment funds which finance them. Together, these institutions provide services for hundreds of thousands of small and micro entrepreneurs. CAF's services include financial facilities of different kinds, such as lines of credit in U.S. dollars and in local currency, subordinated debt, capital investments, and guarantees for bond issues. In addition to offering financial support, CAF allocates important technical assistance resources for institutional

consolidation to the IMF in order to stimulate the development of products and services –such as micro insurance– and to support the development of prudential regulatory frameworks that are specific to the IMF in the region.

Venture capital. By encouraging entrepreneurial culture and innovation, CAF also explores and contributes to the development of instruments aimed at stimulating sustainable entrepreneurial development. The work CAF undertakes to stimulate the venture capital industry in the region is noteworthy. Its objective is to maximize the probabilities of success of enterprises with high-growth potential, by providing technical cooperation and by investing in seed and venture capital funds at both the local and regional levels.

Other financing initiatives. In general, CAF seeks flexibility and innovation in addressing the needs of MSME, developing tailored solutions for each client and the particular conditions of each country.

In some shareholder countries, the credit guarantee systems for MSME have been excellent allies in promoting and improving access to formal financing. With this in mind, CAF undertakes re-consolidation and co-consolidation operations with these institutions and also contributes with alternative financing mechanisms such as factoring and financing productive chains.

In recent years, CAF has approved hundreds of initiatives with such aims, with the conviction that MSME have the potential to become effective vehicles of change for combating the structural problems, both economic and social, that afflict the region. In addition to exploring innovative initiatives for providing services to MSME, the challenge facing CAF will be to act as a liaison in building a consensus between citizens and public and private actors. The purpose is to underscore the importance of supporting the MSME sector in order to facilitate the achievement of sustainable and high quality development.



Southern Inter-Oceanic road corridor

PERU

The Southern Inter-Oceanic road corridor is considered to be the greatest individual road project in the history of Peru. With approximately 2,600 kilometers of highways between Peru and Brazil, it crosses the departments of Madre de Dios, Apurimac, Ayacucho, Puno, Arequipa, Moquehua, and Tacna. The corridor will stimulate economic development in the southern region of the country, which represents thirty two percent of the national territory and twenty percent of the country's total population. 139

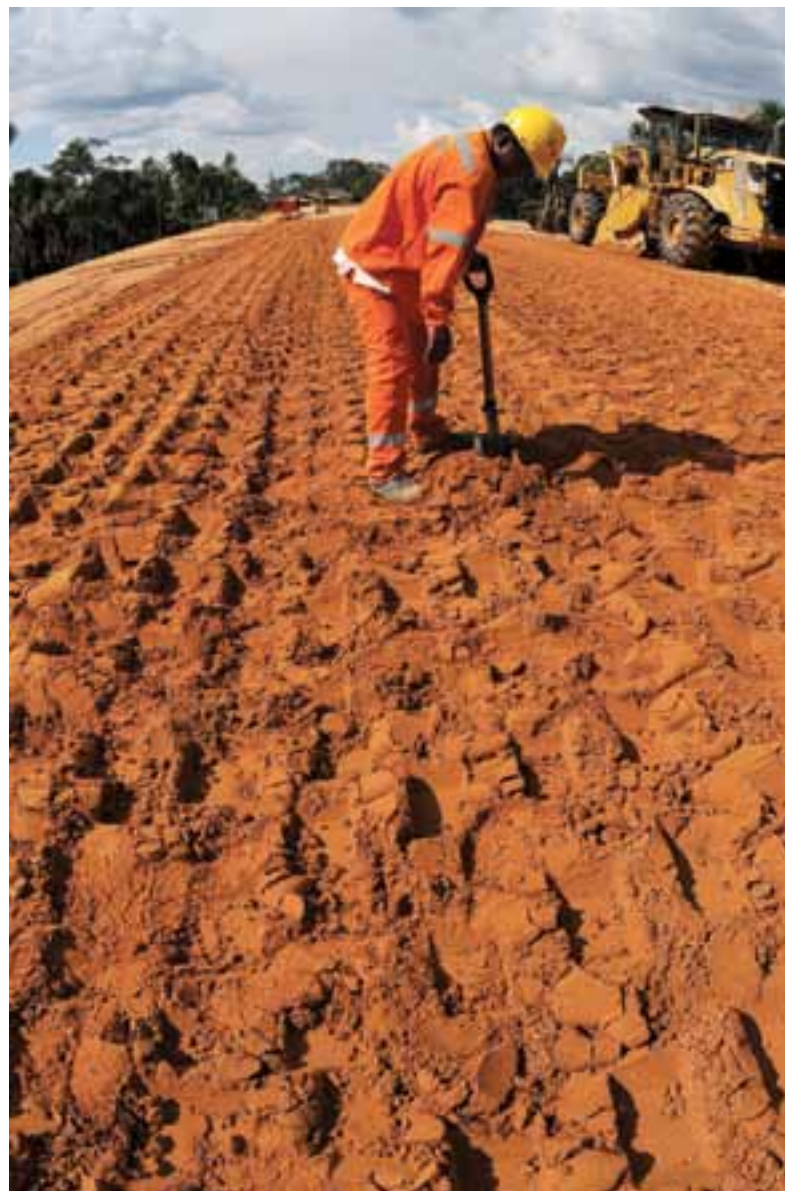
The corridor aims at regional integration with neighboring countries, and it is the first option for road transport between Brazil and Peru. It is also expected to increase the flow of commerce between Peru and the mid-western region of Brazil and the North of Bolivia, and towards farther regions in the Pacific Ocean Basin.

The highway also facilitates trade between Brazil and Peru by opening up new markets, reducing transportation costs, and increasing competitiveness. For Peru, this improvement in its transportation infrastructure integrates the southern area of the country and opens new trade possibilities with Brazil. Likewise, it contributes to the development of sustainable tourism in the region.

The project is part of the Peru-Brazil-Bolivia Integration Axis, and of the Development Axis of the IIRSA Initiative and has high-priority classification.

CAF has provided financial support for the execution of this project since 2004. In 2008 and 2010, the Institution destined additional resources for undertaking further constructions in stretches 2, 3, and 4 of the corridor.





At present, over 2,200 kilometers of the corridor have been paved.







The environmental sustainability of the project is supported by the adequate execution of ongoing social and environmental plans. The corridor has facilitated physical and economic integration between Peru and Brazil, and has generated employment for over 4,600 individuals from 108 different communities.





FOTOS: AA





Social inclusion through sports

BOLIVIA, COLOMBIA, ECUADOR,

PERU, VENEZUELA.

Sport has been recognized as a simple, economic, and effective tool for achieving the Millennium Development Goals. Over the last decade, several agencies of the United Nations Organization, international sports federations, and non-governmental institutions have used sports as an instrument for development. 147

In 2006, CAF established its Program for Social Inclusion through Sports as a tool for the prevention of drug use and for social rescue. The aim of this program is to improve the quality of life of at-risk children and youth. CAF supports exemplary projects with sports as their main strategy to enable low-income children and youth to acquire skills and values such as leadership, discipline, and reliability while learning the basic principles of tolerance, cooperation, and respect.

The program has acquired relevance in the Andean region, mostly through the teaching of soccer. It has presence in Santa Cruz and El Alto, in Bolivia; Bogota, Medellin, Cali, Cartagena, Sincelejo, Barbosa, Puerto Tejada, and La Guajira, in Colombia; Quito, Guayaquil, Esmeraldas, and Atacames, in Ecuador; and Chincha, in Peru. In Venezuela, CAF supports a project for social reinsertion through rugby, and in Uruguay, it promotes boxing and basketball as tools for preventing drug addiction.

In recent years, more than 20,500 children and youth from Latin America have benefitted directly from programs financed by CAF. In addition, more than three thousand individuals have benefitted indirectly through other programs run by institutions whose teachers are graduates of training programs financed by CAF.



CAF's Program for Social Inclusion through Sports contributes to improving students' attendance in rural elementary schools.





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Support for the energy sector

150

Without energy, there can be no economic activity or development. This makes energy a theme of strategic importance for both importing and exporting countries. The priority of importing countries is to guarantee the supply required, while exporting countries seek to leverage their energetic resources to boost development. Over the years, energy, and especially oil, has been the focus of multiple geo-political tensions. Today, these tensions have intensified internationally, since energy is closely associated to climate change, a theme of increasing importance on the world stage.

In addition to its other resources, Latin America has abundant oil, gas, coal, and hydro energy resources: it has 12.6% of the world's oil reserves, 5.4% of the gas reserves, and 4.3% of the coal, in addition to 20% of the world's installed hydro-electric capacity, with an additional potential three times as large. Moreover, the region has great potential for renewable energies such as aëolic, bio-fuels, small hydroelectric, geothermal, and solar.

These resources make the region attractive for investors which, in turn, has economic, political, national, regional and international implications. In particular, this presents opportunities for multilateral financial institutions such as CAF to play a proactive and catalytic role in the energy sector, one of the main users of financial resources for investment in Latin America.

CAF has approved financing for energy projects in South America for more than USD 7,000 million, and is currently the main source of multilateral financing for energy in the region. At the close of 2009, CAF's portfolio in the energy sector was almost twenty percent of its total portfolio: it amounted to approximately USD 2,200 million and with an upward trend. CAF's activity in the energy sector is framed within its Agenda for Comprehensive Development, which promotes the achievement of sustainable and high-quality growth. To this end, CAF encourages efficiency, economic stability, social equity, and environmental sustainability.

The energy sector contributes to comprehensive development in many ways: by seeking greater efficiency in the production and consumption of energy, it plays a part in economic growth and competitiveness; by improving the quality and coverage of electric services, it contributes to increasing equity and social development; by upholding the rational use of energy resources, it increases environmental sustainability and economic efficiency; and by ensuring and diversifying the supply of energy, it supports sustained economic growth. 151

In the years to come, CAF's energy agenda will address the following strategic activities:

1. Coordination of national and regional networks in order to generate knowledge, exchange experiences, and support corporate governance, all for the purpose of furthering the competitive development of the region's energy sector.
2. Promotion of integration projects aimed at creating or strengthening the axes of development in order to establish the bases for integrated markets in the future. To this respect, it will also support the adaptation of institutional frameworks, regulations, and planning both nationally and regionally, in order to achieve optimal development of resources.
3. Increase energy efficiency in the region as an important source of clean energy and the most cost-effective opportunity for Latin America to help mitigate global climate change without compromising its objective of achieving economic and social development.



Hydroelectric development of the lower Caroni

VENEZUELA

From the beginning, CAF has supported the development of the energy sector in its shareholder countries. For over forty years, it has granted almost thirty five long-term loans for the partial financing of power generation projects. These have included projects for using the hydraulic energy of watercourses, thermal energy projects and national programs to increase generating capacity and strengthen the electricity sector. 153

Among these, the hydroelectric development of the lower Caroni is especially noteworthy. This complex includes the four most important dams in Venezuela, which support seventy five percent of the total energy consumption in the country. The complex is composed of the hydroelectric plants of Simón Bolívar (Guri), Antonio José de Sucre (Macagua I, II, and III), Francisco de Miranda (Caruachi), and Manuel Piar (Tocoma).

The project began in 1956 with the construction of the Macagua I Plant, and continued in 1963 with the first phase of the Guri Plant. The last stage of the Guri dam, which retains one of the ten largest dam reservoirs in the world, was completed in 1986 when it reached an installed capacity of ten thousand megawatts.

CAF began its participation in this important hydroelectric project with the partial financing of Macagua II. It continued supporting the country's hydroelectric sector by financing all the subsequent projects for developing the potential of the lower Caroni. Thus, the Institution granted resources for the development of the Caruachi project, which received a prestigious international award as Best Public Work in Latin America to date. In addition, it financed the construction of the Tocoma Hydroelectric Plant, estimated to conclude in 2014.

It is worth mentioning that all Venezuelan governments since 1956 have supported the construction of the works that comprise this master plan for electricity.



The surface of the hydrographic basin of the Caroni River measures approximately 95,000 square kilometers, and represent 10.5% of Venezuela's total territory. Its potential for power generation is 120,000 GWh per year.

Caruachi is the third plant of the hydroelectric complex. Its construction began in 1999 and concluded in 2006. The plant received a prestigious international award as the best public work in Latin America.









The Tocoma Hydroelectric Plant is the last energy generation project contemplated in the lower Caroni.

Once the project concludes, Venezuela's installed power generation capacity is expected to increase by fifteen percent.



FOTOS: RICAR-2





Punta del Tigre thermal power plant

URUGUAY

In 2007, CAF approved a loan to Administración Nacional de Usinas y Transmisiones Eléctricas to partially finance the Punta del Tigre Thermal Power Plant, which will use renewable energy. The resources were destined to the partial financing of the third phase of the Punta del Tigre Thermal Power Plant Project, located in the department of San Jose in Uruguay. 161

The initiative seeks to increase the stability, security, and reliability of the Uruguayan national electric system by reducing failures in the supply of electric energy through the incorporation of thermal back-up equipment in the existing generation park.

The third phase consists of adding two generating units identical to the ones in phases I and II. This will require an expansion of the sub-station, as well as increases in the capacities of the auxiliary systems.

It should be noted that this operation counted with a subsidy authorized through the Compensatory Financing Fund, an interest-rate compensation mechanism created by CAF to favor high-impact development initiatives in shareholder countries.

When the thermal plant came into operation, it had close to fifteen percent of Uruguay's installed power generation capacity, and had reduced the country's carbon dioxide emissions. The project uses renewable energies.





FOTOS: UTE

The Punta del Tigre thermal plant represents close to fifteen percent of Uruguay's installed power generation capacity. It also contributes to the reduction of the country's CO₂ emissions.

Support for municipal governments in Brazil

The economic, social, and democratic advances achieved by the governments of the region, and the political-administrative decentralization processes associated with them, have enabled opportunities for CAF to do business with subnational levels of governments, that is, states, provinces or departments, and municipalities.

To this end, the Institution has supported several subnational levels of governments in the region. Such is the case of the municipalities of Bogota and Medellin, and the department of Magdalena in Colombia. Likewise, CAF has had long and fruitful relationships with the municipalities of Guayaquil and Quito in Ecuador. In addition, the municipality of Lima and various departments in Peru, and the municipalities of La Paz and Santa Cruz in Bolivia have also become clients of CAF. In this section we describe the case of Brazil, where CAF developed a framework program for its relationships with municipalities, which may indicate trends that will intensify in the future.

The current geopolitical division of Brazil consists of 5,564 municipalities that face the problems associated with a lack of basic services, low productivity, poverty and marginality, and degradation of the environment. These problems are heightened by the institutional weaknesses of municipalities, especially in the areas of planning, administrative management, low execution capacity, and absence of technological infrastructure and information systems.

In this context, the country's Foreign Financing Commission (COFIEX) has enabled municipal governments to request direct financing from multilateral organizations. To quickly respond to this demand for financing, CAF presented its Program in Support of Municipal Governments in Brazil (PRAM) in 2006. COFIEX authorized the implementation of the program in Anadindeua, State of Para, Florianopolis, State of Santa Catarina, and Canoas, State of Rio Grande do Sul.

CAF's program had four components: urban infrastructure; social and environmental development; improvement of institutional management; and pre-investment studies. The resources would be aimed at financing transportation and road infrastructure, macro- and micro-urban drainage, construction and expansion of potable water and sewage systems, treatment of residual waters, collection and disposal of solid residues, preservation of the environment, housing, education, health, and improving municipal governments' institutional management.

In April 2007, CAF approved the first loan to the municipalities of Canoas and Florianopolis. In 2009, the PRAM's success resulted in a request from the Brazilian government for the preparation of a CAF's program to assist the governments of municipalities and states that will be venues for the 2014 Soccer World Cup (PRAME COPA).

In addition, Brazil's increasing importance on the world stage –its economy is one of the world's ten largest– has awarded it as the host country of the XXXI Olympic Games in 2016. It will be the first time that an Olympic event will be held in South America, and the second time in a Latin American country. In this context, CAF's support to the government of Brazil through PRAME COPA is of particular relevance, since the improvement of municipal infrastructure in preparation for the 2014 Soccer World Cup will undoubtedly translate into benefits for the 2016 Olympic Games.

CAF's support of this second program for Brazilian municipalities amounts to USD 1 billion. The funds will be granted to partially finance projects in the fields of urban transportation, economic and social infrastructure, basic services, the environment, and sustainable tourism, through individual loans to each host city or state.



Bogota: a great school

COLOMBIA

“Bogota: a great school” has become an outstanding educational initiative of great social impact in Colombia. The program has been recognized as the country’s largest project for building, consolidating, expanding, and improving school infrastructure. Sponsored by the City Hall in December 2006, within the framework of the governmental program “Bogota is not indifferent”, its purpose is to transform the city’s educational system and offer the children and youth opportunities for intellectual and emotional growth, that translate into progress and improvement in their lives. 167

During the project’s four years of operation, the City Hall has built fifty new mega-schools with capacity for 2,500 pupils, reinforced the structures of 172 schools, and made significant improvements in 326 existing schools. In sum, it has built or improved 600,000 square meters of construction, that is, almost forty percent of all school construction in the history of the city of Bogota.

In addition to the program’s evident contribution to infrastructure, it also supports the teaching of English as a second language, prevents dropouts, and increases pupil retention through diverse transfer strategies that are conditioned to regular school attendance.

From the start, the Secretariat of Education established excellence as its goal. With this in mind, it designed a daring strategy that has enabled public school students to reach the highest levels of academic achievement, by taking full advantage of their talents and their intellectual, scientific, and artistic inclinations. It has also provided the material conditions necessary for students to develop socially, emotionally and comprehensively.

The new mega-schools were built in the poorest and neediest areas of the city with the aim to improve the quality of life for the population, increase pupil retention, and encourage individuals to seek further education, success and security.



CAF supports the educational program “Bogota: a great school”, which is part of the District Plan for improving the standards and coverage of the educational system in Colombia.







The schools are located in the poorest areas of the city. The aim of this ambitious initiative is to improve the quality of life for students and retain them in the educational system.



FOTOS: SEAM

Democratic governance

172

CAF is conscious that maintaining long-term growth, consolidating competitive economies and reducing poverty require the convergence of many factors: high, efficient, sustainable and globally competitive growth; social equity and environmental sustainability; and appropriate solid institutions that enable a clear understanding between government, the private sector, the citizenry, the labor sector, academia, political parties, and the international environment. To this end, the Institution has included these issues in its areas of strategic attention since 2001, with the intention of strengthening democratic governance and improving the co-existence of citizens.

CAF's view is that democratic governance is the only environment that legitimizes the actions of governments. This requires institutions to operate with clear procedures and rules to develop their capacity, efficiency, and transparency, and to respond promptly to the demands of citizens. In turn, this maintains the balance that should exist between the State and the citizenry. Throughout the years, CAF has established several lines of action that are implemented through technical cooperation agreements, as indicated below.

Governance and Political Management Program

The object of this program is to provide training in public management and political dynamics to a critical mass of staff and support teams in local institutions. Students acquire a comprehensive vision of the problems associated with economic and social development and the capacity to address them through actions that coordinate technical elements, the need for negotiation, and an analysis of political, economic, and social viability. The program is a joint initiative of CAF and the George Washington University. Local academic institutions offer it with suitable modifications adapted to the realities of each country.

Leadership for Change Program

173

This program aims to identify natural leaders, both men and women, and train them to develop a vision for the future of their country. It seeks to nurture civic-democratic values in its students in order to enable them to exercise responsible, knowledgeable leadership in ways appropriate to thin accordance with the aims of the organization, and increase each individual's capacity to lead and inspire others to participate with responsibility, integrity, and competence. This pioneering program, with innovative forms of support, is executed in alliance with educational institutions in each country.

Regional Program for Updating and Improving Local Management (PRAMEG)

CAF supports programs aimed at improving the managerial and financing capacities of municipalities through the modernization of land registries. This enables more efficient organizations that have the capacity to plan, increase revenues, and coordinate their actions, to obtain resources that can ensure greater effectiveness in the services they provide and in meeting citizens' needs.

Municipalities are expected to increase revenue collection after participating in the program, and to develop sustainable, agile, and transparent fiscal management practices that reflect the active participation of society.



Access to potable water and environmental sanitation

COLOMBIA

During the 1990's, most countries in Latin America began significant reforms in water and environmental sanitation within the framework of global State modernization and as an important stimulus toward decentralization. 175

CAF began supporting water and sanitation projects with a loan granted to Venezuela to fund sanitation projects, and another one to Peru for the construction of water channels for irrigation and potable water. Since then, the Institution has promoted the development of the water sector granting financial resources and technical assistance for institutions. CAF intervenes comprehensively in these projects throughout the entire water cycle, from its point of origin to its return to water bodies.

A noteworthy initiative in this area is the agreement with Aguas de Magdalena for the execution of the 2005-2015 Potable Water and Basic Sanitation Program, which will benefit more than a million inhabitants in twenty seven of the thirty 30 municipalities that make up the department of Magdalena in Colombia.

CAF's participation in the program incorporates two innovative elements that contribute to the sustainable improvement of potable water supplies and sanitation in Colombia: a long-term regional approach, and the orderly and efficient use of local royalties, in this case derived from the use of its port road infrastructure for the transportation and export of coal.

The main goals of the program are to increase the aqueduct service to give round the clock coverage to ninety five percent of the population, and to increase the sewage service in municipal headwaters to cover eighty five percent of the population. In addition, it aims to introduce a culture of service, transparency, responsibility, honesty and competitiveness.



Biodiversity Program

ARGENTINA, BOLIVIA, COLOMBIA, COSTA RICA, ECUADOR,
PANAMA, PARAGUAY, PERU, VENEZUELA.

CAF's Biodiversity Program (BioCAF) is based on the enormous potential for the sustainable development of the countries in the region that is provided by their biodiversity and genetic resources. Some of these countries are classified as mega-diverse, an international denomination based on the great number and variety of species they contain. In view of this, BioCAF supports efforts aimed at preserving the ecosystems that harbor these riches. It also supports different activities and initiatives that promote the sustainable use of the region's potential and contribute to the social and economic development of CAF's shareholder countries. 177

BioCAF has defined three sub-programs to provide important types of support: i) funding initiatives for preserving species and ecosystems; ii) creating mechanisms and tools for promoting the use of biodiversity products and services and other natural resources (for example, green markets, biotrade, biotechnology); and iii) promoting environmental services as a strategy to help preserve natural ecosystems, and encourage activities that improve the quality of life for the population.

Since its inception in 2002, BioCAF has supported more than fifty initiatives in nine countries in Latin America. The resources granted have been directed at attending various ecosystems in beneficiary countries, with an accumulated area equivalent to over a million square kilometers, that is, a surface slightly larger than Colombia. It is estimated that four million people will benefit directly from these activities and another eighteen million will benefit indirectly.





Seventy percent of the world's biodiversity is found in seventeen countries on the planet.

The countries in the Andean region are ranked among the most important, since they are noteworthy for their vast cultural heritage, the diversity of genetic and ethnic resources.



HJ



CAF

Biotrade is one of the main factors driving the conservation of the environment.







La Picasa railway viaduct

ARGENTINA

Registered within the framework of the IIRSA Initiative, La Picasa railway viaduct is crucial for the optimal use of the trunk line of the Buenos Aires-Mendoza ALL Central Railroad. The railroad is of great importance for both the integration of Argentinean territory and MERCOSUR, since it connects the Argentinean coastline and the humid Pampa with the region of Cuyo on the border with Chile. The project, which began operating in November 2008, also seeks to increase the managerial and control capacity of the Transportation Secretariat of the Ministry of Federal Planning. 183

The need to build the viaduct became evident when a 14.5 kilometer stretch of the corridor was affected by the flooding of La Picasa Lake, located in the southern part of the province of Santa Fe, 372 kilometers from Buenos Aires. The construction has helped maintain the crest elevation above the water level and has enabled the normal railroad service to be reestablished. For a long time before the construction of this viaduct, the railroad was routed through secondary railways to reach the city of Buenos Aires; this extended the length of the route by twenty six percent. It also increased traveling time to approximately fifty six hours, as well as operating costs, and fees charged, which had a negative impact on the economies of MERCOSUR's countries.

Among the most noteworthy positive impacts of the initiative are: a return to the normal travelling time of thirty six hours between Mendoza and Buenos Aires, reduced operational costs and fees, and less traffic congestion during harvesting times. In addition, the construction of the viaduct has increased the movement of cargo by fifteen percent and has enabled passenger trains to run once more in the Retiro-Mendoza corridor.

The project is part of Group 3 of the MERCOSUR-Chile Axis of the IIRSA Initiative.



FOTOS: GR

The viaduct enables the Buenos Aires-Mendoza ALL Central Railroad to cross La Picasa Lake, a long-time impossible path due to flooding. The construction contributes to the physical integration of the Argentinean territory with the bordering region of Chile.





Support for cross-border integration

Through the Cross-Border Integration and Development Program (PADIF, in Spanish), CAF 187 provides a strategic border vision that enables shareholder countries to plan and coordinate programs and projects that offer opportunities to share potential, cooperate, and increase bilateral and multi-lateral dialogue in common border regions.

Through the PADIF, the Institution supports more than twenty five initiatives for designing and executing Bi-National Cross-Border Integration and Development Plans, and for creating cross-border integration zones (ZIF, in Spanish). It also promotes sub-regional policies for member countries of UNASUR, CAN, and MERCOSUR that aim to reinforce territorial zoning and planning, prioritize projects related to physical, economic, and productive integration, support sustainable human development, and strengthen communities' institutional framework and social fabric. The program encourages dialogue and the development of mutual trust and cooperation in cross-border regions.

These initiatives are supported through the non-reimbursable technical cooperation resources of the Cross-Border Cooperation and Integration Fund (COPIF, in Spanish), recently created by CAF.



Road building program for the integration of Argentina and Paraguay

PARAGUAY

The road building program for the integration of Argentina and Paraguay is a strategic initiative of greatest priority for these two MERCOSUR countries. The main constructions consist of access roads to the Encarnación-Posadas International Bridge, and new infrastructure in the zones neighboring both cities. 189

It should be noted that this project includes roads that have great impact on local and international communications, since, at present, national routes cross through and produce traffic congestion in the towns of Posadas and Garupá in Argentina, and Encarnación and Cambyretá in Paraguay.

The road works in Argentina form part of the Completion Plan for Yacyreta, whose main objective is to complete the National Energy Plan started in 2004. In turn, the road works on the Paraguayan margin consist of the Cambyretá-Encarnación Beltway, which connects the international bridge with Route 1.

In 2008, CAF signed a contract with the Republic of Argentina to support this nation's commitments in relation to the Encarnación-Posadas International Bridge and its access routes. The purpose was to renovate the railroad infrastructure in the zones neighboring Posadas and Encarnación within the framework of the Yacyretá Bi-National Treaty.



FOTOS: GR





Tuy Medio railroad

VENEZUELA

With the population of Caracas growing at alarming rates, there has been an increase in the number of expansion zones of the Metropolitan area, many of which are over populated. Such is the case of Valles del Tuy, an important suburb of Venezuela's capital, where many people live who work and study in the city. 193

The Tuy Medio Railroad was built to make transportation easier between Valles del Tuy and the city. As part of the Venezuela's National Railway System, this suburban railroad provides fast, comfortable, and safe transportation between Valles del Tuy, and the capital and enables its users to save significant amounts of time.

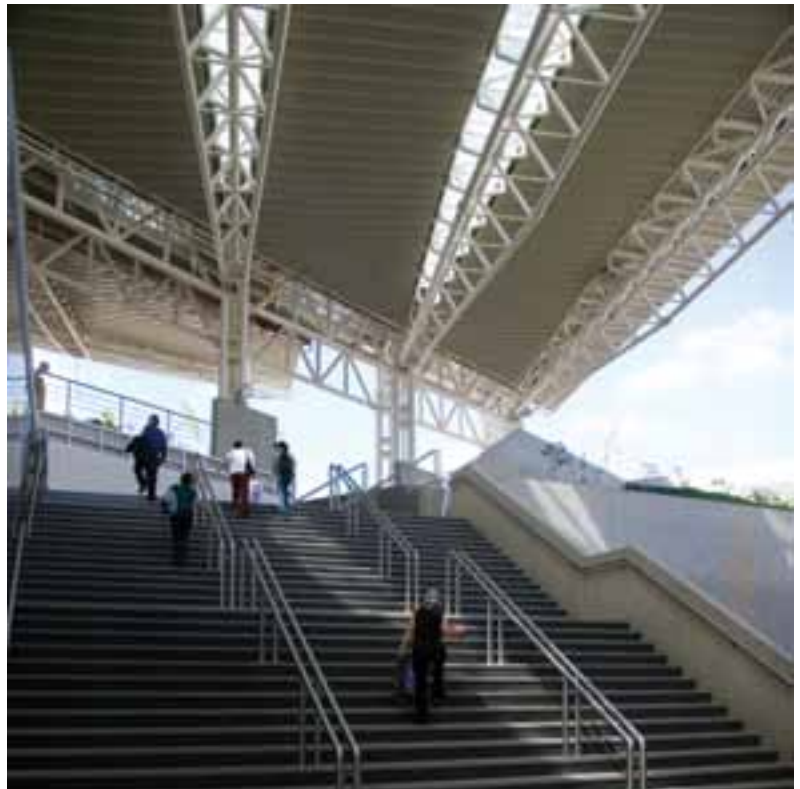
The project focused on the development of the North-Coastal Axis of Venezuela by means of an inter-modal transportation system which is modern, fast, economical, and able to serve more than twelve million passengers per year.

The railroad, which runs a distance of 41.4 kilometers, has an advanced automatic payment system with a rechargeable ticket that can load several trips simultaneously. This has become an ideal system for frequent users when compared to the traditional token that is used only once. Another innovative element of this transportation system is the preferential carriage for senior citizens, pregnant women, handicapped individuals and mothers holding children in their arms. Furthermore, this new means of transportation generates economic benefits by saving transportation time, reducing the costs of maintaining vehicles and highway systems, and reducing the number of traffic accidents and environmental pollutants. All these benefits improve the quality of life for the population.



FOTOS.MOPVI

The national railroad system aims to develop a multimodal cargo and passenger system that integrates different transportation systems by establishing logistic centers in places where highways, railways, and maritime transportation converge.







Latin American Carbon, Clean and Alternative Energies Program

BOLIVIA, COLOMBIA, ECUADOR,
JAMAICA, PERU, VENEZUELA.

CAF created the Latin American Carbon, Clean and Alternative Energies Program (PLAC) in 1999. Initially, PLAC focused on providing information and training on matters related to climate change and its impacts. It also supported the creation and consolidation of institutions needed to incorporate the public and private sectors of the region's countries into the market for the reduction of greenhouse gases emissions (GHG). The market was created by the Kyoto Protocol (1998), through the Clean Development Mechanism (CDM) within the framework of the Climate Change Convention of 1992. 197

The Program consolidated its management through active participation in this market and positioned CAF as the leading regional development bank in the Latin American GHG market. During this stage, it created two important mechanisms for buying and selling GHG emissions: i) the CAF-Government of the Netherlands CDM Facility for ten million tons of GHG, and ii) The Latin American Carbon Initiative, signed by CAF and the Kingdom of Spain, for nine million tons of GHG. PLAC's role in this market is to identify and develop the carbon component of projects and assist managers to obtain Emissions Reductions Certificates (ERC) by registering with the United Nations Framework Convention on Climate Change (UNFCCC).

Later, PLAC modified its mission to include the promotion of clean alternative energies and energy efficiency, in response to the problems of climate change. To this end, the program finances innovative projects for producing eolic, biomass, geothermal, solar, and small-scale hydroenergy that have low social and environmental impact.

The program's mission also involves the diversification of its portfolio of GHG buyers.



FOTOS: CAF

One of the program's objectives is to stimulate the identification, development, and financing of projects for reducing greenhouse gases emissions.







Expansion of the Panama Canal

PANAMA

The construction of the Panama Canal is one of humanity's largest efforts to have made a significant contribution to world progress. This unparalleled engineering triumph was possible thanks to a multinational labor force that toiled to realize a centuries-old dream: to unite the Pacific and Atlantic Oceans. 201

The builders of the Canal faced engineering, sanitation, and organization problems which included digging through the Continental Mountain Range, building the world's largest dam at the time, designing and constructing the most important lock canal ever imagined, building the largest lock, and solving enormous environmental problems.

The Canal was inaugurated on August 15th, 1914, and its impact on world trade patterns and economic growth has been more than significant. In 1999, its administration, operation, and maintenance passed to the Panama Canal Authority (ACP, in Spanish).

In the following years, the growth of international trade and the route's increasing importance made it necessary to optimize the canal's operation. In 2006, the Canal Authority presented a proposal to expand the Canal by building a third set of locks. This would increase the Canal's capacity and make it safer, more productive, and efficient. The construction of the project began in 2007.

In 2008, the ACP signed a loan contract with five multilateral and bilateral agencies for USD 2,300 million to finance the Expansion Program. CAF's contribution to the project amounts to USD 400 million, and represents an important support to the internal development of the Nation, as well as to regional integration in benefit of key projects in the public and private sectors.



FOTOS: RL

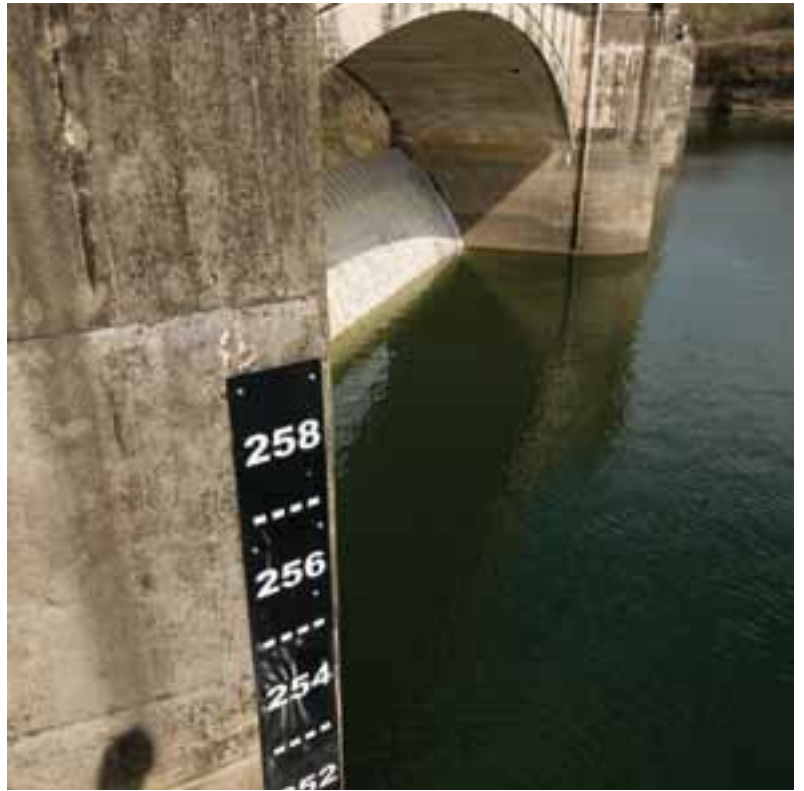




The Panama Canal is one of the world's most ingenious works of civil engineering. Eighty kilometers long, it connects the Pacific and Atlantic Oceans.



RL



RL



AP



AP





Renovation of the Embalse nuclear plant

ARGENTINA

CAF demonstrated its leadership in development banking when it became the first multilateral organization to grant a loan for investing in nuclear energy. Such is the case of the Project for Increasing the Capacity of the Embalse nuclear plant located in the Argentinean Province of Córdoba. The initiative aims to extend the useful life of the Embalse plant, which currently supplies the population of the North-Eastern region, Cuyo, Center, and Greater Coastal Buenos Aires, estimated at 3.5 million inhabitants. 207

Currently, twenty percent of all the electric energy used in the world comes from nuclear sources. Within the context of global warming, nuclear energy uses fuels that do not produce emissions of greenhouse gases. This makes it a clean source of energy. In addition, it fulfills the increasing demand for energy at a reasonable cost, with a guarantee of supply stability provided by advances in operational technology, monitoring and control.

In June 1964, Argentina made history in Latin America when it became the first country in the region to develop nuclear energy. At present, the country has a highly developed nuclear industry, with a legal framework and institutions that plan and regulate the sector's activity following international practice. In addition, it has an operating company, an industry that provides capital goods, companies that provide the fuel, training, research, and development institutes, and a network of experts who specialize in each of these activities.

The Embalse nuclear plant was the second plant built in the country, and it began operations in the mid 1980's. From the beginning, it has operated at high technical levels, ranking among the top places in the world for technical efficiency in nuclear power plants. The project will increase the plant's useful life by twenty five years.

Dissemination of knowledge about public policies in Latin America

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Knowledge has become an indispensable element in present day productive processes and, due to its strategic importance, it is one of the key issues for Latin America development.

Some years ago, when new challenges arose from changes in the global environment, the advance of the information and knowledge society, and the emergence of new constraints on economic performance, CAF began to design a research agenda on development issues and a strategic action plan for critical areas. These were conceived within the framework of regional cooperation and with a global perspective, to attend efficiently the requirements of shareholder countries. Thus, the Institution began discussions on a wide range of topics with public figures and experts from the region and from abroad. At the same time, it began to increase its presence in the many forums that seek practical solutions to the problems of sustainable development.

With the emergence of a new, critical and innovative line of thought within its walls, CAF began to take advantage of forums, publications and special programs to disseminate knowledge about the region. In 1996, it created its Economic Studies Directorate with several aims: to analyze in greater depth the main macroeconomic issues faced by Latin America; to provide technical input for guiding business decisions; and to undertake specific research projects. The later creation of the Vice-presidency of Development Strategies in 2000, furthered the process of knowledge generation.

In 2003, CAF launched its first support program for research on development issues. This had two objectives: to stimulate the generation, promotion, and dissemination of home-grown knowledge applied to regional development and integration; and to provide active support to the design and implementation of economic and integration policies for the region. To this end, CAF provided technical cooperation funds for financing research projects related to important regional issues. These were allocated through an international competition, that gave priority to financing Latin American researchers working in renowned universities. In addition, it made it

possible to receive guest researchers at CAF's headquarters. Since the beginning, the program was widely accepted by the international academic community, particularly within the region, and it served as a basis for generating knowledge through various seminars and publications. The research supported by this program is published in *Perspectivas*, a semi-annual journal, first published in 2003. In addition, the main results and conclusions of the research program are included in CAF's Economics and Development Report. 209

During this time, internationally renowned academics and CAF's professionals have collaborated on specific research projects in order to generate knowledge in the fields of fiscal sustainability, policies for supporting the productive sector, and competitiveness. The results of these efforts have been made public in a variety of events and publications.

CAF discusses the results of this research at the highest levels with those in charge of the region's economic policies. The information provided is essential for maintaining a constructive dialogue with shareholder countries on development issues.

Moreover, CAF's Directorate for Sector Analysis and Programming regularly prepares publications on the electricity, transportation, and telecommunications sectors in Latin America. These reports aim: i) to disseminate knowledge about the countries and best practices in regulatory, legal, and market issues; ii) to prepare public policy proposals for improving the coverage, efficiency, effectiveness, and sustainability of each sector; iii) to attract investments to these sectors by disseminating their needs and main projects in the respective industries; iv) to analyze how sectors have evolved in order to understand the limitations of the changes made; and v) to support the private and public sectors and governmental institutions in the pursuit of these objectives.

Main initiatives financed by CAF

Main initiatives financed by CAF

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Year of Approval	Country	Description	Amount (in USD million)	
1971	Bolivia	Loan to the Republic of Bolivia for the installation of a network of rice silos in the Department of Santa Cruz.	1.30	One of the first CAF's operations aimed at financing the execution of a project.
1971	Ecuador	Loan to Ecuatoriana de Atún, S.A. (ECUATÚN) to finance a fishing complex for catching, refrigerating and freezing tropical tuna.	0.50	One of the first loans granted to an Andean multinational private enterprise with capitals from Chile and Ecuador.
1972	Bolivia	Loan to Inversiones Generales, S.A. (INGESA) to finance an increase of working capital in a bicycle factory.	0.18	First loan granted to a private enterprise in Bolivia.
1972	Venezuela	Loan to the Puente sobre el Río Limón, C.A. to finance the construction of the bridge over the Limon River in order to improve the land connection between Colombia and Venezuela.	3.02	First loan for physical integration of two CAF shareholder countries.
1973	Chile	Financial leasing operation for the purchase of a B-707-320C aircraft for Lanchile.	8.50-11.00	First financial leasing operation executed by CAF.
1973	Venezuela	Loan to Moldeados Andinos, C.A. (MOLANCA) for the installation of a factory producing molded pulp for eggs and food stuffs, both for the domestic market and for export to CAF's shareholder countries.	1.82	First loan granted to a private enterprise in Venezuela aimed at financing installations for the production of exports to the Andean Group.
1974	Colombia	Loans to Monómeros Colombo-Venezolanos, S.A. to finance the installation and working capital for increasing the use of its installed capacity for the production of caprolactama and fertilizer.	5.42	First loan in a long and fruitful relationship between this bi-national Colombian and Venezuelan company and CAF.
1974	Chile	Loans to Viña Undurraga, S.A. to finance: the construction of an industrial building for the last stages of wine production; bottling machines; and working capital, all within an expansion project.	2.00	One of the first loans granted to a private enterprise in Chile, aimed at exports for the Andean Group.
1975	Bolivia	Loan to Empresa Nacional de Telecomunicaciones de Bolivia (ENTEL-Bolivia) for the installation of a terrestrial microwave station.	4.13	First loan for a telecommunications project. Later, CAF financed similar projects in Ecuador, Peru, and Venezuela.
1975	Ecuador	Loan to La Cemento Nacional to finance civil works and equipment for the construction of a new plant.	11.00	First loan to this private enterprise in Ecuador, with which CAF has maintained a long relationship.

Year of Approval	Country	Description	Amount (in USD million)	
1976	Ecuador	Loan to Palmeras de los Andes, S.A. to finance the development, planting, and maintenance of approximately 2,700 hectares of African palm.	2.35	The first of several loans granted to a number of companies in Ecuador and Peru to plant African Palm with the aim of producing edible oil.
1976	Peru	Loan to Petróleos del Perú (PETROPERÚ) to finance the construction of the Northern Peruvian oil pipeline.	20.00	First loan aimed at financing the construction of oil pipelines. Later, CAF financed similar projects in Bolivia and Ecuador.
1978	Colombia	Loan to Empresa Colombiana de Petróleos (ECOPETROL) to finance the expansion of its oil refinery located in Cartagena. The project included the design of a viscosity reducing unit to be built by the company's engineers.	38.51	This operation supported the company's technological development, which was favored by the Andean integration authorities. It would have been difficult for ECOPETROL to obtain financing from the commercial banking system or from multilateral banks since they would have required at least one favorable opinion from a reputable international engineering firm regarding the design developed by this company.
1983	Ecuador	Loan to the Instituto Ecuatoriano de Electrificación (INECEL) to finance complementary works of the Paute hydroelectric projects, Stage I, Phases A and B.	14.00	First CAF financing for an electricity generation project. Throughout its history, CAF has financed a multitude of similar projects, including some thermal generation projects in shareholder countries.
1984	Ecuador	Loan to the Republic of Ecuador to partially finance a Comprehensive Rural Development Program in Guamoto, in the province of Chimborazo.	3.89	First operation aimed at financing a comprehensive rural development program, through coordinated credit and technical assistance for improving physical and social infrastructure, increasing production and agricultural productivity. Later, CAF financed similar programs in Colombia and Ecuador.
1985	Bolivia	Loan to the Republic of Bolivia to finance the execution of the Central-Oriental Interconnection project to be executed by the National Electricity Enterprise (ENDE).	10.50	First loan aimed at financing an electric grid interconnection. Later, CAF financed similar projects in this Argentina, Bolivia, Brazil, Costa Rica, Ecuador and Venezuela.
1985	Colombia	Loan to Monómeros Colombo-Venezolanos to finance a project for producing 20,000 tons annually of anhydrous sodium sulfate from residual gypsum (calcium sulfate) generated in the petrochemical complex, which until then had been discharged into the Magdalena River.	2.80	This project had two characteristics that made it noteworthy: i) it would eliminate a source of contamination of the Magdalena River: the continuous discharge of gypsum, and ii) company engineers had developed the production process which constituted an in-house technological development.

Main initiatives financed by CAF

Year of Approval	Country	Description	Amount (in USD million)	
1985	Peru	Loan to LAR-CARBÓN C.A., a private company, to finance the installation of a coal treatment plant in order to replace fuel oil as a fuel in two cement plants.	8.90	Pulverized coal would be suspended in water to be injected into the clinker ovens, replacing fuel oil. When this plant was projected, the high cost of fossil fuels amply justified the investment. Later, when oil prices fell, the company faced difficulties in repaying the loan, but the difficulties were overcome when oil prices rose once more.
1986	Peru	Loan to Petróleos del Perú (PETROPERÚ) to increase oil production in the fields of Laguna and Zapotal.	28.90	First loan operation aimed at financing oil production projects. In later years, CAF financed similar operations in Argentina, Bolivia, Ecuador, and Peru.
1987	Bolivia	Loan to Cooperativa de Teléfonos Automáticos de Santa Cruz de la Sierra Ltda. (COTAS) to partially finance a project for expanding the telephone service in the urban area of Santa Cruz de la Sierra. It included 28,000 new telephone lines and four digital plants.	29.15	First loan aimed at financing fixed telephone projects. Later, CAF financed similar projects in Ecuador and Peru.
1988	Ecuador	Loan to the State of Ecuador to finance the construction of a concrete bridge over the San Miguel River, which would connect Colombia and Ecuador.	1.00	Loan to a physical integration project between two CAF shareholder countries, fulfilling one of the main objectives for which CAF was created.
1989	Colombia	Loan to Promotora de Interconexión de Gasoductos, S.A. (PROMIGÁS, S.A.) to finance the Regional Gas Pipelines project aimed at carrying natural gas to mid- and small-sized cities in the northern region of Colombia.	9.50	First loan aimed at financing gas pipelines in CAF shareholder countries. In later years, CAF financed the construction of a gas pipeline between Bolivia and Brazil and another in Peru.
1991	Colombia	Loan to Establecimientos Comerciales, Ltda. to finance the expansion of the Hotel Casa Medina in Bogota.	1.90	First loan aimed at financing a specific hotel project. Before then, CAF had granted program loans to national development entities to finance tourism projects, but this was the first direct loan granted by CAF to finance a project in the tourism sector. Later, the Institution financed similar projects in Bolivia, Ecuador, and Peru.

Year of Approval	Country	Description	Amount (in USD million)	
1992	Venezuela	Loan to CVG Electrificación del Caroní, C.A. (EDELCA) to partially finance the Macagua II Hydroelectric Plant, with a generating capacity of 2,548 MW.	55.00	First loan granted to Venezuela for the construction of a hydroelectric plant, in this case, the second energy project of the lower Caroni basin. Since then, CAF has participated in the financing of all the hydroelectric projects developed in the lower Caroni, such as Caruachi and Tocoma.
1992	Venezuela	Loan to Supermetanol, C.A. to partially finance the construction of a plant for the production of chemical grade methanol (Metanol II project) with a capacity of 2,000 metric tons per day.	47.00	First loan to finance a petrochemical project located in the General de División José Antonio Anzoátegui Petrochemical Complex, in the state of Anzoátegui.
1993	Venezuela	Loan to Aceites y Solventes Venezolanos, S.A. (VASSA) for the construction of a plant for producing medicinal grade white oils and aliphatic solvents, with an annual capacity of 15,000 tons and 25,000 tons, respectively.	12.90	First loan with limited guarantees completely structured by CAF, granted to a private enterprise with mixed capital.
1994	Colombia	Loan to Proyectos de Infraestructura, S.A. (PISA), a private company, to partially finance the expansion project of the Buga-La Paila highway, with the construction of a second 50 kilometer long roadway.	20.00	First loan to a private enterprise aimed a financing the construction of road infrastructure through the concession system.
1994	Venezuela	Loan granted to the Republic of Venezuela for the Environmental Cleanup of Lake Maracaibo, which included the construction of interceptors, collectors, and four treatment plants which would process 98% of the domestic and industrial sewage discharged into the Lake.	22.00	First operation aimed at specifically financing a project with a distinctive environmental scope.
1994	Venezuela	Guarantor of CVG Ferrominera del Orinoco, S.A. in a loan from COBRASMA of Brazil to finance the importation of 120 wagons for carrying iron ore.	6.80	First guarantee operation so that an enterprise could obtain a foreign loan.
1995	Bolivia	Loan to Caja de Ahorro y Préstamo Los Andes, S.A. with resources from the Human Development Fund (FONDESU, in Spanish) managed by CAF, to finance micro credit operations in the city of El Alto and the rural areas of Cochabamba.	0.50	This operation was the first of a series of CAF loans to financial institutions that provide credit to urban and rural micro enterprises, which have proven records, in Bolivia, Colombia, Costa Rica, Ecuador, Mexico, Panama, Paraguay, Peru and Venezuela. In this way, CAF has become one of the main supporters of the micro finance sector in the region.

Main initiatives financed by CAF

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Year of Approval	Country	Description	Amount (in USD million)	
1995	Peru	Loan to the Republic of Peru to finance repairs and paving of 288 kilometers of the Ilo-Desaguadero Highway on the route through-Moquehua-Torata-Mazocruz-Pichupichuni-Desaguadero, as well as the maintenance of 65.5 kilometers of asphalt.	80.00	First financing granted to Peru for highways that are a part of the main axis of the Andean Highway System.
1996	Brazil	Loan to the Federative Republic of Brazil to finance a project for improving and paving segments of the BR-174 highway between Manaus and the border with Venezuela, with a length of 970.5 kilometers, a platform nine meters wide, and one meter wide shoulders.	86.00	First loan granted to Brazil to finance the Brazil-Venezuela Integration Corridor.
1996	Colombia	Loan to Financiera de Desarrollo Territorial (FINDETER) to finance a Private Education Program which included investments in civil works, studies, and technical assistance for the construction, expansion, and restructuring of the physical plant, furniture, and equipment in public and private educational institutions at the elementary, secondary, and tertiary levels.	25.00	First operation aimed at financing a specific education program. CAF has continued financing education programs in Colombia and Ecuador.
1997	Bolivia	A/B loan to Boliviana de Energía Eléctrica, S.A. (COBEE), a private company, to finance the expansion of the Zongo Valley Hydroelectric System, located 50 kilometers from La Paz, with the aim of increasing generation capacity by 63.2 MW.	75.00	First structured co-financing operation using the A/B mechanism, where CAF participated with an A portion of USD 30 million to cover the political risk of the four banks that participated in the B segment with USD 45 million.
1997	Brazil	Loan to Transportadora Brasileira Gasoducto Bolivia-Brasil to finance the Brazilian stretch of the Bolivia-Brazil gas pipeline.	100.00	Financing of an important gas pipeline that would change the energy matrix of Bolivia and Brazil. This was the first loan to Brazil in support of its energy integration with Bolivia.
1997	Brazil	Loan to Centrais Elétricas Brasileiras, S.A. (ELETROBRAS), to finance the electric grid interconnection between Venezuela and Brazil.	55.00	First loan in Brazil to finance its energy integration with Venezuela.
1997	Ecuador	Loan to the Republic of Ecuador to partially finance the Social Program La Esperanza, which included 49 specific projects and an institutional strengthening component. The executing agency was the Ministry of Social Welfare through the Ecuadorean Episcopal Conference.	24.50	Although this was not the first loan granted by CAF to finance social programs, it deserves special mention since the plan included well-defined specific projects from the moment it was conceived.

Year of Approval	Country	Description	Amount (in USD million)	
1998	Panama	Loan to the Republic of Panama to finance a Road Infrastructure Program in the Inter-Oceanic Corridor which included the construction, improvement and expansion of several main highways in this corridor.	60.00	First long-term loan granted to Panama to finance road infrastructure for connecting the Inter-Oceanic Corridor with ports and airports on the Panamanian coasts, with port service and ship maintenance centers, with industrial processing, urban service centers and with Panama City.
2000	Colombia	A/B loan to La Sierra Leasing Co. to finance the Optimization and Expansion Project of La Sierra Thermoelectric Plant, from 300 MW to 480 MW. Empresas Públicas de Medellín (EPM) owned this plant. The project included adapting the plant from a simple cycle system to a combined cycle.	95.00	In this A/B loan, CAF participated with an A portion of USD 28 million, covering the political risk to the banks participating in the B segment, which contributed USD 67 million. The change from a simple to a combined cycle would optimize the use of energy resources. Thus, this became the first regional level project to receive the approval of the evaluation panel of the United States Initiative of Joint Implementation (USIJI), which recognized it as reducer of carbon dioxide emissions since it complied with the criteria established in the Clean Development Mechanism (CDM) of the Kyoto Protocol. In this respect, CAF's Latin American Carbon Program played a key role in structuring and presenting this project to the USIJI.
2003	Costa Rica	Loan to Refinadora Costarricense de Petróleo (RECOPE) to partially finance the third stage of the Multipurpose Limon-La Garita Pipeline, which included the construction of 123 kilometers of multipurpose pipeline with five pumping stations.	30.00	First long-term loan granted to Costa Rica to finance energy transportation infrastructure. It should be mentioned that the Banco Centroamericano de Integración Económica (BCIE), also participated in financing this project. This has strengthened working ties with this important development bank.
2004	Peru	Loan to Concesionaria Trasvase Olmos, S.A. to partially finance the Olmos Project Stage I-Transfer Works, which included the utilization of the waters of the Olmos, Huancabamba, Tabaconas and Manchara rivers on the Atlantic basin, for expanding the agricultural zone by irrigating fallow lands on the Pacific basin.	50.00	First loan granted to a private enterprise to execute a project for transferring water from one basin to another. It was also the first non-sovereign risk loan granted by CAF in that country.

Main initiatives financed by CAF

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Year of Approval	Country	Description	Amount (in USD million)	
2005	Bolivia	Loan to the Republic of Bolivia to partially finance the Santa Cruz-Puerto Suarez Integration Road Corridor. This was approximately 600 kilometers long and was one of the missing segments of South American physical integration.	180.00	Although CAF began its program for financing physical integration projects in the region with another operation in Bolivia, in 1986, this loan is noteworthy due to the importance of the project which it supported. In fact, the road connection between Santa Cruz de la Sierra (Bolivia) and Corumba (Brazil) is the most direct. It also has the greatest economic and social potential for establishing trade between the two countries and between the Andean Community (CAN), Chile, and MERCOSUR. It will also facilitate Bolivia's access to the Paraguay-Parana Waterway and to the Atlantic Ocean.
2005	Colombia	Loan to the Republic of Colombia to support the Expanded Immunization Program for 2005-2008, which increased the populations' access to immunization services during that period.	24.77	First CAF's loan granted to a shareholder country aimed specifically at health services. This loan to the Republic of Colombia increased the quality and coverage of the immunization system, where CAF contributed to improving equity and opportunity in access a basic service.
2006	Argentina	Loan to the Republic of Argentina to partially finance a project for Repairs and Paving of the International Border Pass El Pehuenche, in order to develop the road infrastructure leading to a strategic pass in the Andean Mountains between Argentina and Chile.	80.00	Loan aimed at financing a road integration project between Argentina and Chile, in line with one of CAF's main objectives: to promote integration between the countries of the region.
2008	Panama	Loan to Panama Canal Authority (ACP, in Spanish) to partially finance the Comprehensive Expansion Project of the Panama Canal.	400.00	One of the largest non-sovereign risk loans granted by CAF. The project will have a significant economic impact on the country and the region.
2009	Brazil	Long-term corporate loan to Energimp, S.A. to finance aeolic generation projects in the country.	40.00	First operation to finance projects for electricity generation which use wind power, and thus, generate clean energy.

Year of Approval	Country	Description	Amount (in USD million)	
2009	Peru	Long-term loan to Maple Etanol, S.R.L. to partially finance the development of an agro-industrial complex for the production of sugar cane with which to produce bio-fuel (anhydrous ethanol) for export, mainly to Europe.	65.00	First loan aimed at financing the production of biofuel. It is part of CAF's strategy to support the production of clean alternative energies. The project has other noteworthy aspects, such as the installation of a water transportation and storage system which will use the water resources of the Chira River to change arid land, not currently in use, into a sugar cane plantation with world class productivity.

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40 initiatives for sustainable development

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