



Sustainability Report

2019



BANCO DE DESARROLLO
DE AMÉRICA LATINA

Table of Contents

01 Message to our stakeholders _____ Pag. 4

02 CAF - development bank of latin america _____ Pag. 8

Institutional profile _____ Pag. 9
 Corporate governance _____ Pag. 28
 Risk management _____ Pag. 34
 Human capital _____ Pag. 54
 Procurement management _____ Pag. 66
 Knowledge management _____ Pag. 70

03 Efficiency _____ Pag. 78

Infrastructure for sustainable management _____ Pag. 79
 Private sector productivity and competitiveness _____ Pag. 100

04 Equity _____ Pag. 110

Challenges for equity and sustainable development in latin america _____ Pag. 111
 CAF's contributions to equity and sustainable development in Latin America _____ Pag. 116
 Social innovation _____ Pag. 140

05 Sustainability _____ Pag. 170

Toward green economies that are resilient to climate change in Latin America _____ Pag. 171
 CAF's Green Agenda _____ Pag. 173
 Institutional System for Environmental Management (SIGA) _____ Pag. 190
 Economic and financial sustainability _____ Pag. 198

06 Institutionalality _____ Pag. 218

Digital transformation and public innovation for sustainability in Latin America _____ Pag. 219
 CAF's contributions to digital transformation and public innovation _____ Pag. 220

07 Integration _____ Pag. 234

Importance of border integration for the latin american context _____ Pag. 235
 Comprehensive border management program (progif, for its acronym in spanish) _____ Pag. 237
 Logistic integration corridors _____ Pag. 242

08 GRI Content Index _____ Pag. 248



1 Message to our stakeholders

GRI 102-14

I am pleased to share these lines to comment on the significant challenges and changes that led our actions in 2019. Compelled by the main challenges faced by Latin American countries, we advanced a profound review of our corporate strategy in order to focus our actions toward the most relevant issues for the development and integration of the region, seeking to consolidate as the main partner of Latin America and the Caribbean, by offering financial instruments and knowledge services that support compliance with the development goals and objectives of our shareholder countries.

In addition, we carried out an exhaustive organizational structuring process that allowed us to consolidate, optimize, and simplify our internal processes and structure in order to be more efficient and to better address the needs of our shareholder countries; supported by the commitment and integrity of our staff, the structuring of operational plans adjusted to the needs of each country, and the transparent and profitable management of the financial resources we have.

With the Comprehensive Development Agenda that we have prioritized, we guide our efforts toward the identification and capitalization of opportunities that

help close the development gaps in the countries of the region, particularly those related to efficiency, equity, sustainability, institutional framework, and integration.

Thus, CAF promotes a comprehensive development vision focused on improving the quality of life of all Latin Americans, coordinating efforts to respond to the main challenges of the region in order to improve their productivity and internal efficiency, strengthen the presence and capacity of the institutions to address the demands of their citizens, achieve the development of infrastructure that facilitates market integration and the efficiency of productive processes, encourage equitable scenarios in the availability of health services, education, water, sanitation, and nutrition, among others, as well as profit from the competitive advantages of the region's natural capital to achieve the desired prosperity and growth in an equitable and sustainable manner.

In each one of these fronts we have decidedly advanced by tuning-up our operational plans and country strategies, whose main axis and impact results are documented in this Sustainability Report. Among these stand out the prioritized approaches toward digital transformation,



financial inclusion of individuals and companies, promotion of comprehensive city services, and the consolidation of logistic integration corridors.

We recognize that the achievement of these results is possible due to the consolidation of alliances and collaborative work networks with different public and private actors in the region and the world, through which we exert an important role to strengthen knowledge, positively contribute to public policies, and attract significant resources to the region, to leverage development and strengthen our actions.

I would not like to end before highlighting the institutional commitment to reduce its own carbon footprint, a strategic corporate agenda which led to the completion of CAF's carbon neutral cycle by means of actions aimed at offsetting emission since the start of CAF's operations until the last

certified measurement, that is, from 1970 to 2018. The estimates for GHG reductions, carried out based on reliable information certified by an internationally renowned auditor and supported by methodologies included in the ISO 14064-1 & 3:2006 and INTE B5:2016 norms / GHG Protocol 2017, reached 162,984.67 ton CO₂ eq.

After evaluating a portfolio of 10 projects associated to GHG emission reduction in Latin America, CAF selected the project "REDD Project in Brazil nuts concessions" from the Peruvian company Bosques Amazónicos S.A.C. (BAM), which guarantees protection from deforestation for 300,000 hectares in the Peruvian Amazon. With this action, CAF achieved carbon-neutrality, offsetting its historic carbon footprint until 2018.

We thus reaffirm our 50-year commitment to work for the sustainable development of our countries and improvement of the quality of life of all peoples. Thank you for being a part of this purpose.

Luis Carranza Ugarte
CAF Executive President



2 CAF - development bank of Latin America

Institutional profile

About us

GRI 102-1, 102-3, 102-4

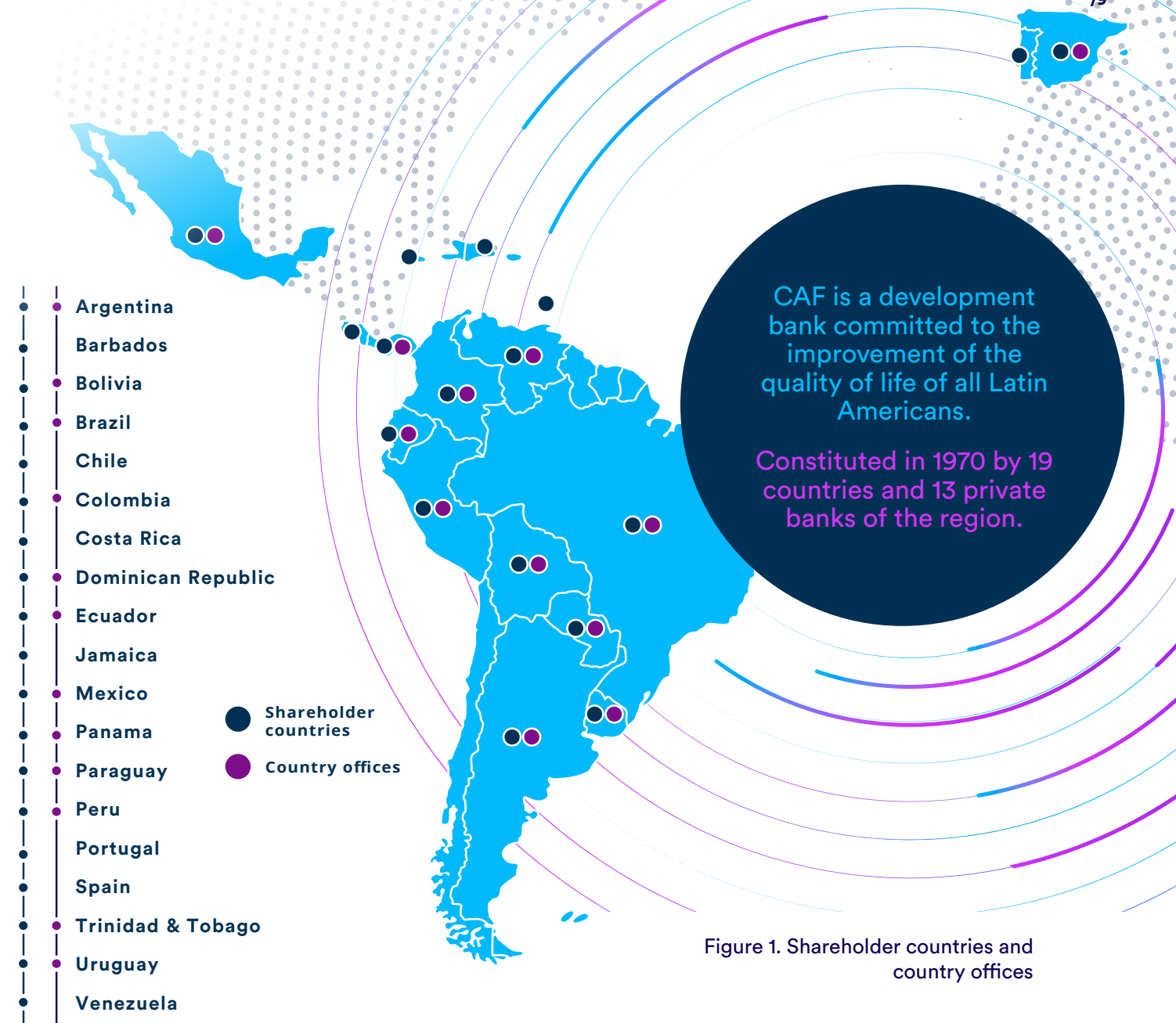


Figure 1. Shareholder countries and country offices

To learn more about CAF and its history, consult: <https://www.caf.com/50>

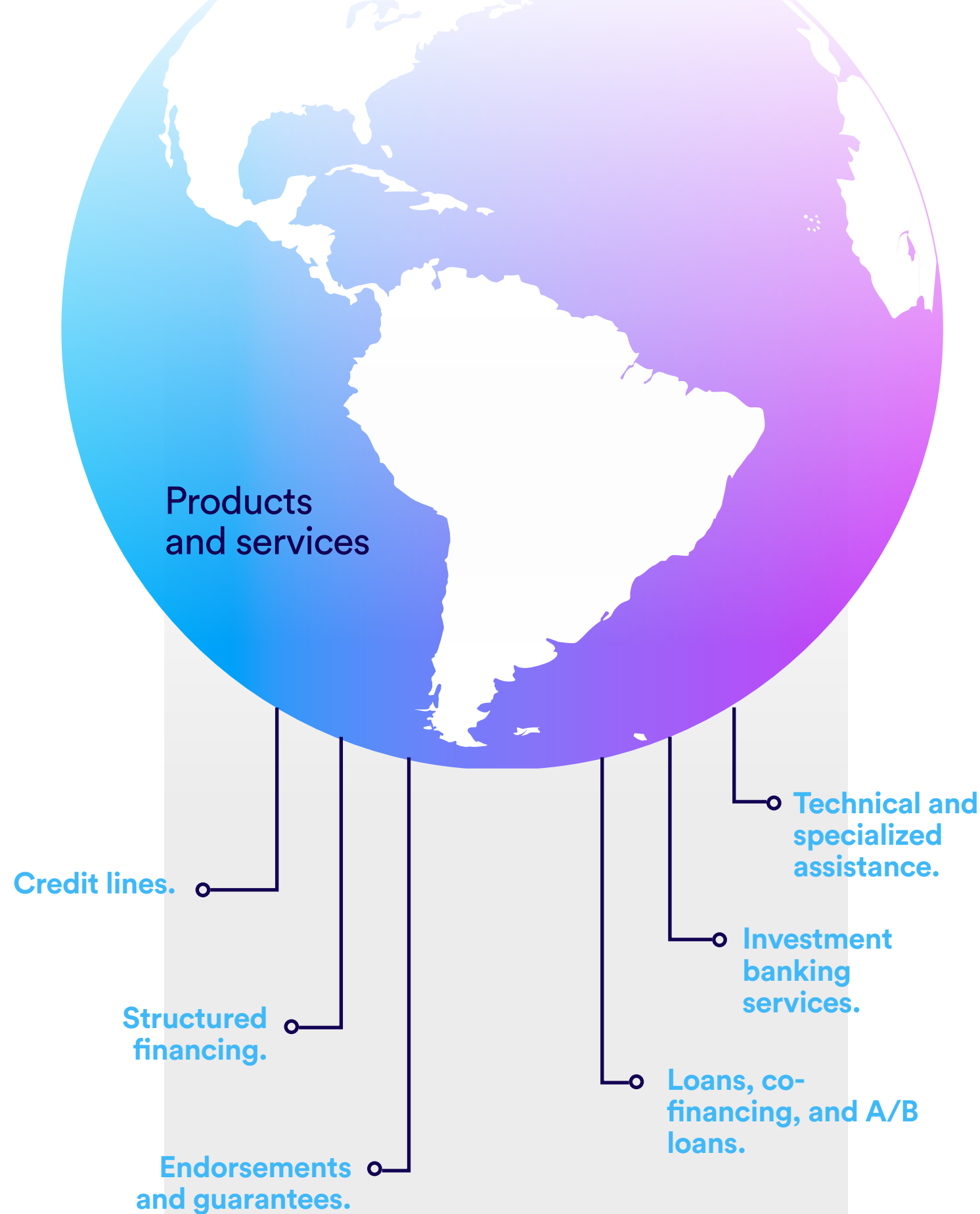
What we do

GRI 102-2, 102-6

CAF promotes a sustainable development and regional integration model, based on the generation of opportunities for the growth of Latin American countries, and the improvement of the quality of life of individuals in places where an equitable development is needed.

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

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



For the development of its activities, CAF considers and adapts its actions to the characteristics and economic, social, political, and environmental challenges in the countries of the region. Its purpose is to transform adversities into development opportunities according to the reality of each country.

From a comprehensive view of development, CAF's actions are aimed at:

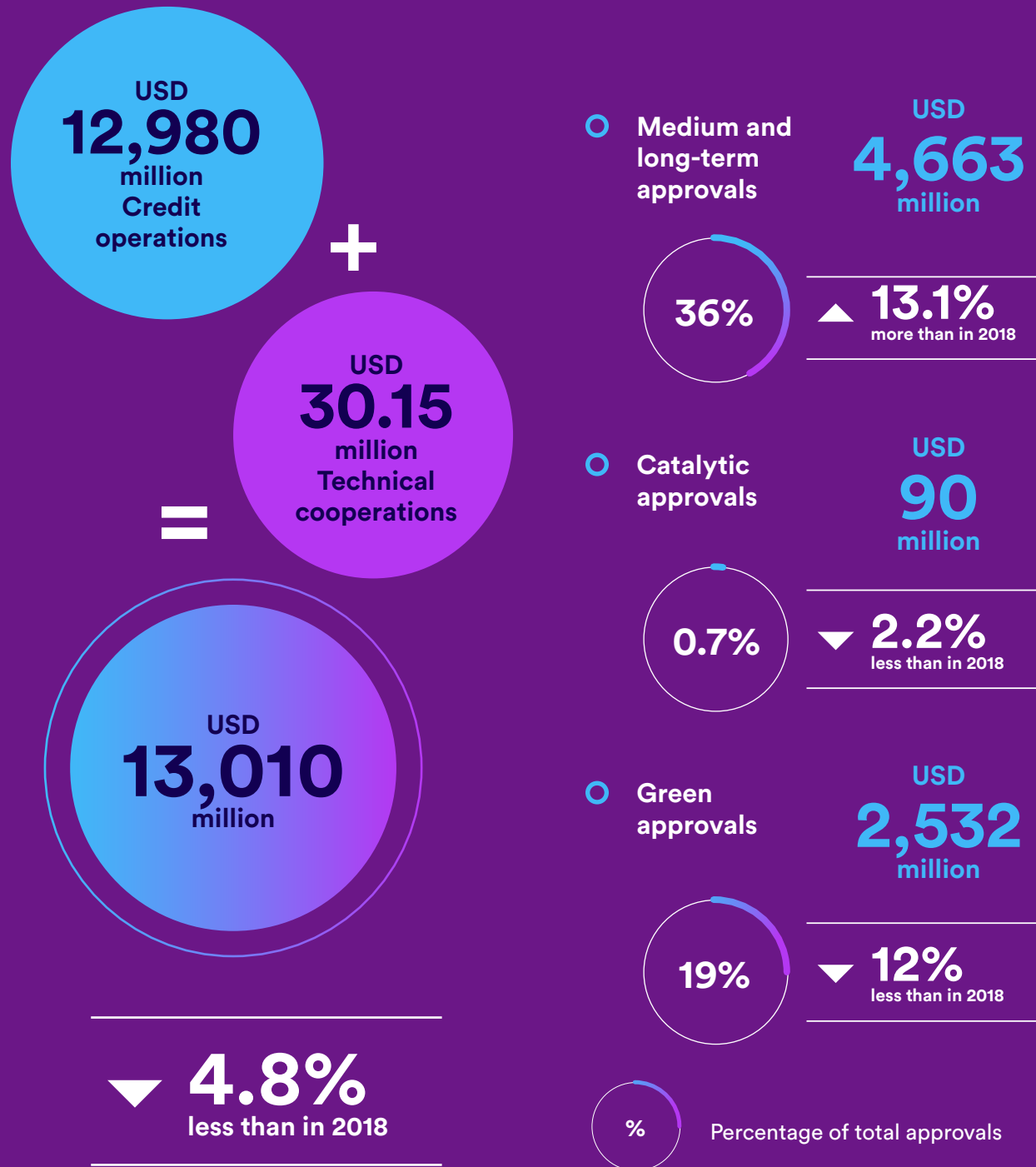
- Promoting a **coordinated and physically, economically and socially** connected region
- Advancing **universal access to quality services** in education, health, nutrition, water, and sanitation.
- Pursuing **equal opportunities and the empowerment of women.**
- Boosting **productivity, competitiveness, and productive transformation** of the economies of the region.
- Facilitating the development of **low-carbon economies, resilient** to climate change.
- **Strengthening the national productive sectors and promoting financial inclusion,** access of SME's to financial resources, and entrepreneurial innovation.
- Encouraging the development of **inclusive, competitive, and sustainable cities.**
- Promoting **social innovation** as a mechanism to generate useful solutions to social problems in the region, and opportunities for the inclusion of vulnerable communities.
- Contributing to the **efficiency and transparency of public management** in the region.

For more information regarding CAF products and services, consult through the following link: <https://www.caf.com/es/sobre-caf/que-hacemos/>

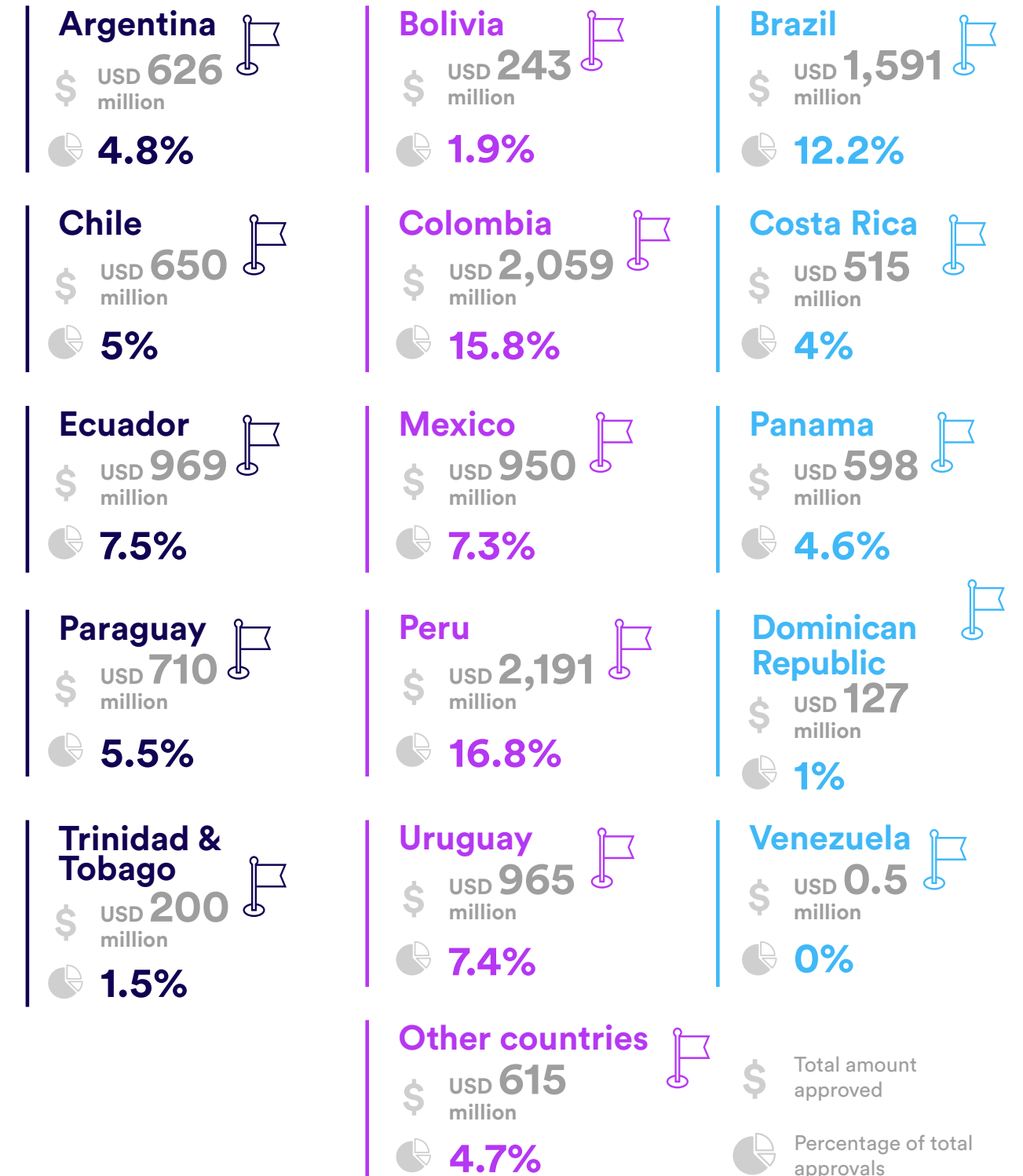
Main dimensions

GRI 102-7

Total approvals

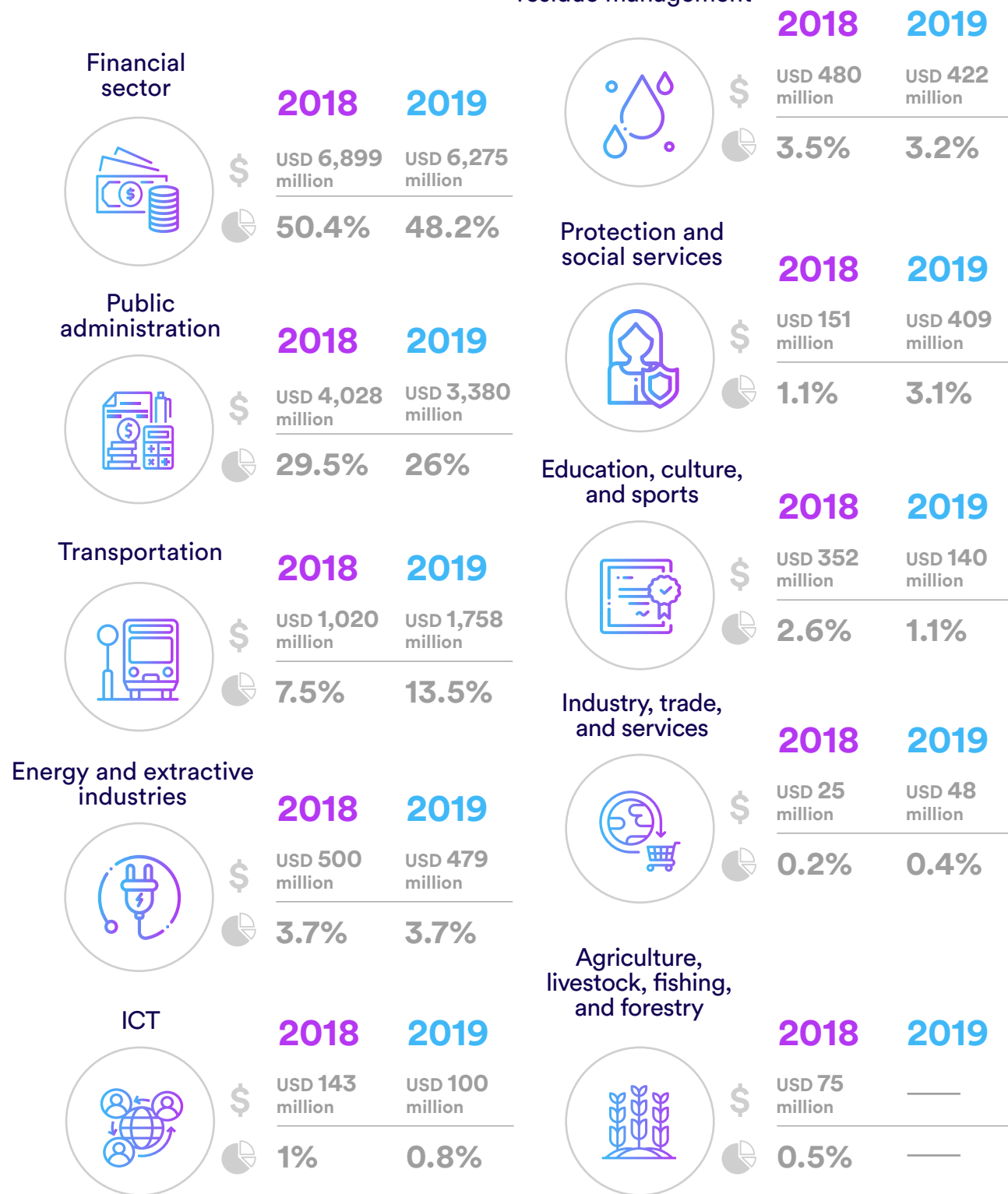


Total approvals by country



Approvals by economic sector

Water, sanitation, preservation of water resources and residue management

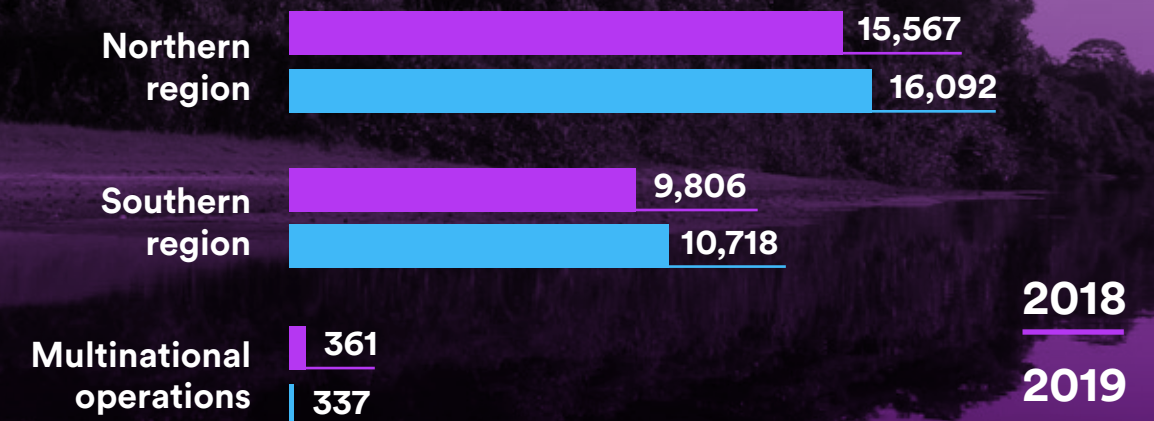


\$ Total amount approved Percentage of total approvals

Consolidated portfolio¹



Consolidated portfolio by region



¹ In agreement with the new Management Policies approved by CAF's Board in September 2019, by means of Resolution 2298/2019, the consolidated portfolio represents the sum of the Loans Portfolio, Equity Investments, and endorsements and guarantees

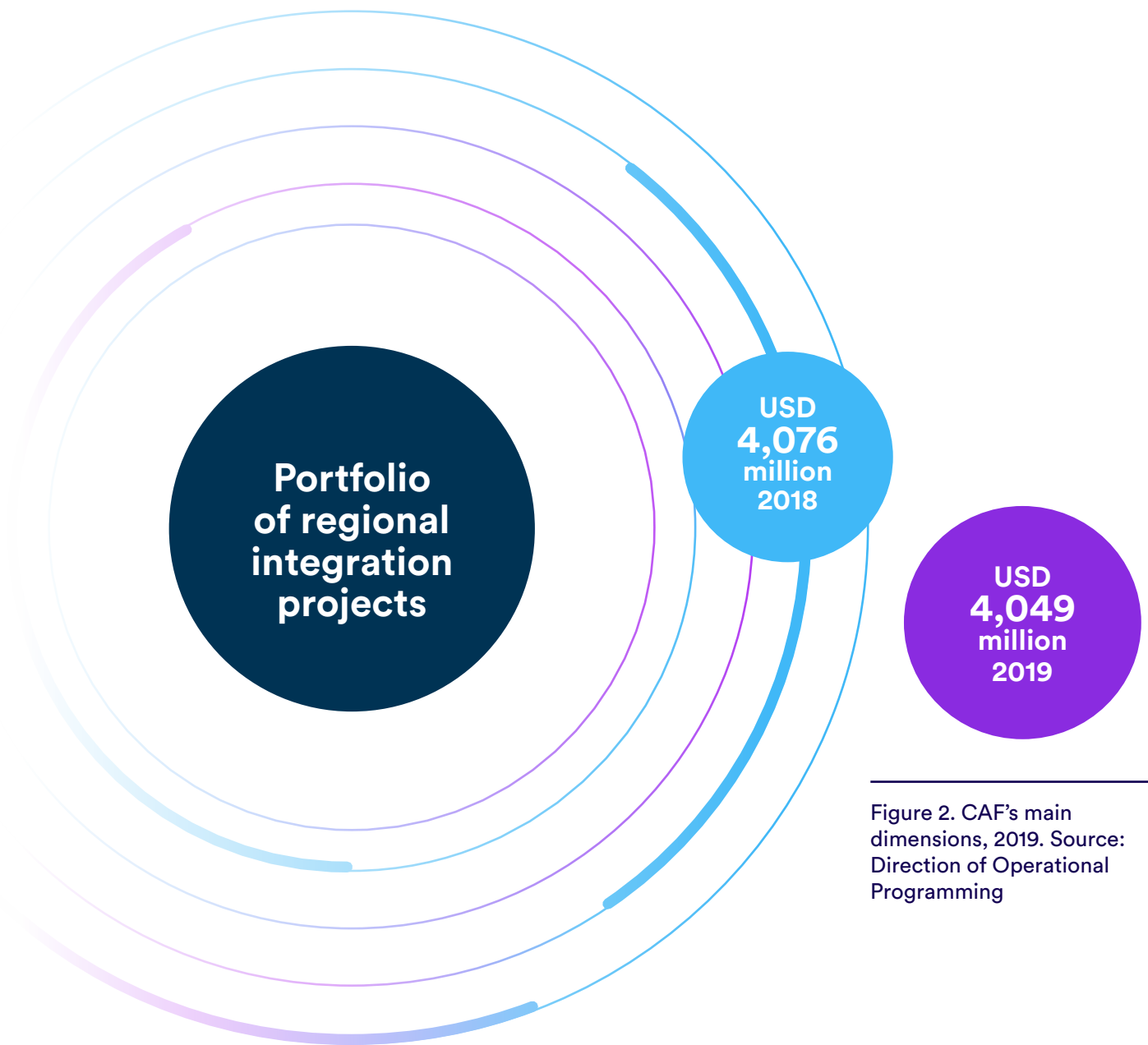


Figure 2. CAF's main dimensions, 2019. Source: Direction of Operational Programming

Our bet for sustainable development

Comprehensive agenda for development

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



Strategic corporate framework



Figure 3. CAF's Strategic Corporate Framework, 2019

Alliances for sustainable development

GRI 102-12, 102-13

Building alliances constitutes a vitally important challenge for the development of Latin America and the Caribbean. In this context, CAF has consolidated as a relevant partner for the development of the region, with a global projection and presence in prioritized areas of the international agenda.

CAF promotes institutional relations with shareholder countries and institutions, as well as with organizations that contribute with financial, human, or technical resources to create synergies that enhance the possibilities of achieving the Institution's strategic objectives and their impact, with a special emphasis in the Latin American region.

Strategic allies



- CAF is invited as an observer to the annual meetings of the World Bank, IMF, IDB, Asian Development Bank, and Caribbean Development Bank. CAF also creates relationships with the multilateral banking system in the framework of the IDFC (Infrastructure Development Finance Corporation).
- Bilateral meetings are conducted when requested by any of the parties, if warranted.

▶ Commercial and development banking

- **Development banking:** interactions in the Banks Club, the Latin American Association of Financial Institutions for Development (ALIDE, for its acronym in Spanish), and other coordination fora.
- **Commercial banking:** interactions in the Latin American Banking Federation (FELABAN, for its acronym in Spanish), and, occasionally, events are co-sponsored.

▼ Academia

- CAF has developed alliances in its shareholder countries and at a global level with universities and think tanks. It also has work programs to carry out events and studies with its main academic allies.

Associations

- CAF – KFW Strategic alliance
- Americas Society / Council of the Americas.
- Latin American Association of Financial Institutions for Development (ALIDE, for its acronym in Spanish).
- Association of Certified Anti-Money Laundering Specialists (ACAMS).
- Brookings Institution.
- Canning House - Hispanic and Luso Brazilian Council.
- Casa de América
- Centro de Estudios Monetarios Latinoamericanos (CEMLA).
- Chatham House.
- Infrastructure Development Finance Corporation (IDFC)
- Inter-American Dialogue.
- Latin American Banking Federation (FELABAN, for its acronym in Spanish).
- Climate Change Adaptation Fund – Adaptation Fund (FA, for its acronym in Spanish).
- Global Environment Facility (GEF).
- Green Climate Fund (GCF).
- Asia-Pacific Economic Cooperation Forum (APEC).
- Fundación Carolina.
- Fundación Euroamérica.
- Fundación Iberoamericana Empresarial (FIE) (Ibero-American Entrepreneurial Foundation).
- Institute of International Finance (IIF).
- Institute of Latin American Studies (ILAS).
- Instituto de Empresa (Enterprise Institute).
- United Nations (UN).
- Organization of American States (OAS)
- Organization for Economic Cooperation and Development (OECD)
- Real Instituto Elcano (Royal Elcano Institute).

▶ NGO

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

Stakeholders

GRI 102-40

CAF keeps close relations with its stakeholders, to promote the development of its Comprehensive Development Agenda and to generate synergies for the fulfillment of its strategic objectives.

Shareholders
Strategic allies
Staff
Suppliers
Clients
Society

stakeholders	Communication channels	Frequency
Shareholders	Meetings of the Shareholder´s Assembly.	Annual.
	Board Meeting.	Triennial.
	Audit Committee Meeting	Biannual.
	Meeting of the Committee to follow up the Digital Transformation Project.	Annual.
Strategic allies	Permanent relations with the previously described characteristics.	As applicable.
Staff	<ul style="list-style-type: none"> Lo+ Tudei Publication. Electronic mails. Tudei (intranet). Internal communication strategies per project. Human Capital Administration Committee. Internal structures to assess positions, promotions, and performance evaluation. 	Permanent and/or when required.
Suppliers	<ul style="list-style-type: none"> Competitive tenders. Information requests (SDI), private contests (SDP). Public contests. Mails, specialized pages, and search engines are used for the execution of selection processes. 	According to the requirements of the requesting units, availability, and budgetary execution.
Clients	<ul style="list-style-type: none"> CAF´s web page. Other digital medial (social networks). Communication media. Electronic mails. Fora. Congresses. 	Permanent and/or when required.

stakeholders	Communication channels	Frequency
Society	<ul style="list-style-type: none"> CAF´s web page and other digital media (social networks). Electronic bulletins aimed at segmented databases. Information published in communications media. 	Permanent and/or when required.

Table 1. Communications channels with stakeholders

Materiality

[GRI 102-46, 102-47](#)

Materiality enables the guidance of decision making and accountability, to respond to the way in which the impacts generated and performance of this management are dealt with, as well as how the interests and expectations of the stakeholders are considered within the strategic planning processes and activities of the Organization.

Under this assumption, through its Sustainability Reports, CAF provides an account of its contributions to sustainable development in the countries of the region, according to the main impacts and contributions generated in the execution of its activities.

For this report, a review and update of the materiality exercise documented in previous exercises was carried out, to align material issues to the strategic vision, organizational changes, development agendas, and spheres of impact defined by the Institution for this period.

To this effect, the following inputs were analyzed; they offer a general view of the main issues that are part of CAF´s strategies, its sustainability context, and expectations of its different stakeholders:

- Background:
 - Strategy and Model for the Sustainability Report
 - Materiality exercises carried out for the Sustainability Report for the 2015-2016 and 2017-2018 periods.

- Subjects and strategic actions included in the Activities Program and Budget (PAP, for its acronym in Spanish) for 2019.
- Sustainable Development Agenda promoted in 2019.
- Spheres of impact on sustainable development defined by the Institution.
- Corporate strategy and planning.
- Planning meetings with CAF Directions and Vice-presidencies
- Prioritization surveys carried out with CAF Vice-presidents.

As a result of this analysis, a materiality structure was defined, made up of seven material subjects related to the Institution´s spheres of impact, and four cross-cutting programs which are presented in this Report, related to the material subjects as presented below:

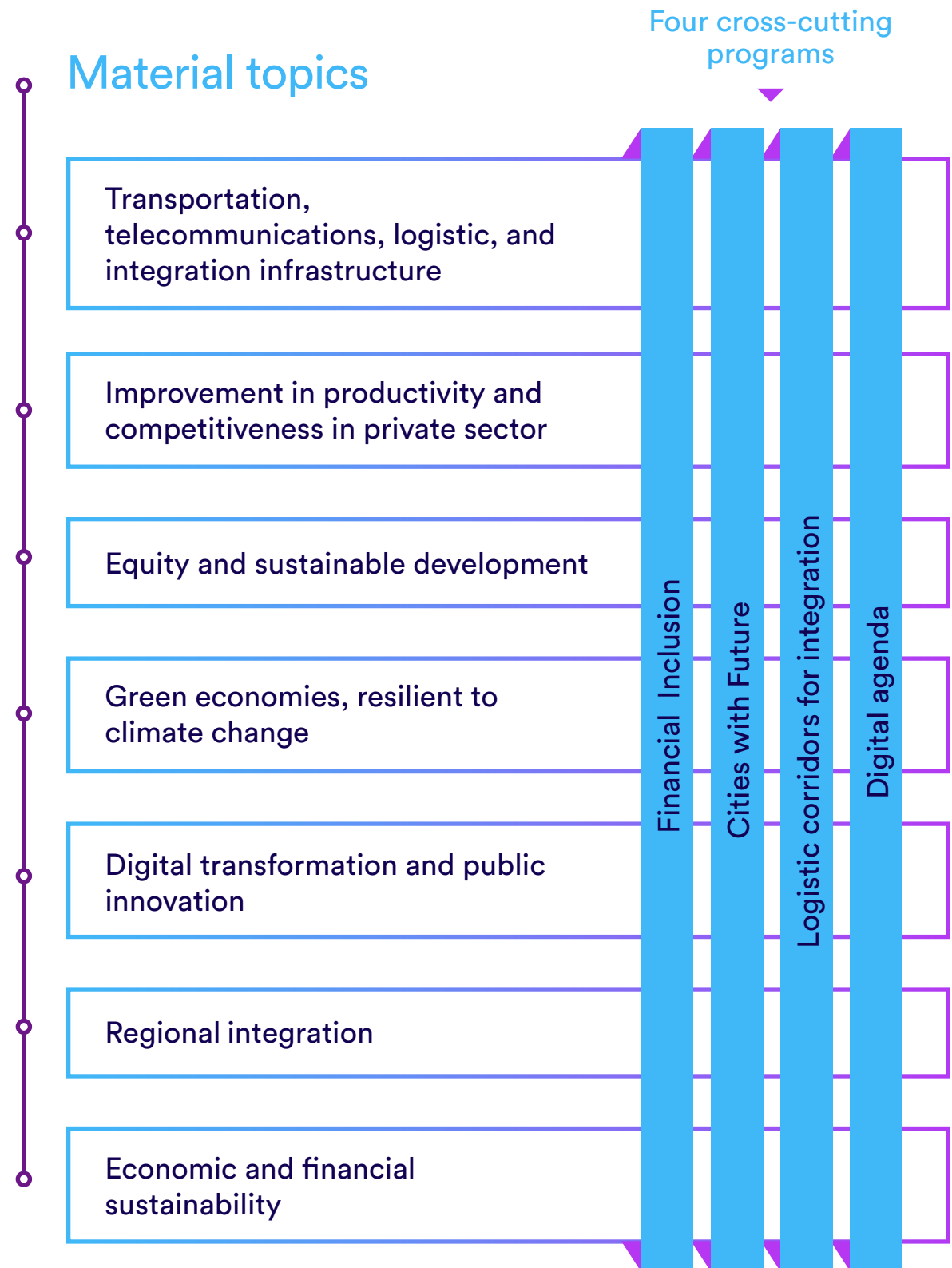







Figure 4. Materiality Matrix, 2019

Material topics	Contents	Relations with SDG	Cross-cutting strategic programs
Transportation infrastructure, telecommunications, energy, logistics, and integration	<ul style="list-style-type: none"> Comprehensive urban interventions Logistics and transportation interventions Energy infrastructure and energy efficiency Telecommunications infrastructure 		 <p>Digital agenda</p>
Productivity improvement and competitiveness of the private sector	<ul style="list-style-type: none"> Support for SME's productivity and competitiveness Entrepreneurial innovation and universities Financial inclusion Private infrastructure 		 <p>Financial inclusion</p>
Equity and sustainable development	<ul style="list-style-type: none"> Water security Access, quality and relevance of education Equal opportunities and women empowerment Health and child nutrition Social innovation 		 <p>Cities with future</p>
Green economies, resilient to climate change	<ul style="list-style-type: none"> Mitigation and adaptation to climate change Conservation and sustainable use of natural capital 		

Material topics	Contents	Relations with SDG	Cross-cutting strategic programs
Green economies, resilient to climate change	<ul style="list-style-type: none"> Mobilization of environmental and climate resources Institutional System for Environmental Management 		
Digital transformation and public innovation	<ul style="list-style-type: none"> Digital government and public innovation Regulatory improvement and administrative simplification Governmental transparency and public integrity Data intelligence and new technologies 		
Regional integration	<ul style="list-style-type: none"> Comprehensive border management Integration infrastructure Integration Logistic Corridors Regional infrastructure Pre-investment Program 		 <p>Integration Logistic Corridors</p>
Economic and financial sustainability	<ul style="list-style-type: none"> Raising and managing financial resources Co-financing Cooperation Funds for Development 		

Table 2. Material subjects, contents and relations with SDO

Corporate governance

GRI 102-10, 102-18

CAF's corporate governance is made up of a series of internal collegiate bodies. Its description, structure, and operation have been established in the Constitutive Agreement and General Regulations, which jointly safeguard CAF's proper functioning and the generation of economic, social, and environmental value for shareholder countries and the region.

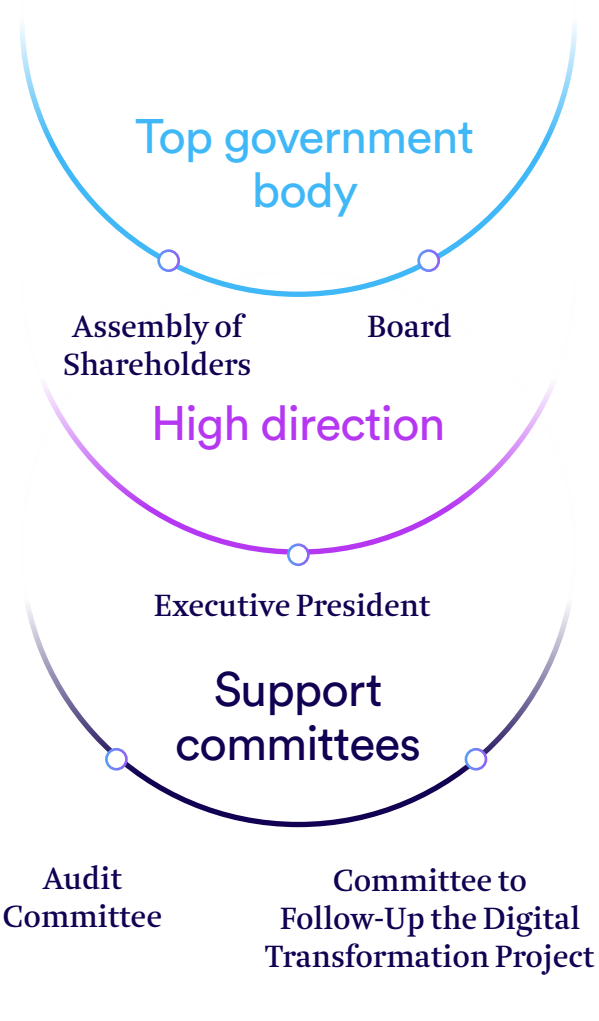


Figure 5. CAF's Corporate Governance Structure

Government body

Description

Government body	Description
Shareholders Meeting	<ul style="list-style-type: none"> CAF's supreme body, made up by series A, B, and C shareholders, as well as by shareholder representatives meeting with the qualified quorum and in the conditions established in the Constitutive Agreement. It meets in an Ordinary session once per year within ninety days following the close of the annual exercise, or in Extraordinary session, depending on the subject matter submitted to its consideration. Approves the Board's annual report, the financial statements duly audited, and determines the allocation of CAF's profits. In addition, it chooses the members of the Board according to the norms detailed in the Constitutive Agreement, appoints the external auditors, and considers other subject matters expressly submitted.

Government body

Description

Government body	Description
Board	<ul style="list-style-type: none"> The Board is responsible for establishing and managing the Institution's financial, credit, and economic policies, as well as exercising other responsibilities conferred by the Constitutive Agreement, the General Regulations, and those delegated by the Assembly. It is made up by representatives of the series A, B, and C shareholders. Establishes CAF's policies, appoints the Executive President, approves credit operations, the annual expenditures budget, granting of guarantees or investments, and any other operation within CAF's objectives.
Executive President	<ul style="list-style-type: none"> The Executive President is the legal representative, Director General, and manager of the Institution, in charge of all matters that are not specifically entrusted to other bodies. In charge of approving the strategic plans for countries and sectors, the structures, and institutional processes corresponding to his level of authority, and financial operations carried out by CAF for amounts within the limits the Board has entrusted. This position lasts for five years, with a possibility of reelection.
Audit Committee	<ul style="list-style-type: none"> This is a subsidiary body created by the Board to have an effective communication channel with Management regarding the financial information process and CAF's internal control structure.
Committee to Support the Digital Transformation Project	<ul style="list-style-type: none"> Subsidiary body created by the Board in December 2017, to guarantee the update, improvement, and integration of all the Institution's computer systems and processes to increase its operational and management capacity, as well as the efficient use of budgetary approvals.

Table 3. Description of Governance Bodies



In the framework of the Organizational Effectiveness Project, during 2019 a New Organizational Structure was defined, the Institution's Management Policies were updated, and the Data Center was inaugurated in Panama.

For more information regarding Management Policies, Constitutive Agreement, 20-17-2020 Board Make-Up, and CAF Shareholders, visit: <https://www.caf.com/es/sobre-caf/quienes-somos/>

Shareholder structure

GRI 102-5

The Andean Development Corporation is a Multilateral Financial Corporation of International Public Law, created by the treaty called "Convenio Constitutivo de la Corporación Andina de Fomento" (Constitutive Agreement of the Andean Development Corporation), subscribed in the city of Bogota, on February 7, 1968.

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

Type	Series	Amount (USD millions)	Number of shares	2019 Shareholders
Ordinary Capital	A	10,000	15	11 countries
	B		1,600,000	32
	C		396,400	9
Guarantee Capital	B	5,000	700,000	11
			300,000	4

Table 4. CAF's shareholder structure 2019

Integrity, ethics, and transparency

GRI 102-16

The actions of CAF's staff, employees, and service providers are guided by principles of integrity, ethics, and transparency included in the Guidelines of Ethical Conduct and the Transparency Manual.

The **Guidelines of Ethical Conduct** are based on ethical principles of general acceptance, which serve as a guide for the behavior of individuals related to CAF in the execution of their daily activities.

Transparency

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

Honesty

Individuals and their actions should be based on decency, righteousness, and justice.

Discretion

Good judgement and tact to speak and act with reserve, caution, and circumspection.

Loyalty

Is understood as a behavior which is coherent with the Corporation's ethical principles, which places the corporate interests before any other.

Integrity

Is the disposition to act morally, with honesty and sincerity, without influences and according to current legal norms.

Equality

Means to coherently and homogeneously apply the norms and policies established in the Corporation to provide equitable treatment, free of arbitrary decisions and without discrimination by race, nationality, gender, religion, social class, age, or cultural origin.

Corporate ethical values

CAF's principles and values are established in the **Management Policies**, whose most recent version was approved by the Board on September 2019.

At the same time, the objective of the **Transparency Manual** is to establish regulations to prevent, detect, investigate, and deal with prohibited practices associated to CAF operations, including practices that are corrupt, fraudulent, coercive, collusive, and obstructive.

This policy document proposes a scheme that contains the general principles and procedures to be followed when carrying out investigations, and to sanction individuals or entities that incur in these types of forbidden practices.

To monitor compliance with the principles of integrity, ethics, and transparency included in these policy tools, there is the **Integrity and Ethics Committee**, led by the Vice-president of Administration, and the **Transparency Committee**, in charge of the Vice-president of Risks.

These bodies have a solid regulation, public contact mechanisms described in specific sites of the web page, and access from the corporate intranet for employees, together with the corresponding disclosure figures.

For more information regarding these committees, consult the following links:

Integrity and Ethics Committee: <https://www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/comite-de-integridad-y-etica/>

Transparency Committee: <https://www.caf.com/es/sobre-caf/que-hacemos/acceso-a-la-informacion/comite-de-transparencia/>

To communicate and permanently reinforce these mechanisms, the following actions are carried out:

- Independently from their hierarchic level, new hires participate in an induction program which includes a brief lecture on integrity, ethics, and transparency, which takes place every fifteen days. In addition, in the framework of the professionalization program, lectures are provided for employees regarding these matters.
- At the same time, when hired all employees and collaborators, independently of their hierarchic level, must sign a statement confirming receipt, reading, and compliance with the Ethical Conduct Guidelines and Transparency Manual.
- With respect to partners in the business, the Secretariat for Transparency and Integrity and Ethics Committees is open to address questions through the contact mechanisms and offers lectures when required.
- With respect to service providers, in cases where a comprehensive registration is in place, a reception statement of the Guidelines of Ethical Conduct is subscribed.

Risk management

Risk management structure

The Direction of Risk Management, attached to the Vice-presidency of Risks (VPR, for its acronym in Spanish), is in charge of offering the internal and external contextualization of risks and vulnerabilities that could affect the achievement of CAF's strategic objectives. In this way, it supports the Institution's decision making and governance, based on the identification, analysis, follow-up, and monitoring of the types of risks to which it is exposed.

Risk classification

Financial risks

Includes credit risk, concentration risk, interest rate risk, exchange rate risk, price risk, liquidity risk, and balance structure risk, associated to term mismatch (and the respective margin sensitivity) between assets and liabilities

Non-financial risks

Are economic risks that have not been included in the previous definition, such as strategic risk, reputation risk, fiduciary risk, operational risk, and technology risk.

Legislation

For each one of these categories there are Risk Management Systems. Their design and implementation consider the regulatory parameters of the shareholder countries and international reference standards. This ensures permanent control and adequate response capacity when needed.

In addition, there are policies regarding Industrial Security, Continuity, and Information Security, to guide the comprehensive management of associated risks.

Methodologies and models

Risk management at CAF is based on international best practices of the banking industry, where the regulatory framework issued under the agreements of the Basel Committee stand out. Risks are managed considering the following basic principles:



It should be noted that risks associated to crisis situations that could interrupt the normalcy of the operational activity, are mitigated in the framework of the business continuity management system that CAF has certified under ISO norm 22301 for the past five years.

Structure of reports and management tools

Component	Financial risks	Non-financial risks
Structure of reports	<ul style="list-style-type: none"> Monitor risks associated with management processes of liquid assets portfolios, portfolios of issued bonds, loan portfolio and equity investments. Daily, monthly, and quarterly reports that show exposure to risks: price, credit, interest rate, exchange rate and concentration, as well as , verification of compliance with established norms. 	<ul style="list-style-type: none"> Risk maps and matrices, causes and necessary controls, drawn from the identification and valuation of risks carried out with the process owners. Reports that show the level of exposure to risks identified for each process, as well as of the controls defined to manage them. Annual report including the main activities and advances achieved regarding risk management.
Management tools	Support in diverse digital platforms such as Bloomberg-AIMS and Risk Rating System (SCR, for its acronym in Spanish) which facilitate the quantification, evaluation, control, monitoring, and reporting of risk exposures, as well as verify compliance with the established guidelines and limits.	Specialized computer tools that support management, such as Global Suite, which includes the databases related to the administration and management of the types of non-financial risks.

Component	Financial risks	Non-financial risks
2019 Advances	<p>In 2019, the management of financial risks was focused on improving the efficiency and effectiveness of associated processes, where the following advances stand out:</p> <ul style="list-style-type: none"> ○ The Direction of Risk Management was structured with two liaisons that group and classify risks as financial (CRF) and non-financial (CRNF). ○ Purchase of new digital tools and platforms, such as: MATLAB, Bloomberg-LQA, Fitch Connect, S&P Ratings Direct, Moodys' Latam Credit View. ○ Construction of the Comprehensive Risk Monitoring System associated with the management of financial assets and liabilities. Said system was built with a Big-Data approach, and it is updated on a daily basis. Users can easily access and look for information. ○ Automation of several work flows that increased the area's productivity. ○ Improve the segregation of tasks between the areas of risk and finances. 	<p>Within the scheme of continuous improvement, the following activities were carried out in 2019:</p> <ul style="list-style-type: none"> ○ Risk surveys, generating causes and controls for 29 corporate processes and 15 sub-processes. ○ Identification of 144 risks and 148 causes, with 323 defined controls. ○ Update and issuance of 16 internal norms related with security, business continuity, and non-financial risks. ○ Definition of roles and profiles of eight critical applications. ○ Design and implementation of two tools for the evaluation of technology risks that support the adequate identification in information technology services: <ul style="list-style-type: none"> ○ Risk identification and management in CAF's Cloud Services. ○ Identification and evaluation of risks in technology projects/initiatives that will be put into production. ○ Implementation of the optimization project for the Business Continuity Management System. ○ Update the Manual of the Operational Risk Management System. ○ Implementation of the Global Suite tool for the management of non-financial risks.

Table 5. Main advances in risk management, 2019

Business Continuity Management System

CAF's Business Continuity Management System (SGCN, for its acronym in Spanish), certified under ISO norm 22301, makes it possible to guarantee compliance of the methodology and implementation of practices to maintain the operability of the business critical processes despite the adverse conditions that may exist, minimizing the impact of potential incidents that may affect business continuity.

	2017	2018	2019
Audits carried out	3	1	1
Managed interruption risks	25	18	18
Materialized interruption incidents	0	1	3
Staff that are part of the SGCN	120	120	46
Staff trained in the SGCN	95	85	140
New staff trained in the SGCN	10	4	77

Table 6. Indicators of the Business Continuity Management System

In 2019, the British Standards Institution (BSI) carried out a rectification audit of the ISO 22301 norm -Security of society within the business continuity management systems-. The audit reviewed the system's documentation and interviewed the managers of selected critical processes in order to verify compliance with the requirements established in the norm. The process ended with satisfactory results for CAF.

Within this system, CAF has the Business Continuity Plan (PCN, for its acronym in Spanish), which includes 19 individual plans associated to critical processes which have been documented, reviewed, and updated, such as the Plan for the Recovery of Technological Disaster (DRP) and the Incident Management Plan (PGI).

Project for the optimization of the SGCN

Based on the structural and strategic changes that have taken place in the Institution during past years, an optimization project was carried out in 2019 for the Business Continuity Management System (SGCN, for its acronym in Spanish), which included:

- Review and update of the methodology for the Business Impact Analysis (BIA).
- Continuity strategies that include different interruption scenarios.
- Continuity plans.
- Valuation and management of interruption scenarios.
- Crisis management.

For the implementation of this project, coordinate work was carried out with the Vice-presidency of Administration (VPA) regarding the design of the Disaster Recovery Plan (DRP) and the technological services map per country, optimizing the norm associated to the BCMS.

In addition, in parallel to the implementation of the Project, several interruption incidents occurred that led to partial unavailability scenarios of physical infrastructure (Venezuela, Argentina, Uruguay), which were managed and analyzed to identify improvement opportunities in the system.

In the final result, the following relevant points stand out, among others:

- Inclusion of total or partial unavailability scenarios.
- Definition of activation criteria for each plan, which provide a certain clarity and autonomy to leaders and directors of critical processes to act during an incident.
- Development of a Crisis Management Team for administrative decision making during a crisis.
- Flexibility of the Business Continuity Plan to adjust it to the reality of the incidents.



Methodology update for the analysis of impact on business

As a result of the application of the new methodology, 19 processes and two critical activities were identified, typified in different criticality levels (business critical processes, of support to businesses, depending on the seasonality and recovery support). In addition, criteria were designed for the valuation of standardized qualitative impacts with the methodology of non-financial risks. Advances were made to tie in this type of risk to the qualitative impact analysis.

Finally, relationships were established between the integrity criteria and the recovery point objective (RPO)², as well as of the availability criteria with the recovery time objective (RTO).

Continuity strategies

Sixty-eight strategies were consolidated that previously existed in 18, categorized within the five enabling resources of critical processes: physical infrastructure, technology, individual-staff, information, and suppliers.

In line with these enabling resources, five possible risk scenarios were defined, which are related with the total or partial unavailability of physical infrastructure, technology, individuals, information, and suppliers. Consequently, the activation criteria with their respective associated strategies were defined.

Continuity plans

The general structure of the existing continuity plans was updated with the information that was considered relevant for an interruption. Based on the update of the strategies and the defined scenarios, activation criteria were created with their respective strategies for each continuity plan, thus facilitating decision making facing the activation of each plan during the occurrence of continuity incidents.

Valuation and management of interruption risks

The valuation of interruption risks was standardized with the existing methodology for non-financial risks. The valuation and update of interruption risks will be carried out during the first quarter of 2020, based on the results of the Business Impact Analysis (BIA).

Crisis management

The response to incidents structure was optimized, considering the lessons learned during the events that occurred throughout the year. In this respect, the crisis management teams were updated: Executive Leading Team (ELE, for its acronym in Spanish) and Crisis and Incidents Management Team (EGC, for its acronym in Spanish), identified as an improvement opportunity in the event of an incident.

At the same time, the changes in the regulations for crisis management were a result of improvement opportunities identified during incidents occurred throughout the year.

Materialized interruption incidents

Three real interruption incidents were addressed during 2019, related to the following aspects:

- Electricity failure at a national level affecting Headquarters.
- Political instability at Headquarters: partial unavailability scenario at Headquarters.
- Activation of the alternate data center in Caracas: a scenario with partial technological unavailability.

² Refers to the time lapse between the moment of the disaster and the last point of data restoration (Backup)

It is important to highlight that throughout the year, approximately five partial activations of the alternate data center were carried out (Caracas), which tested the strategies defined in the Technology Disaster Recovery Plan (DRP, for its acronym in Spanish).

As part of the Direction's reviews, focused on evaluating and approving all the elements and products generated during the annual implementation and operation of the BCMS two non-financial risk committees were carried out, showing the results of the BIA 2019, and the general optimization of the BCMS.

During 2019, no complaints or grievances were received from third parties or regulatory agents in relation to data leaks or losses.

Security of information

GRI 418-1

During 2019, no complaints or grievances were received from third parties or regulatory agents in relation to data leaks or losses.

A request was received from an interested party for the elimination of his personal data. It should be noted that CAF, because it is a multilateral Bank, is an institution that does not develop its activities with final clients, as the aspects related to the amount of operations and complaints may be occasional.

Notwithstanding, to date no regulatory non-compliance has been detected referring to security of information. For 2020, the internal control environment will be strengthened to deal with personal data, implementing the regulations that were signed by the Executive President in December 2019.

Environmental and social safeguards

CAF's **Environmental and Social Safeguards** establish the standards and procedures that enable the identification, evaluation, and mitigation of environmental and social risks and impacts of the operations financed by the Bank, while translating the principles promoted by the Institution regarding environmental sustainability, social responsibility, climate change, and inclusion.

The application of the safeguards to credit operations allows to:

- Prevent, mitigate and/or compensate adverse impacts of the operations on the communities and the environment.
- Consider **climate change** with a cross-cutting approach in the operations.
- Promote the participation of interested parties.
- Preserve **biological diversity and natural habitats**.
- Foster the optimum and sustainable use of natural resources and services provided by ecosystems.
- Prevent and minimize the negative impacts on the health of individuals.
- Recognize, protect, and place value on the **cultural heritage of the region**.
- Ensure compliance of the commitments and international agreements regarding the environment, **rights of indigenous people, and other minorities and/or vulnerable groups**.
- Ensure compliance with the norms relative to **working conditions**.

Environmental and social safeguards



- Evaluation and management of environmental and social impacts
- Sustainable use of renewable resources
- Preservation of biological diversity
- Prevention and management of contamination
- Cultural heritage
- Ethnic groups and cultural diversity
- Population resettlement
- Working conditions and training
- Gender equity

In addition, to support its clients for an adequate development of environmental and social studies during the pre-investment phase, CAF has developed a [Guide for Environmental and Social Management of Infrastructure Projects](#), aimed at ten specific sectors. This guide includes technical guidelines to treat environmental and social subjects that are specific to each sector, as well as information requirements necessary to facilitate CAF's evaluation and follow-up of said projects.

Thus, the tools and criteria are provided to support decision making related to the feasibility and subsequent environmental and social management of operations. This is done through a due diligence process that enables to identify and prevent the occurrence of negative impacts on social and environmental components in all the phases of credit operations, as described below:

Stages of the credit process	Activities carried out
Origination	<ul style="list-style-type: none"> ○ The category of the environmental and social risk of the operation is defined, as well as the category of the climate risk (high, moderate, or low). ○ Specific recommendations are made, related to the amount and quality of information that will be necessary during the evaluation stage. ○ Definition of the reach of the due diligence for the evaluation stage.
Evaluation	<ul style="list-style-type: none"> ○ Evaluation mission is carried out to learn about the distinctive features of the operation and its relationship with the environment. ○ Evaluation of prevention, mitigation, restoration or compensation measures proposed by the borrower for the identified impacts. ○ Establishment of complementary environmental and social measures, as well as other credit conditions. The findings and conclusions of the evaluation are included in the Environmental and Social Report.
Formalization	<ul style="list-style-type: none"> ○ Verify that the credit contract incorporates all issues related to the environmental and social conditions established during the evaluation phase.
Management	<ul style="list-style-type: none"> ○ Follow-up of the operations, with a proactive management that verifies the application of measures established during the evaluation phase, as well as the identification of situations that may lead to risks and impacts. This is done in order to state the specific actions that are necessary to prevent an occurrence or control it if it is occurring

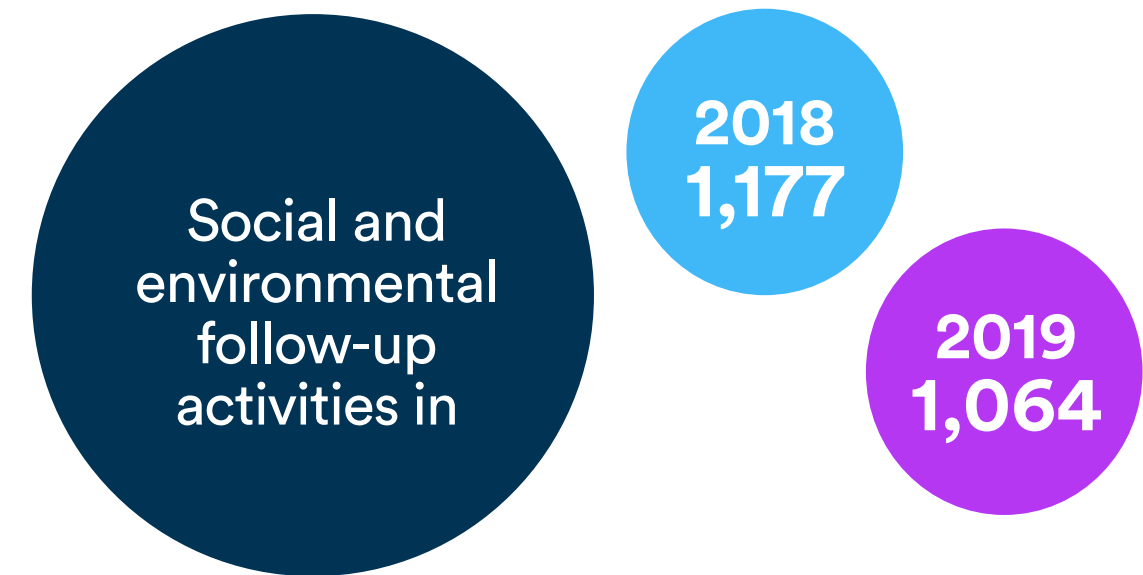
Table 7. Follow-up activities carried out in each stage of the operations

³ Highways, transmission lines, small hydroelectric plants, potable water, sanitary sewage, solid residues, irrigation, ports, airports, and wind-powered generation

To ensure compliance with social and environmental measures included in the financed operations, the following control measures are considered:

Type of operation	Measures to consider
Credits subscribed with the public sector (sovereign loans)	<ul style="list-style-type: none"> Contracts acquire the status of State Law or are validated through a high hierarchy document, of compulsory compliance. Environmental and social conditions constitute a legal obligation, of indispensable compliance by all actors, even when these conditions exceed or modify part of the current norms in the country.
Credits subscribed with private clients (non-sovereign loans)	<ul style="list-style-type: none"> Terms of the contract are established by the parties through a negotiation process. States assume an important role demanding the private sector to comply with the current environmental and social norms.

Table 8. Measures considered for compliance of social and environmental requirements in the operations



Operations evaluated in each stage

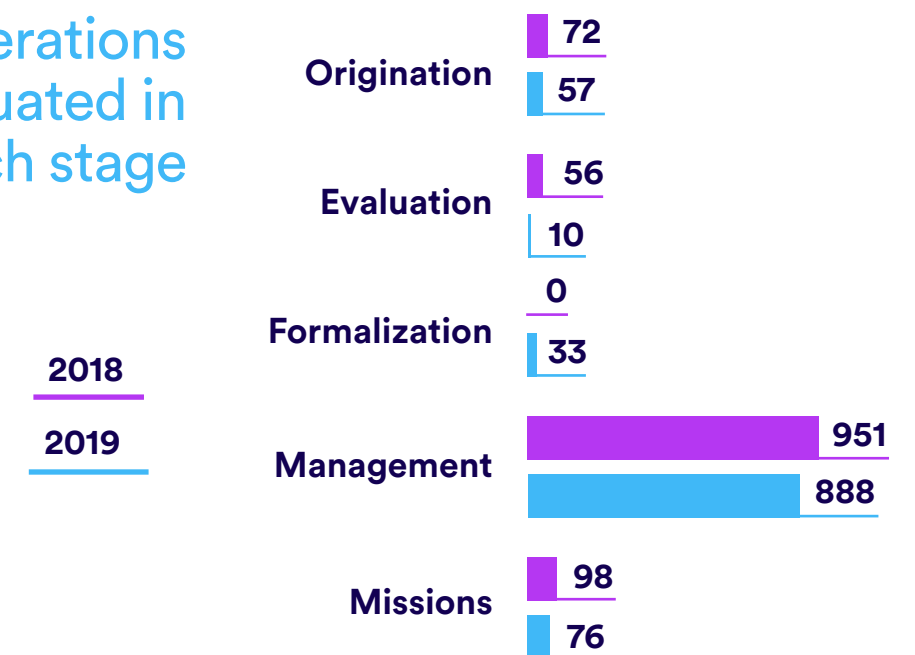


Figure 6. Social and environmental follow-up activities for credit operations, by stage

During 2019, 1,064 social and environmental follow-up activities were carried out in credit operations in their different stages.

Prevention of money laundering and terrorist financing

For an adequate management of the risks associated to money laundering and financing of terrorism, CAF relies on prevention and detection elements through which the necessary controls are established to minimize the risks that its resources and operations could be used for these activities, or that the Institution could become involved with individuals or organizations associated to said activities.

The System for the Prevention and Detection of Money Laundering and Financing of Terrorism (PDLA, for its acronym in Spanish) is mainly based on the Recommendations of the Financial Action Task Force (FATF), the UN Conventions, the Principles of the Wolfsberg Group, and the Basel Committee.



Elements of the system for the prevention of money laundering and terrorist financing

- Knowledge of client
- Knowledge of employees
- Knowledge of suppliers
- Detection of suspicious operations
- Screening of consultation systems
- Evaluation of associated risks

Main advances in the management of money laundering in 2019

	2017	2018	2019
Lists of sanctions / Updated alerts through the SafeWatch System	232	219	230
Internal and external requirements addressed regarding PDLA	210	320	482
Participating staff in training activities regarding PDLA	738	69	725
Investment statements and executive positions	638	566	649
Statement of licit activities and assets		600	

Table 9. Indicators of money laundering management

The lists of sanctions and alerts was updated through the SafeWatch System.

The internal and external requirements regarding PDLA matters were addressed, including:

- Replies to information inquiries and requests.
- Complete AML/KYC questionnaires and forms related to PDLA.
- Review of PDLA clauses included in contracts with financial counterparts.

- Validation of results issued by the SafeWatch System and news from the press.
- Support and clarification of doubts related to Due Diligence procedures.
- Support to solve technical failures related to the use of SPDLA tools.

⁴ Anti-Money Laundering / Know Your Customer = Anti Lavado de Activos / Conozca su Cliente

Training was provided regarding PDLA for all the Institution's staff, under the e-learning modality, through CAF's virtual learning platform – UVCAF, and 9 face-to-face workshops.

The following forms were updated: "Statement of Investments and Management Positions in Other Enterprises" and "Statement of Activities, Licit Assets, and Nationalities".

General audit

The General Audit processes allow to verify that the development of the Institution's activities includes and complies with the norms applicable to each one. At the same time, it objectively and independently evaluates the efficiency and economy of the processes to ensure their alignment with CAF's strategic objectives, contributing to strengthen its governance, internal control, and risk management mechanisms.

Auditing activities that are planned and developed yearly:

- Evaluate the risks identified in each operation.

- Verify the application of internal controls defined for each process.
- Validate compliance with the internal and external norms that are applicable to the processes, without limits to actions due to the independent character of the General Audit.

As a result of these evaluations, a detailed report is prepared which includes the action plans issued by the responsible parties of each activity, in order to improve the control of associated risks. To validate its compliance, a continuous monitoring of these plans is carried out, together with monthly follow-ups that enable the identification of advances and gaps in each case.

The execution of these actions is based on the guidelines defined in the "Manual for the Management of a General Audit", which facilitates the standardization of the exercise through the application of procedures and indicators aimed at achieving the following objectives:



To ensure the achievement of the stated objectives, as well as independence in the development of these activities, CAF has established an operational structure led by the Executive President and the Audit Committee, followed by the General Auditor, in charge of defining and guiding the execution of the Annual Audit Plan, in agreement with the results of the risk evaluation mechanisms. In addition, it is in charge of ensuring the availability of the necessary resources for the execution of the plan, as well as guaranteeing its suitability, adequacy, efficiency, and alignment with CAF's strategic direction, among other functions included in the "Manual for the Management of a General Audit".

In addition, the General Audit is made up of a team of internal auditors who are responsible for executing the actions described in the Annual Audit Plan, as well as follow-up on the action plans established by CAF's areas.

In 2019, 19 audit processes were carried out in different areas of CAF, thus complying with the annual audit plan by 112%.

	2017	2018	2019
Audit processes carried out	25	15	19
Compliance with the Annual Audit Plan	100%	100%	112%

Table 10. General Audit Annual indicators.

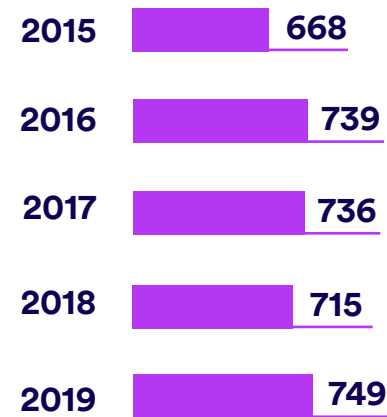
* Due to strategic and confidentiality issues, this report does not mention the audits that have been carried out, the findings, or the identified improvement opportunities.

Human capital

Distribution of workforce

GRI 102-8

Direct employees



In 2019, CAF ended the year with a workforce made up of 749 direct employees, 4.75% more than in 2018, as well as 25 external employees.

External employees

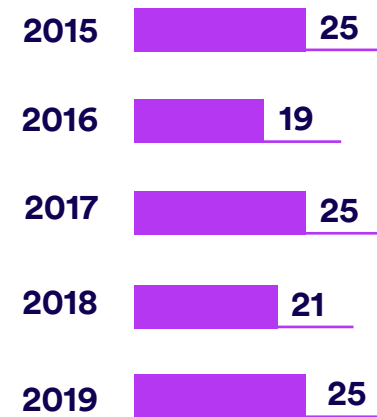


Figure 7. Total direct and external employees

None of the employees was involved on a part time basis, and no contracts were subscribed for specific works in any of the countries where CAF is present.

Distribution by type of contract and gender

46.6 percent of direct employees were women, evidencing a slight increase of 5% compared to 2018. With respect to external employees, the proportion of women in 2019 was 68%. On the other side, 97.8% of direct employees had contracts with an indefinite term, while external employees were all fixed-term contracts.

	2017	2018	2019
Direct employees with indefinite term contracts	375	338	369
Direct employees with fixed-term contracts	14	9	14
External employees with indefinite term contracts	6	19	6
External employees with fixed-term contracts	0	0	0

Table 11. Distribution of collaborators by type of contract and gender

Distribution by region and type of contract

The largest proportion of employees can be found at Headquarters, with 43% of the total, followed by the Northern Region, with 35%, and the Southern Region, with 22%.

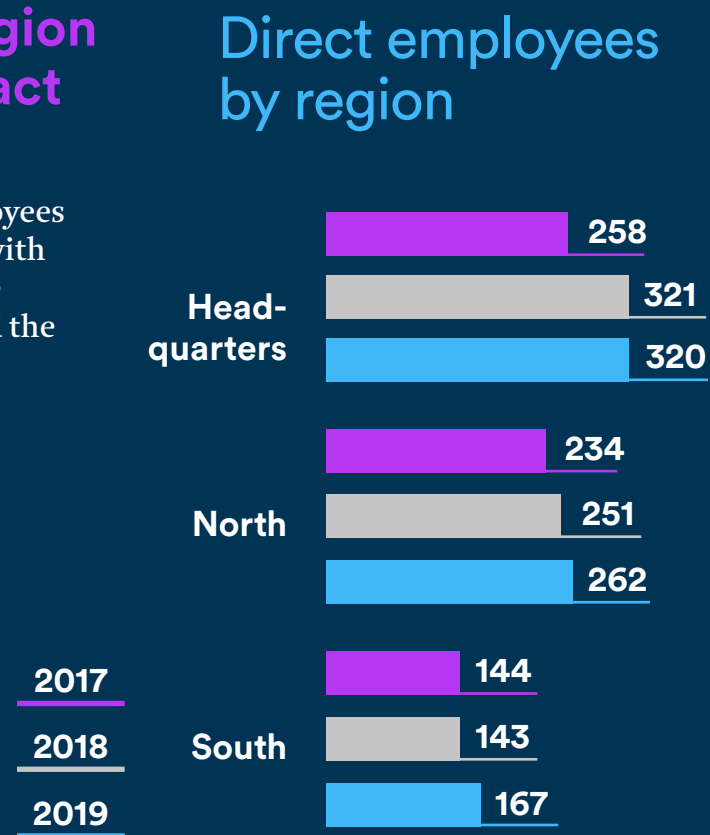


Figure 8. Distribution of direct employees by region

Region	2017		2018		2019	
	Indefinite term	Fixed term	Indefinite term	Fixed term	Indefinite term	Fixed term
Headquarters	341	17	309	12	310	10
North	231	3	248	3	260	2
South	141	3	138	5	163	4

Table 12. Distribution of direct employees by region and type of contract

With respect to external employees, 64% are located in the Northern Region, and 36% in the Southern Region, without any at Headquarters.

	2017	2018	2019
Headquarters	0	0	0
North	14	16	16
South	11	8	9

Table 13. Distribution of external employees by region

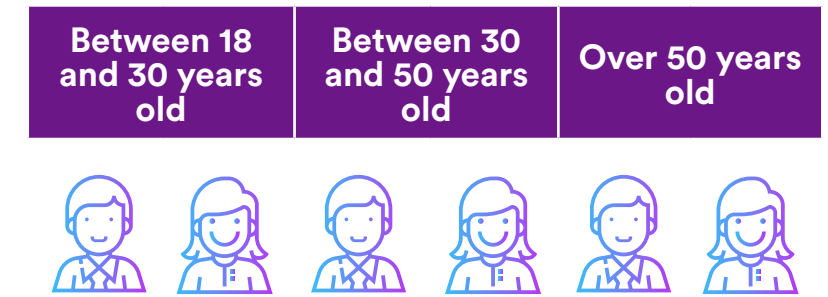
Workforce diversity

GRI 405-1

In high management positions there are 13 employees, of which 2 are women. At the intermediate level, there are 44 employees, with a female participation of 32%.

Age range	2017		2018		2019	
	Total	%	Total	%	Total	%
Between 18 and 30 years old	69	9%	64	9%	65	9%
Between 30 and 50 years old	452	61%	466	65%	497	66%
Over 50 years old	215	29%	185	26%	187	25%

Table 14. Distribution of employees by age range



	Male	Female	Male	Female	Male	Female
High Executives	0	0	1	0	10	2
Intermediate level executives	0	0	12	1	18	13
Professional	26	31	239	199	58	51
Administrative	1	7	15	30	20	15
Total	27	38	267	230	106	81

Table 15. Distribution of employees by labor category, gender, and age range

Remuneration

GRI 202-1, 405-2

CAF's salary policy is to maintain a competitive level in the labor market, so salary scales are positioned at 50% of the market. In addition, CAF guarantees that salaries are above the minimum salary in each country where the Institution is present.

CAF's commitment to close salary gaps between men and women are evident, as there are no significant differences between the base salary and the total remuneration offered in each work category.

Work category	2018		2019	
	Difference of base salary between men and women	Difference of remuneration between men and women	Difference of base salary between men and women	Difference of remuneration between men and women
High executives	-0.1%	0.1%	-0.1%	-0.1%
Executives	0%	0%	-0.1%	-0.1%
Senior professionals	0%	0%	0%	0%
Intermediate professionals	0%	0%	0%	0%
Professionals	0.2%	0.2%	0%	0%
Office clerks	0.4%	0.4%	0.4%	0.4%

Table 16. Difference between base salary and total remuneration between men and women

Rotation

GRI 401-1

During the year, 91 new personnel contracts were subscribed, of which 50% corresponded to women. At the same time, 46 retirements were registered with a total general rotation of 9.4%.

	2017	2018	2019
Number of new contracts	57	73	91
Rate of new contracts	0.6%	0.8%	1%
Retirements	77	99	46
Rotation rate	9%	11.5%	9.4%

Table 17. General rotation indicators







Regions	Between 18 and 30 years old		Between 30 and 50 years old		Over 50 years old	
						
Headquarters	2	9	5	9	2	1
Northern region	5	6	10	11	2	1
Southern region	2	2	15	7	2	0
Total	9	17	30	27	6	2

Table 18. New contracts by region, age range, and gender










Regions	Between 18 and 30 years old		Between 30 and 50 years old		Over 50 years old	
						
Headquarters	3	1	4	6	3	4
Northern region	1	2	9	3	2	3
Southern region	0	1	1	2	1	0
Total	4	4	14	11	6	7




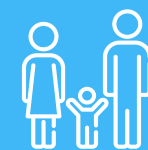
Table 19. Retirements by region, age range, and gender

Benefits offered to employees

GRI 102-41, 401-2

CAF offers its employees a series of benefits that generate security and wellbeing to its personnel. These benefits are offered to all direct employees, with the exception of the pension fund, family allowance, and educational subsidy, which include only employees with an indefinite term contract.

Benefit	Description
 <p>Life insurance</p>	All employees have a policy from the day they start work at the Institution. The cost of the premium is totally financed by CAF, with a coverage of 48 basic salaries with a maximum of USD 800,000.
 <p>Medical insurance</p>	Medical insurance plans include expenses that are necessary for the prevention and/or reestablishment of the physical health of the insured party. Each collaborator pays one third of the value of the insurance premium and a percentage of the eligible medical expenses.
 <p>Coverage for disability</p>	As the life insurance, everyone at the Institution has this benefit, included in the policy from the time they start working at the Institution.

Benefit	Description
 <p>Maternity and paternity leave</p>	Refers to the time given to a mother or father to stay home and take care of the newborn baby, be it during the pregnancy or after the birth.
 <p>Pension fund</p>	It is made up of two contributions. One made by each collaborator corresponding to 7% of the monthly basic salary, and the other provided by CAF. The objective is to provide the benefit of a pension to employees when they retire, as well as in cases of disability or permanent incapacity.
 <p>Vacation bonus</p>	The Institution provides a bonus equivalent to fifteen (15) days of salary on the first year of service, plus one (1) day per year of service as of the second year.
 <p>Family allowance</p>	Employees are given an annual monetary allowance for each dependent recognized by CAF.



Benefit	Description
 <p>Educational subsidy</p>	Employees receive an educational subsidy that contributes to cover the financial obligations related to the education of their dependent children.
 <p>Seniority benefits</p>	Equivalent to five days of remunerations for each month of work. In addition, after the first year of service, CAF pays the employee two days of salary for each year of work, until reaching 30 additional days of remunerations.

Table 20. Benefits offered to employees

At the same time, due to CAF's legal nature (Institution of international public law, protected by immunities and privileges), the existence of collective agreements is not frequent. The relation between the Institution and its employees is regulated by the Personnel Regulation and Manual.

Training

GRI 404-1

	2017	2018	2019
Trained collaborators	784	704	759 ⁵
Hours of training	24,929	24,463	23,329
Average of training hours per collaborator	31.79	34.74	31.14

Table 21. General training indicators

⁵ This number includes the trained staff that left the Institution during 2019, which is the reason for which it does not coincide with the total number of staff (749) at the close of 2019

Work category	Trained collaborators		Hours of training		Average hours per collaborator	
	Male	Female	Male	Female	Male	Female
Executive	50	18	826	304.5	19.20	19.61
Professional	321	282	9,812	10,567.5	30.85	37.47
Office clerks	36	52	226.5	1,592.5	6.29	30.63
Total	407	352	10,864.5	12,464.5	26.69	35.41

Table 22. Training indicators per gender and work category

Performance evaluation

GRI 404-3

Performance evaluation for collaborators take place once per year, they are known by each person, and are carried out under criteria that are well known by collaborators and their superiors. Said evaluations may be carried out by the collaborator's immediate superior, by same-level workers, or by a wide range of employees

Work category	Male	Female
Executives	6%	3%
Professionals	42%	37%
Office clerks	5%	7%

Table 23. Percentage of collaborators that received a performance evaluation by work category and gender

Management of procurements

Contracting process

GRI 102-9

The acquisition of goods is centralized in CAF's purchasing area, also in charge of managing the Supplier Registry process which is a cross cutting process throughout the Institution. Purchases include specialized technology goods, maintenance and construction, as well as the necessary elements for an optimal operation of the offices, the input store, and promotional materials, among others.

In the area of contracts, the administrative contractual formalization is executed, and may be segmented as contracts with autonomy (service orders) and contracts without autonomy (contracts). The latter process involves receiving single job applications (SUC, for its acronym in Spanish), previously negotiated by the requesting unit. The main objective is to guarantee compliance with the current norms that regulate the contracting process at CAF.

Later, the Legal Consulting area issues the contractual document to be signed



by the parties, and once signed, the requesting unit must formalize it in the administrative system by means of an application that approves the allocation of funds for the payment of the obligations acquired with third parties.

All suppliers and consultants are subjected to a rigorous due diligence process included in CAF's internal norms, which enables to guarantee the principles of administrative transparency, prevention of money laundering, and risk management.

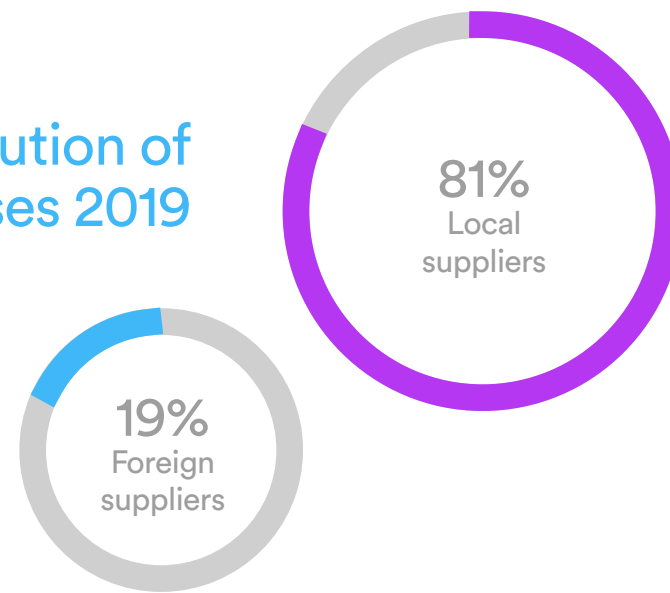
Local suppliers

GRI 204-1

Local suppliers are those whose fiscal constitution is in countries where CAF has Country Offices. For 2019, the total amount contracted between goods and services reached USD 73.7 million, of which USD 51 million were awarded to local suppliers and USD 22.7 million to foreign suppliers.

It should be noted that throughout the year, the share of suppliers located in CAF's member countries did not change, evidencing a growing trend of local contracts that guarantees CAF's support for the economies of the region and the continuous improvement of the services received.

Distribution of purchases 2019



	2017	2018	2019
Suppliers of goods with whom there is a commercial relationship	328	324	262
Percentage of suppliers of local goods	86%	84%	83%
Total amount of contracted goods	USD 7.18 million	USD 4.73 million	USD 12.03 million
Suppliers of services and consultancies with whom there is a commercial relationship	730	788	725
Percentage of suppliers of local services and consultancies	80%	80%	80%
Total amount of contracted services and consultancies	USD 51.84 million	USD 51.88 million	USD 61.67 million

Table 24. Indicators of purchases and local suppliers

Supplier satisfaction

In January 2020, a survey was presented to suppliers and consultants regarding satisfaction with the quality of services in 2019; 973 invitations were sent, and 279 were replied (28.7% participation).

The global result of the survey reached 93% of supplier satisfaction, compared with 80% registered in 2018.

- Seventy comments were received, of which 93% referred to satisfactory experiences regarding relationships with CAF, highlighting the responsibility of the staff, compliance with contractual agreements, and timely payment of commitments.
- The main subject of dissatisfaction commented in the survey is related to delays in the process of signing contracts.

Management of knowledge

For CAF, the management of knowledge addresses a group of systematic and cross-cutting processes that facilitate the documentation, production, analysis, and dissemination of the knowledge generated by the Institution in the development of its operations, with the objective of generating institutional capabilities to support decision making, innovation, and improvement of internal processes, as well as add value in the development of its activities, promote collaboration with different public and private actors in the region, and provide arguments to its related parties for public discussion regarding the main issues that contribute to the sustainable development of Latin America.

Thus, knowledge processes and products carried out by CAF have a double impact:

At the internal level

- They facilitate institutional learning to make internal processes more efficient, and provide better services to clients and users.
- They increase the value of internal interactions and processes, as they allow greater efficiency in the structuring of operations, and improve the relationships between executives and institutional actors and governments.

At the external level

- They increase the impact of the projects and operations financed through strategies based on an adequate diagnosis of the factors that limit the development of countries.
- They allow for the accumulation and capitalization of experience in matters regarding the resolution of development problems in the region. This experience is shared with other actors of development, governments, and academic institutions to support decision making.

Following is a general overview of the management of knowledge carried out by the different areas at CAF during 2019 in the face of each material subject identified:

- **At the internal level**, information is presented regarding the events, workshops, and conversations that were carried out with CAF participation, aimed at strengthening the internal capabilities to identify opportunities, structuring initiatives, and update the specific knowledge of each issue that is relevant for the Institution.

- **At the external level**, information is presented regarding CAF's publications during the year, to disseminate the specific knowledge that has generated in the development of initiatives and projects (available at scioteca.caf.com), as well as other types of publications in different digital media, events, and training activities for the external public, whose purpose is to improve the capacity and contribute in decision making processes of different public and private entities in the region.

Management of knowledge

Knowledge for the improvement of internal processes



74

workshops, events, and discussion groups to strengthen internal capabilities for the identification of opportunities and structuring of operations and projects

Knowledge to support decision making in public institutions and generate collaboration networks



93

own publications regarding issues linked to the comprehensive development agenda, available at Scioteca



77

articles, contributions, interviews in the media and blog postings.



176

events for external public, organized, supported, and with CAF participation.



15

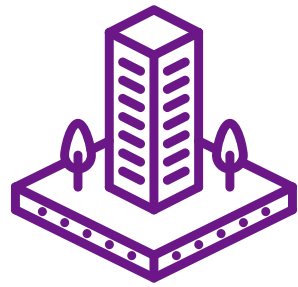
on-line free courses - (MOOC) and

1

on-line certification courses.

Infrastructure

- 22 publications
- 3 research articles
- 17 external events
- 4 internal workshops



Outstanding publications

1. *LOGUS: Estrategia CAF en Logística Urbana Sostenible y Segura*. Available at: <http://scioteca.caf.com/handle/123456789/1510>
2. *Ella se mueve segura*. A study about the personal safety of women and public transportation in three cities of Latin America. Available at: <http://scioteca.caf.com/handle/123456789/1405>
3. *La electromovilidad en el transporte público de América Latina*. Available at: <http://scioteca.caf.com/handle/123456789/1466>

Outstanding events

1. International seminar “Me muevo segura”, Bogota – Colombia.
2. VII Latin American Telecommunications Congress, Cordoba – Argentina.

Productivity improvement

- 13 publications
- 7 research articles
- Support and participation to 52 events
- 2 events and workshops to strengthen internal capabilities



Outstanding publications

1. *Rol de los bancos de desarrollo en la industria de capital privado*. Available at: <http://scioteca.caf.com/handle/123456789/1434>
2. *Sobre-regulación bancaria: efectos sobre inclusión financiera*. Available at: <http://scioteca.caf.com/handle/123456789/1427>

Outstanding events

1. Public Policies for Competitive SME's in the Pacific Alliance and participating countries of South America, April-May, Montevideo and Buenos Aires.
2. XV International Forum of Entrepreneurs: Inclusion of MSME's, October, Quito – Ecuador (remote connection)



Equity and sustainable development

- 35 publications and articles
- Organization and support to 33 events
- 16 internal workshops
- Support and participation in 14 events
- 2 technical documents and presentations



Outstanding publications

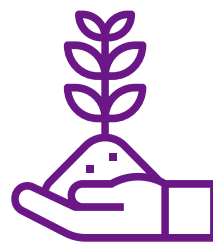
1. *Enfrentar el riesgo. Nuevas prácticas de resiliencia urbana en América Latina*. Available at: <http://scioteca.caf.com/handle/123456789/1416>
2. *Estrategia del Agua 2019-2022*. available at: <http://scioteca.caf.com/handle/123456789/1455>
3. *Políticas exitosas de desarrollo profesional docente en América Latina y el Caribe 2005-2016*. Available at: <http://scioteca.caf.com/handle/123456789/1437>

Outstanding events

1. Water Dialogues Latin America – Spain
2. International Forum on technical professional training in Latin America (IIFE-Unesco) in Montevideo – Uruguay
3. Exchange of experiences, ideas, and practical knowledge regarding best gender equity policies, Guayaquil – Ecuador.

Green economies, resilient to climate change

- 25 publications
- 9 articles
- Participation and support for 16 external events
- 20 internal training and sensitization workshops



Digital transformation and public innovation

- 5 publications, policy briefs 23 articles and contributions
- 5 interviews in the media
- 15 organized and supported events
- 2 internal group discussions
- Participation and support for 12 events



Outstanding publications

- BioComercio Azul: aprovechar el comercio para apoyar la sostenibilidad ecológica y la equidad económica.* Available at: <http://scioteca.caf.com/handle/123456789/1471>
- Infrastructure projects, resilient to climate change. Available at: <http://scioteca.caf.com/handle/123456789/1475>

Outstanding events

- Workshop: The role of development banks in the implementation of the Paris Agreement: financing options for urban mobility low in emissions, San Jose – Costa Rica.
- II Meeting on Tourism and Sustainable Development in Ibero-America, Mexico City, Mexico.

Outstanding publications

- GovTech y el futuro del gobierno: el caso de Munidigital© en Argentina.* Available at: <http://scioteca.caf.com/handle/123456789/1484>
- Gobernar las ciudades: el rol de los centros de gobierno y las unidades de cumplimiento (delivery units).* Available at: <http://scioteca.caf.com/handle/123456789/1487>

Outstanding events

- CAF's 50th Anniversary Seminar: The future of government in the digital era, Mexico City – Mexico
- GovTech Latam Forum in Colombia 2019, in the framework of the Campus Party, Bogota – Colombia.

CAF's on-line training program



To strengthen the skills and technical competencies of public officials dedicated to the formulation, implementation, and management of policies and state programs.



25.341 registered during the year
 11 free on-line courses (MOOC) and 1 micro-credential, with 22,209 registrations
 1 on-line certification program with 227 students

Figure 9. 2019 Management of knowledge activities. Source: CAF areas

Impact evaluations in public policies

Through the Vice-presidency of Knowledge, CAF generates, manages, and disseminates knowledge regarding issues of interest and usefulness for shareholder countries, mainly related to the evaluation of public policies, macroeconomic and sectoral analysis, and socioeconomic and institutional development.

In addition, with initiatives such as “Manos a la data” (Hands on data), procedures have been structured to apply the generated knowledge directly in the development of its projects, which contribute with value added to the financial services provided by the Institution, and strengthen the management and impact generated in each strategic area.

As part of the actions that contribute to knowledge and its Influence in the countries of the region, impact evaluations measure in a quantitative and qualitative manner the effect that the implementation of a policy or program has on its final beneficiaries. The main purpose of these evaluations is to influence the public decision-making process and modify policies to contribute to the development of society.

Thus, from the Direction of Impact Evaluation and Policy Learning (DEIAP) tools are contributed for decision making based on evidence, with the purpose of increasing the effectiveness of social interventions that governments implement in their territories, as well as generate real impacts on the populations and promote sustainable development

	2017	2018	2019
Requests for impact evaluations	223	208	130
Impact evaluations initiated during the year	29	10	11
Still active impact evaluations	38	53	49
Finished impact evaluations	5	8	2

Table 25. Indicators of impact evaluations

In general terms, the impact evaluations carried out during 2019, were centered around issues related to the capability of the State, education, social inclusion, infrastructure, productivity, and social security.

The results presented show an approximate decrease of 40% with respect to the impact evaluation requests, as the decision was made during the year to open a single window for the application of projects that are external to CAF, in contrast to the two annual windows that existed in previous years.

Evaluations that started in 2019 were selected based on the strategy defined to

undertake those projects with effective possibilities of being evaluated, a high potential for the generation of institutional learning, and based on CAF's main interests. A strategy that enables to focalize efforts and ensure the expected effects.

Additionally, 15 projects that were kept in the historic portfolio were suspended due to institutional limitations of the counterparts (public institutions in the region), temporary shutdown of the projects to be evaluated, or due to the determination that the evaluation is not technically feasible.

Quantitative projects (experimental and quasi-experimental) represent close to



63% of the portfolio of active evaluations. At the same time, 29% of the active projects are in the exploration stage, and their evaluation methodology has to be defined, and only 8% are subject to Qualitative evaluations.

With respect to the design of the evaluations, efforts have been aimed at increasing the capabilities of public entities that have been counterparts of the projects, trying to work with the highest methodological accuracy. In addition to maintaining a strategy that reduces de number of projects per Executive, so they can dedicate more time to each one, support was given to promote the Change

Theories Workshops (ToC Workshops), Impact Evaluation Seminars (SEMIDE, for its acronym in Spanish), and the growth of the repository of Evidencia Global in Spanish at CAF's scioteca.caf.com.

In 2019, 8 ToC workshops and 2 SEMIDE were carried out and 22 translations of impact evaluation contents were uploaded in the Scioteca. Since the creation of the Direction of Impact Evaluation and Policy Learning close to 30 ToC workshops have been carried out, and 9 SEMIDE, with more than 300 participants, and 122 Evidencia Global (Global Evidence) translations have been uploaded to CAF's scioteca.caf.com.



Infrastructure for sustainable development

Material topic: Transportation infrastructure, telecommunications, energy, logistics, and integration.

General overview of infrastructure in Latin America

GRI 103-1

The availability and efficient provision of infrastructure services is one of the most important aspects of development policies at a global level, as they contribute to the development of competitiveness and productive specialization in the countries and the region. The absence of adequate infrastructure and an inefficient provision of associated services limit economic growth and development of countries.

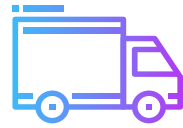
In this context, infrastructure networks are the main element of economic and territorial integration, as they facilitate the exchange of goods, services, and people at an internal and external level. Therefore, from an economic and social point of view, they have a structuring nature.

At the same time, access to reliable and safe sources of energy impacts directly

on the quality of life of individuals, facilitating the daily social dynamics and access to public services such as water, health, and education, among others. These are decisive elements in the productive transformation and efficiency of the countries.

Despite investments carried out in past years in the region, the available indicators enable to identify that in general terms, the gaps in infrastructure between Latin American countries and developed ones still persist, limiting convergence with the standards of the most advanced economies. However, there are significant regional advances in the development of infrastructure for energy and telecommunications, while the greatest lags are in the transportation system.

Efficiency



Transportation

- Although there are improvements in air transportation, mobility in urban transportation, in trains and highways present challenges for the competitiveness of the economies of the region. Cities have grown without planning and the population as become motorized, increasing traffic congestion.

- Telecommunication services have expanded, although the increase in networks and decrease in prices have not reduced the digital gap that exists in some countries of Latin America.



Telecommunications



Energy

- In general terms, there is a good performance of the electric systems and the infrastructure for the transportation of gas.
- Non-conventional renewable energies have acquired a strong impulse in the region.

Source: IDEAL 2017-2018. Own construction

With these elements, and given the identified gaps with respect to other regions, Latin America needs to expand and modernize its basic infrastructure in order to reach adequate levels of coverage, and satisfy the needs of the population; both in cities, particularly with respect to transportation, and more isolated communities, on issues related to connectivity, energy, and telecommunications.

In addition, it is necessary to incorporate technology that contributes to the reduction of greenhouse gas emissions, and that strengthens the use of

renewable sources for its generation, in order to optimize the energy efficiency of the countries and industries.

CAF understands that it is necessary to support the countries of Latin America in the development of their agendas related to strengthening the economic infrastructure, facing the specific challenges of each sector and country. The purpose is to improve competitiveness and integration of the countries of the region, with a productive and efficient infrastructure that makes it easier to close the gaps and reduce the identified lags.

CAF contributions to the development of infrastructure in Latin America

GRI 103-2

Through its interventions, CAF intends to promote the pact for productivity and the development of productive and efficient infrastructure in Latin America, in order to improve competitiveness and promote regional integration.

With the leadership of the Vice-presidency of Infrastructure (VIN, for its acronym in Spanish), CAF promotes the development of traffic and productive infrastructure, mainly related to mobility and logistics while at the same time supporting the energy agenda and digitalization and infrastructure for the connectivity of the countries, contributing to the improvement of the security conditions of the system, and to close the gaps in the region.



CAF seeks to promote the physical, logistic, energy, and financial integration of Latin American countries with the objective of achieving its competitive insertion in global markets.

Through the development of logistic integration corridors, CAF seeks to contribute to the elimination of productivity gaps, reducing logistic costs and improving infrastructure services for the productive sector, as well as promote integration solutions that contribute to increase coverage and maximize the use of the available energy resources.

Strategic framework

Facilitate the productive transformation and diversification of the region

With the development of economic infrastructure, specially in the areas of transportation, energy, and information technologies, with high technical quality proposals for the financing of projects with verifiable social impact, effectiveness, efficiency, and sustainability

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

By supporting physical integration initiatives and the associated logistic processes

Support energy security and efficiency, and promote renewable energies

Strengthening the responsible institutions as well as the diversification of the energy matrix

Increasing the generation capacity and strengthening transmission and distribution systems

Strengthen rural electrification and the coordination of regional networks

By supporting the most vulnerable populations

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

Timely Identification and mitigation of business, operational, and reputational risks that could affect CAF

Deepen CAF's Latin American dimension

Strengthening the role of the Institution in the generation of ideas, and discussion and promotion of consensus regarding Latin American development issues

Strengthen CAF's catalytic role

Attracting and mobilizing extra regional resources to finance investments



Promote the exchange of knowledge and experiences in the subject of energy, transportation, and technology infrastructure in member countries

Including associations with other multilateral institutions

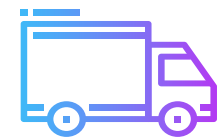
Figure 10. Strategic action framework on infrastructure

Main results of the year

Credit operations

-  Own resources
-  Counterpart resources and other financing sources

In 2019, 22 credit operations were approved with infrastructure components, for a total value of USD 2,663 million, of which USD 2,431 million correspond to CAF resources approved during the year⁶ and USD 232 million to counterpart resources and other financing sources.



Transportation

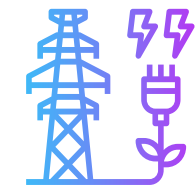
USD 1,983.96 million

USD 1,738,73 million CAF resources | USD 182,33 million Counterparts

16 credit operations approved

Country	Operations	CAF resources	Counterparts
Argentina	3 operations	USD 387.1 million	USD 45 million
Bolivia	3 operations	USD 115.4 million	USD 12.1 million
Brazil	7 operations	USD 524.23 million	USD 125.23 million
Panama	1 operation	USD 300 million	0
Paraguay	1 operation	USD 212 million	0
Trinidad & Tobago	1 operation	USD 200 million	0

Includes 5 operations with integration components for USD 495.2 million



Energy

USD 529 million

USD 541,9 million CAF resources | USD 50 million Counterparts

5 credit operations approved

Country	Operations	CAF resources	Counterparts
Argentina	1 operation	USD 62.9 million	0
Colombia	1 operation	USD 95 million	0
Brazil	1 operation	USD 173 million	USD 50 million
Paraguay	1 operation	USD 136 million	0
Peru	1 operation	0	USD 75 million



Logistic

USD 150 million
CAF resources

1 credit operation approved



Country	Operations	CAF resources	Counterparts
Ecuador	1 operation	USD 150 million	0

⁶ Of this value, internally USD 2,139 million are assigned to the portfolio of the Vice-presidency of Infrastructure (VIN, for its acronym in Spanish), and USD 291.5 million to the Vice-presidency of Sustainable Development (VDS, for its acronym in Spanish)

Figure 11. Approved credit operations – Infrastructure

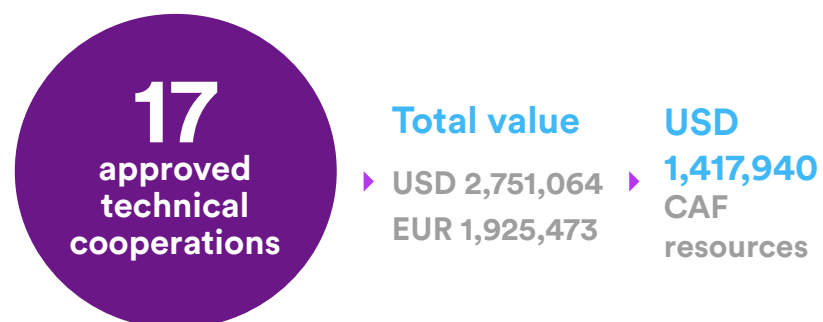
Technical cooperations

In addition, 41 technical cooperations were approved for the infrastructure sector, related to the development of infrastructure in shareholder countries. Of these, 37 were approved in Dollars for a total USD 12.36 million⁷, and 4 in Euros, for a total amount of . Following is a detail of these approvals:

 Own resources
 Counterpart resources and other financing sources



Urban mobility



	Argentina	Bolivia	Colombia	Mexico
	— USD 145,000	— USD 200,000	— USD 55,700	— USD 70,000
	— USD 29,000	— USD 57,420	— --	— USD 350,000
	Peru	Brazil		
	— USD 643,000	— USD 50,000		
	— USD 252,000	— --		

Approvals in Euros

Brazil - EU 1,146,000 - FASEP

Bolivia - EUR 370,000 - LAIF AFD

Brazil - EUR 222,000 - Fondo Alemán

Colombia - EUR 187,473 - Fondo Alemán

⁷Of this total, USD 9.75 million correspond to CAF resources and USD 2.61 million to other sources or cooperation funds. The approval in Euros corresponds to counterpart resources managed by CAF

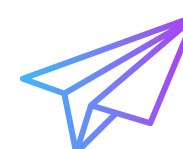


Road management



Total value ▶ USD 508,569 ▶ **USD 410,000** CAF resources

	Mexico	Paraguay	Trinidad & Tobago
	— USD 30,000	— USD 80,000	— USD 300,000
	— USD 7,569	— USD 16,000	— USD 75,000



Logistics



Total value ▶ USD 355,500 ▶ **USD 332,000** CAF resources

Panama	Regional	Bolivia	Colombia
USD 70,000 CAF	USD 30,000 CAF	USD 37,000 CAF	USD 70,000 CAF
	Peru	Uruguay	
	USD 50,000 CAF	USD 75,000 CAF	



Energy



Total value ▶ USD 1,272,000 ▶ **USD 527,000** CAF resources

Mexico	Ecuador	Paraguay	Multinational
USD 665,000 AFD	USD 40,000 CAF	USD 477,000 CAF	USD 10,000 CAF



Figure 12. Approved technical cooperations – Infrastructure

Outstanding milestones of the year

Following are some of the outstanding results from 2019 regarding the development of infrastructure in the countries of the region:

Country	2019 Main results
Argentina	Cooperation was approved for the improvement of the formulation of urban transportation public policies in Argentinean cities with components of sectoral policy at a national level, in order to facilitate the implementation of mass public transportation based on the development of better policies for transportation.
Bolivia	<ul style="list-style-type: none"> The technical structuring of the bus transportation system of Santa Cruz was developed, and the institutional strengthening for the implementation of the system was approved. Support started for the development of the logistic multimodal platform of Puerto Seco Oruro, as well as the study of the externalities of the transportation cable service in the cities of La Paz and El Alto.
Brazil	<ul style="list-style-type: none"> The development of technical assistance programs continued for the municipality of Sobral: solid residues y sustainable transportation. With respect to road security, training started for road security audits for CAF's executive agencies, and for the Linear Park Fuente de los Padres in the municipality of Alagoinhas. Regarding innovation and electric mobility, a Project was approved for the technical-financial feasibility for the substitution of combustion engine buses by electric buses in the metropolitan region of Gran Victoria.

Country	2019 Main results
Chile	Implementation of a technical assistance aimed at developing an economic, technical, and legal study for the first underwater cable between Asia and South America.
Colombia	<ul style="list-style-type: none"> Technical assistance was provided for the operation of the Public Transportation System (STP, for its acronym in Spanish) of the city of Monteria. Conclusion of the structuring of zonal equipment for the Transmilenio system in the city of Bogota, and generation of capabilities and recommendations to improve inclusion in the mass transportation system. Structuring of the Project called Sustainable Transportation for Intermediate Cities, with resources of the Green Climate Fund. Formalization of the technical assistance for the implementation of the motorcycle road security plan in the city of Bogota. With TUMI resources, development of a study for the prevention and improvement of the perception regarding violence and sexual harassment against women and young girls in urban public spaces.
Ecuador	<ul style="list-style-type: none"> Institutional strengthening for the Association of Ecuadorean Municipalities (AME, for its acronym in Spanish), to develop strategies and support for the municipalities with public-private alliances. Initiation of a study for the exploitation of Digital and Telecommunications services in the Public Transportation Network of the metropolitan district in Quito (DMQ, for its acronym in Spanish). Approval for CAF's support of the National Electricity Corporation (CNEL, for its acronym in Spanish) to establish the system's executing unit, with resources reaching USD 200 million for the electricity distribution of the aquaculture sector.

Country	2019 Main results
Mexico	Executed study to determine the new integration and operation scheme for the provision of services of the "Metrobus" System in Mexico City.
Panama	<ul style="list-style-type: none"> Conclusion of the pre-feasibility studies of the trolley of the historic center of Panama City, and the Comprehensive Plan for the Sustainable urban mobility of David. Initiation of the feasibility study of line 2A of the Panama Metro, with resources of the French treasury and the logistic competitiveness program in Panama, a roadmap for priority actions. Development of a technical and financial pre-feasibility study for the development and implementation of a Regional Internet IXP data center that favors the reduction costs related to access to internet and latency, allowing for a more efficient use of the infrastructure and the potential development of new applications and digital services.
Paraguay	Approval to support the structuring of integration infrastructure projects and for the program to improve the quality of the national cadastral information (Phase II).
Peru	<ul style="list-style-type: none"> Structuring of the first phase of the Integrated Transportation System of Piura with resources of the European Union. Initiation of technical assistance to prepare the BIM Plan in the Peruvian public investment.

Country	2019 Main results
Peru	<ul style="list-style-type: none"> Approval for the development of an Urban Development Model for the city of Urubamba, as well as pre-investment studies for the improvement of the Urban Infrastructure of Piura, and the design of a digital group financial product through social networks. Development of the analysis of productive chains (in the industrial sector as well as the services sector), and the competitive transformation potential through the use of ICT's, in order to suggest actions that may contribute to accelerate the intensive use of digital technologies in the industry of Latin America, making sure that said impulse leads to an increase of value added, productivity, efficiency, and a more sustainable use of resources.
Trinidad & Tobago	Support the capabilities to plan and prioritize strategic investment at the Ministry of Works and Transportation and the road sector.
Uruguay	Development of the Urban Mobility Observatory (OMU, for its acronym in Spanish) for the Local Administration of Montevideo, and technical assistance provided for the substitution of the transportation fleet for more sustainable technologies, the identification of regional impact projects in Peru which could potentially be financed by CAF.
Venezuela	<ul style="list-style-type: none"> Development of a technical and financial pre-feasibility project for the development and installation of an exchange port for internet traffic (IXP) with content networks (CDN) – CONATEL. Conclusion of the study on turbine modeling for the project to update de Casa de Máquinas 1 (Powerhouse) in Guri.

Country	2019 Main results
Multinational	<ul style="list-style-type: none"> Development of a technical assistance to strengthen telecommunications integration in the area of the Pacific Alliance (Chile, Colombia, Mexico, and Peru) by formulating a roadmap aimed at promoting strategies to reduce or eliminate the prices on international roaming services, to allow people to satisfy the need for itinerant communications when they move from one country to another, considering principles of equity, efficiency, and affordability. The program to strengthen capabilities for regulators and formulators of ICT public policies in Latin America continued, favoring the development of public policies that promote societies based on knowledge, inclusion, equity, and innovation. This objective was developed through two initiatives: Third phase of the Training Program of the CE Digital Ecosystem CE Digital, and the VI Summer School on Digital Transformation in Latin America. With respect to energy integration, a study is carried out of the inventory of the Madera river, at the border between Bolivia and Brazil, whose main objective is to determine the feasibility of the construction of a hydroelectric generation plant that may feed the electricity systems of both countries.

Table 26. Outstanding landmarks of the year in infrastructure by country

In addition, CAF contributed in the development of roadmaps of Urban Logistics that enable the development of actions to improve urban distribution and the competitiveness of the cities.

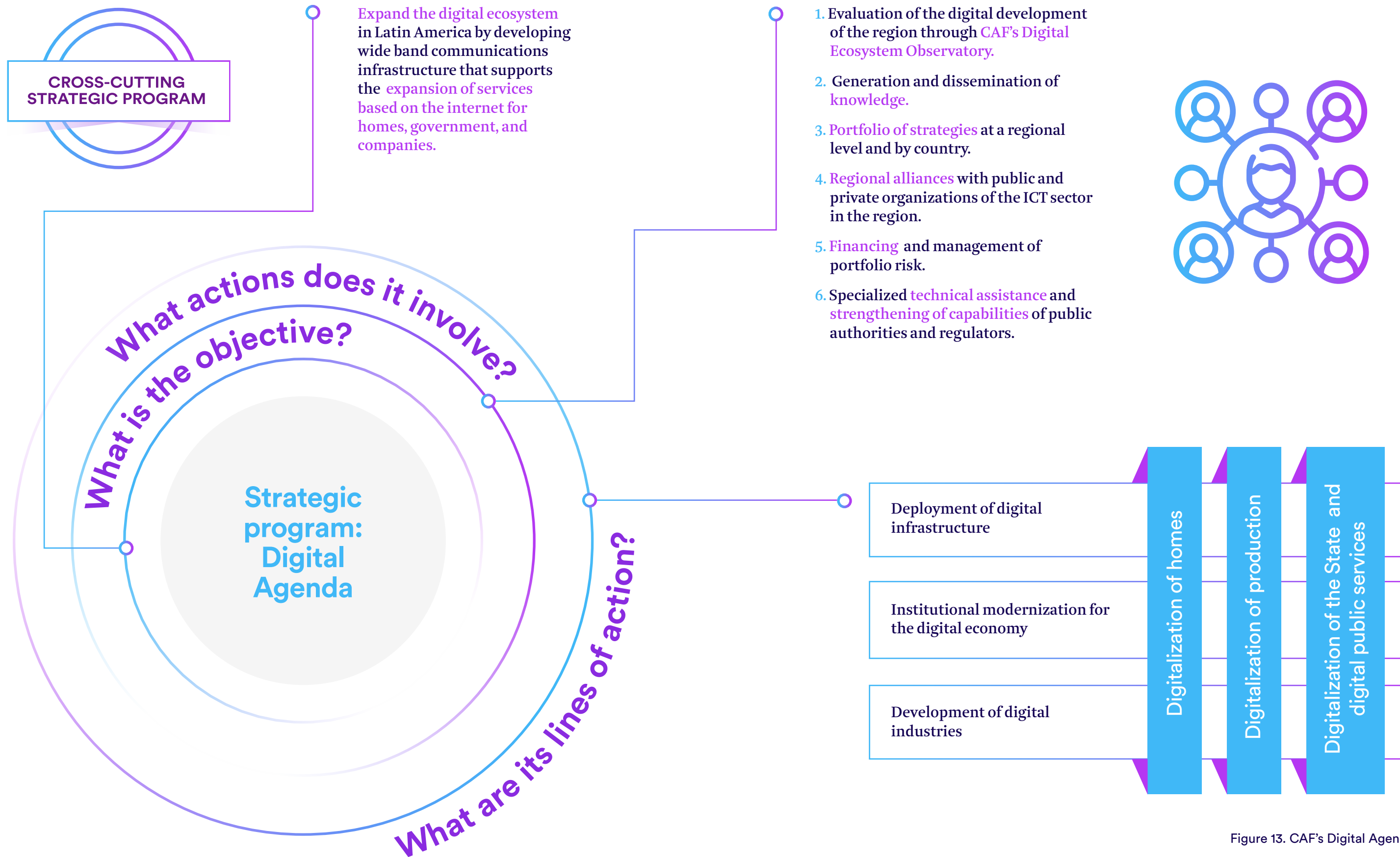


Figure 13. CAF's Digital Agenda



Participation in international initiatives

CAF is an active part of the global community that promotes the development of infrastructure in its different components through its participation in the following international initiatives:

- **Sustainable Transportation and Road Security of Multilateral Development Banks:** Program of the eight multilateral banks that allows to monitor the action of the banks in the promotion and financing of projects aligned to the Sustainable Development Objectives. This space also enables the exchange of experiences and the advance of new techniques that enables the sustainable development of mobility and road safety.
- **Transformative Urban Mobility Initiative (TUMI):** Promoted by the German Federal Ministry of Cooperation and Economic Development. The initiative was created in order to finance disruptive actions in cities that contribute to the development of sustainable mobility. This initiative includes the participation of other relevant members such as KfW, SLOCAT, ITDP, C40, WRI, ONU Habitat, and GIZ.
- **CE-Digital, Training in Digital Ecosystem (GSMA, CAF, eLAC):** This program develops capabilities in the area of telecommunications for national regulatory authorities and formulators of public policies in Latin American and

the Caribbean. It offers free training opportunities through on-line courses to maintain the main actors of the industry updated with respect to current trends, the effects of the different public policies and regulatory views, and how they affect the telecommunication services offered to the citizens of that country.

- **Follow-up mechanism for the Digital Agenda in Latin America and the Caribbean eLAC:** The objective is to be a catalyzing instrument for the regional cooperation efforts with respect to digital issues, and a mechanism to promote the design of policies, research, development of capabilities, and political dialogue regarding the challenges and opportunities resulting from digital transformation in society and the economy. CAF accompanies the follow-up mechanism as an observer together with the civil society, the private sector, and the internet technical community in the region and where ECLAC has the role of technical Secretary of the process.
- **Digital Transformation School IBEI-ECLAC-CAF regarding the digital transformation and innovation challenges in Latin America:** The object of this initiative is to present and examine a series of issues both in Latin America and in Europe, related to the development of digital competency in Europe, the exploitation of data, and the digitalization process in productive activities. It is expected that the workshops and training received will result in better normative and regulatory frameworks to expand the communications infrastructure in Latin America.
- **ILAT – Alliance for the Integration and Development of Latin America and the Caribbean:** CAF CAF has actively participated, together with two other development banks (IDB and FONPLATA), in the development and consolidation of the new ILAT Alliance, which is a regional cooperation for quality and innovative integration in a framework of transparency, through three action lines: i) integration projects; ii) integration programs; iii) knowledge and technology applied to integration projects.
- Thus, the Alliance provides technical and financial support to integration projects while at the same time it participates in the generation of knowledge and applied technology.

Follow-up and evaluation of results

GRI 103-3

For the evaluation and follow-up of the execution of financed projects and programs, the Vice-presidency of Infrastructure has multi-sectoral teams in coordination with the Country Offices, with specific technical knowledge on sectoral, financial, environmental and social issues and management of projects.

During the evaluation phase of the operations, the feasibility of the projects to be financed is verified from an economic and social point of view, through a cost-benefit analysis aimed at maximizing the impact of the interventions. In addition, a risk analysis of the operations is carried out, which means technical, environmental, and social conditions included in the loan contracts to mitigate the risks identified in the evaluation stage, follow-up visits, and meetings with counterparts.

In addition, a follow-up is carried out for the execution of the projects and their results by defining performance indicators whose provision is mandatory, and are established as a contractual condition together with periodic reports.

As an internal tool for the follow-up scheme, once per year the Operations Rating System (CALIOPE, for its acronym in Spanish) is used to evaluate the evolution of the main critical aspects in the execution of the projects or programs. The result of this evaluation is an input for the review of the portfolio, and gathers information that provides feedback to the internal management to achieve the stated objectives.

Moreover, when ending the execution of an operation, a closing report is prepared internally summarizing the results and main lessons learned as feedback for the teams. In the case of technical assistance and dissemination of knowledge activities, closing reports with similar characteristics are prepared.

A close accompaniment of the projects teams and country offices complements the above, conducting qualitative follow-up to the execution of the projects, providing direct technical support, or through consultants to guarantee that they achieve their development objectives.

Main findings

In 2019, follow-up was provided to close to 75 operations, concentrated in Brazil, Bolivia, Ecuador, and Paraguay (76% of the disbursement portfolio), and the rest in Argentina, Uruguay, Venezuela, etc

Follow-up activities include at least a yearly visit, review of the periodical reports (quarterly or half-yearly), permanent contact with the client, information provided by the executing parties to comply with the contractual conditions, among others.

One of the main findings in these evaluations, relates to the importance of the development of quality studies (technical, environmental, social, etc.) prior to the tender of the works, to avoid delays, cost overruns, social problems,

and environmental impacts and to have contracts with lower levels of uncertainty throughout the execution.

The institutional strength and technical capability of the executing agencies and counterparts in the execution of the projects is key to guarantee the execution in terms of budget, deadline, and results. This is the reason to include components as part of CAF's financing to support the institutional strengthening of the work's executing agents, specifically in the development of studies, training of staff, provision of technical experts, exchange of knowledge with other executing agencies in the region, etc.

The sustainability of the financed works is a critical recurrent aspect in the follow-up of operations, as frequently the executing entities plan the investments, but do not specifically consider its operation and maintenance. This aspect is of great importance to CAF, so the special conditions of loans generally consider aspects that strengthen the planning and sustainability of the investments it supports.

Productivity and competitiveness of the private sector

Material topic: Improvement of productivity and competitiveness in the private sector.

Barriers to productivity and competitiveness in the private sector of Latin America

GRI 103-1

In Latin America there persists a large gap in the income per inhabitant compared with more developed countries, mainly due to the low productivity of the economic sectors, as well as to the concentration of resources in specific low productivity sectors.

Among the main causes of this phenomenon are the institutional determinants of the productive environments when enterprises interact, independently of the sector to which they belong. Among the factors that have an impact are the following:

- **Lack of competencies in Latin American economies**, associated mainly to the existing costs and barriers for the entry of companies to the countries of the region, as well as greater price margins over costs.
- **Productivity distortions and collisions between companies** that propagates throughout the value chain of the different sectors, as well as the lack of synergies and coordination between actors of the same value chain to promote knowledge and coordinated decision making.
- **Low productivity in the workplace** mainly due to the presence of significant gender gaps, a poor match between the skills of individuals and the assigned tasks, as well as a high concentration of the workforce in informal employments.
- **Low development level of credit markets** in Latin America.



Additionally, limitations in the access to credit and markets, deficiencies in infrastructure and in the access to public goods and services, low levels of innovation, a limited business environment and technology, inadequate quality, and high costs of productive services compared to developed countries, are factors that show the gaps in the region regarding productivity and competitiveness of its markets and economic sectors.

In complying with its mission, CAF has structured strategies to strengthen productivity and competitiveness in the countries of the region, where it considers the barriers that slow down the improvement of productivity, including specific actions to strengthen different relevant sectors, among these, the financial sector.

CAF agenda for productivity and competitiveness

GRI 103-2

With the leadership of the Vice-presidency of the Private Sector (VSP, for its acronym in Spanish) CAF promotes the participation of the private sector in the sustainable and sustained growth of Latin America, as well as financial inclusion of individuals and companies, in order to boost significant increases of productivity, competitiveness, and the production of goods and services with more value added, by companies of the region.

To this effect, priority has been given to work areas that enable the creation of favorable conditions to generate greater impacts on productivity and competitiveness in Latin American economies. Taking into consideration the identified gaps, as well as the development opportunities that are present in the markets and economies of these countries, a strategic framework of action has been defined that addresses the following components:

Support productivity and competitiveness of SME's

Support productivity and competitiveness of SME's with a renewed offer of products and services that integrate financing resources, guarantees, and technical cooperation, aimed at **strengthening the capacity of companies, reduce uncertainty and risk in financial entities, and promote a more dynamic entrepreneurial credit market.**

Entrepreneurial innovation and universities

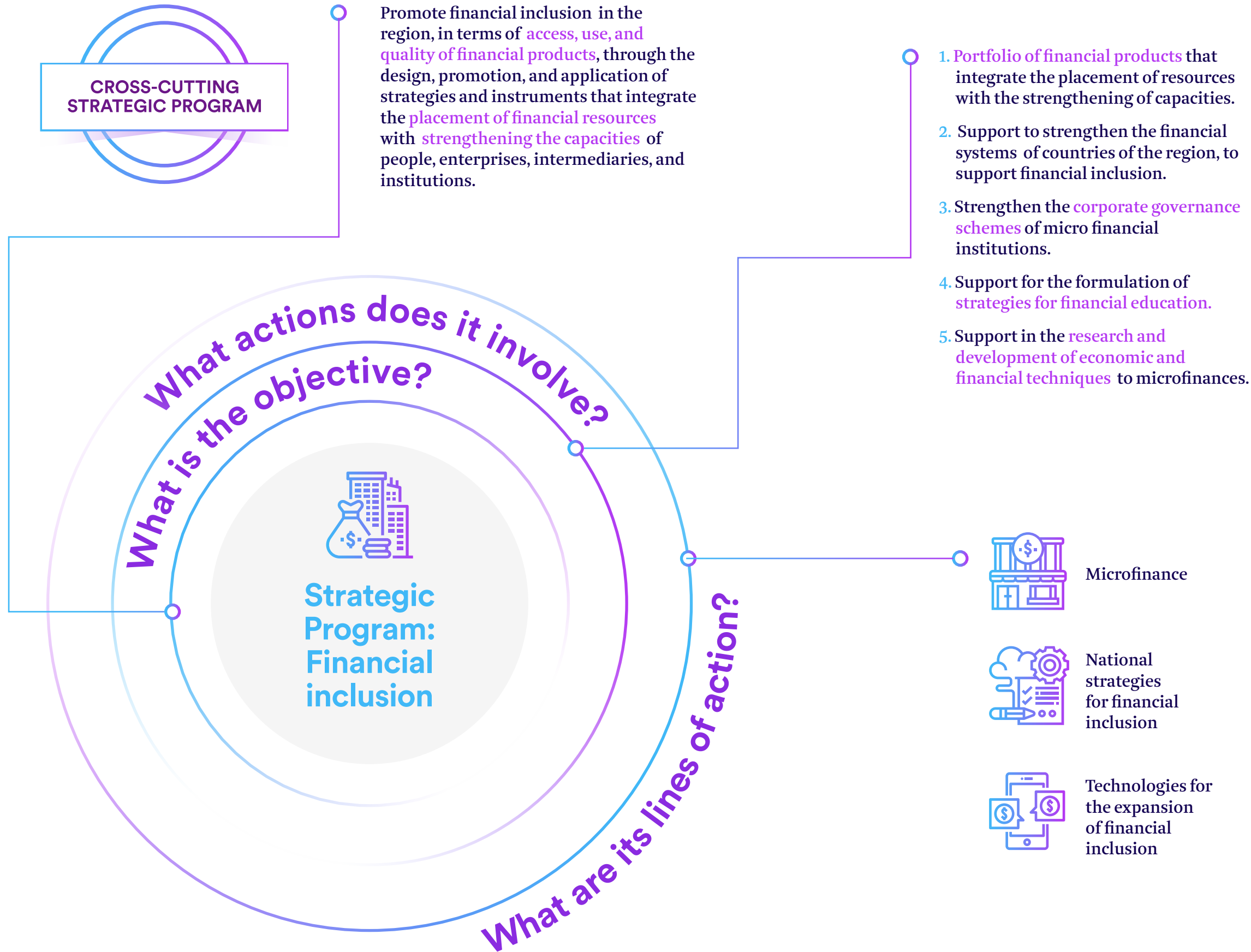
Promote and support the **development of capacities for the provision of knowledge and innovation services to SME's**, by universities and other research and higher education centers, through the **transfer of successful business and organization models**, accompanied by financial resources for their implementation, consolidation, and development.

Financial inclusion

Promote financial inclusion in the region, in terms of **access, use, and quality financial products**, by means of the design, promotion, and application of strategies and instruments that integrate the placement of financial resources by **strengthening the capabilities of individuals, enterprises, intermediaries, and institutions.**

Private infrastructure

Strengthen participation and contribution of the private sector in the **development of private infrastructure**, supporting governments by means of financial advice, financing solutions, and catalyzation of institutional investment through special vehicles and guarantees.



Results

Credit operations

✓ 8

\$ USD **71** million

🌐 Bolivia, Ecuador, Peru

Technical cooperations

✓ 13

\$ USD **1.27** million

🌐 Brazil, Colombia, Paraguay, Peru, Portugal

✓ Approved operations

\$ Total approved amount

🌐 Countries involved

Figure 14. Strategic program: Financial inclusion

Financing

In 2019 96 credit operations were approved to different enterprises and financial entities in the countries of the region, for a total amount of USD 6,455 million. The resources were aimed at financing projects that seek to improve productivity and competitiveness of the private sector, in line with the strategic framework of the VSP.

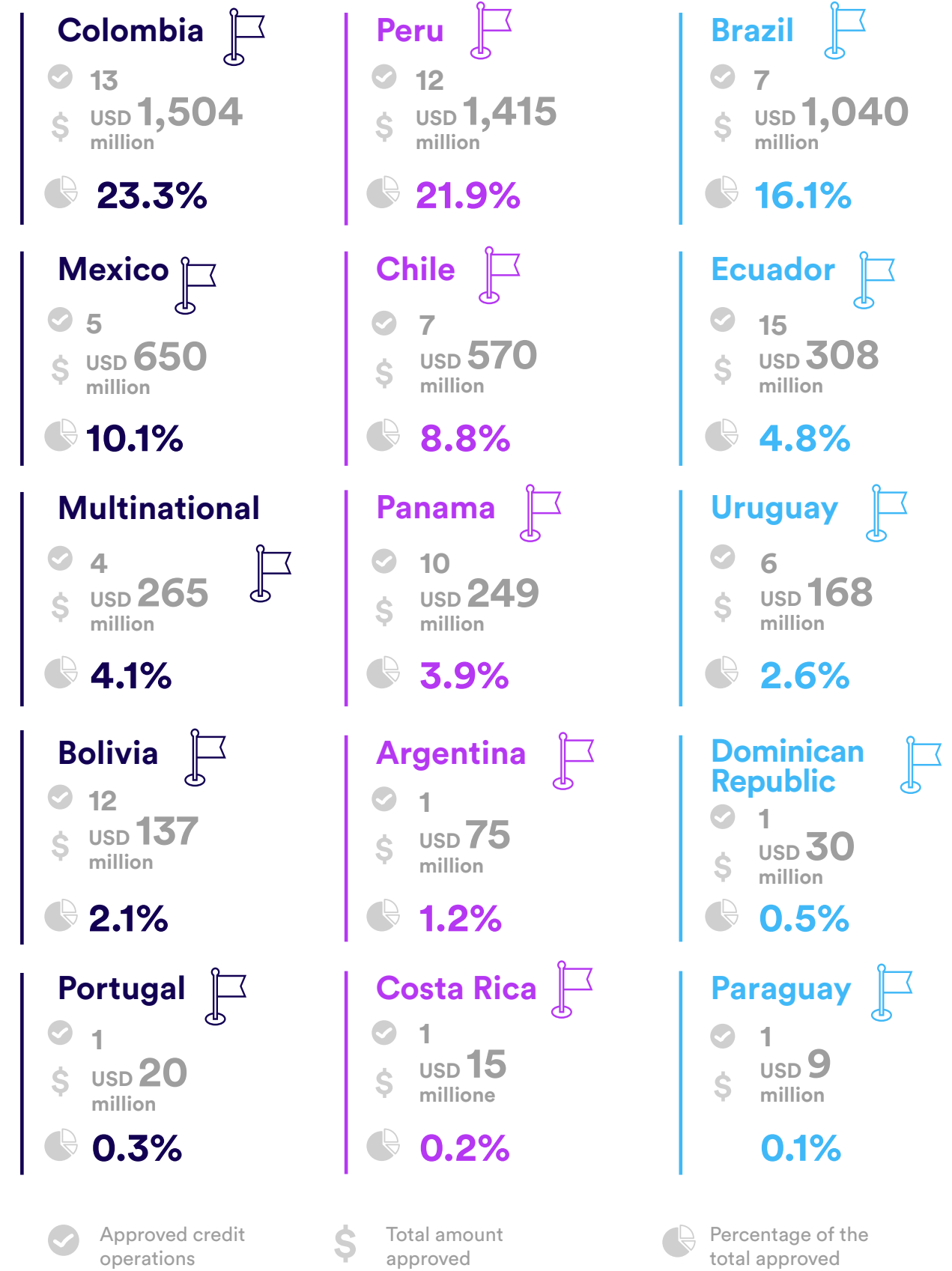
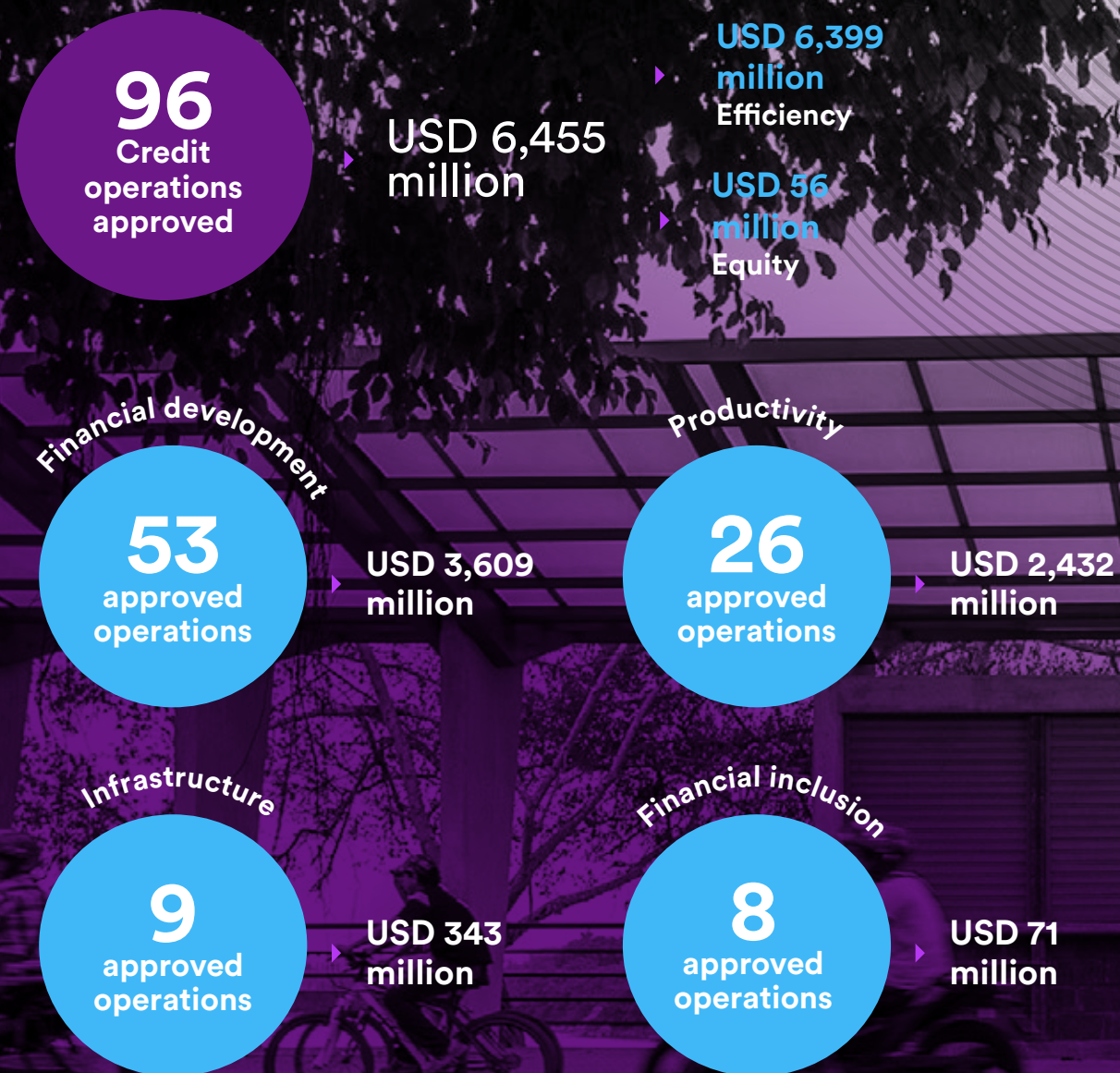


Figure 15. Approved credit operations – Private sector

Technical cooperations

Moreover, 30 technical cooperations were approved to support the improvement of productivity and competitiveness of the productive sectors in the region, for a total amount of USD 6.24 million.

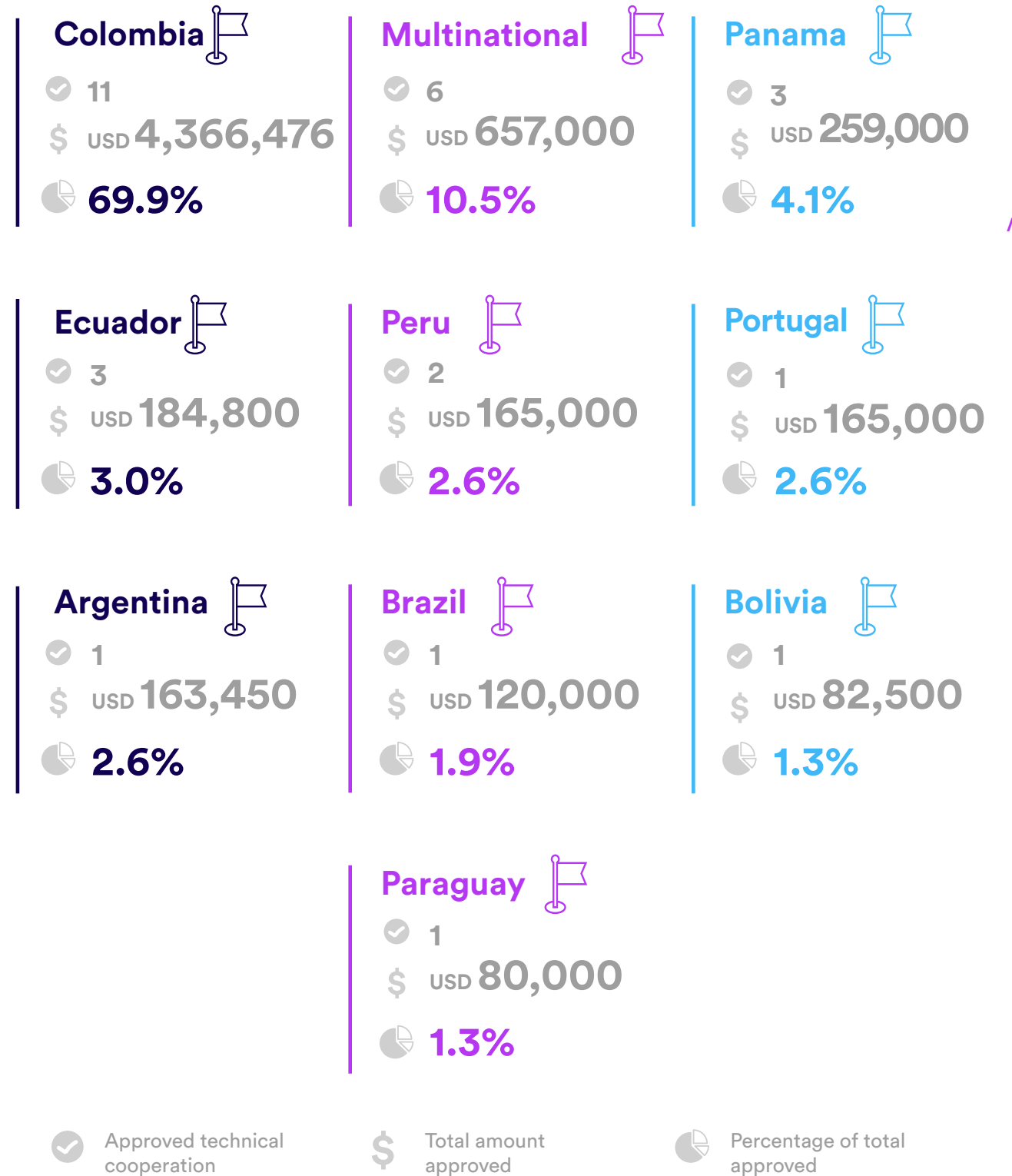
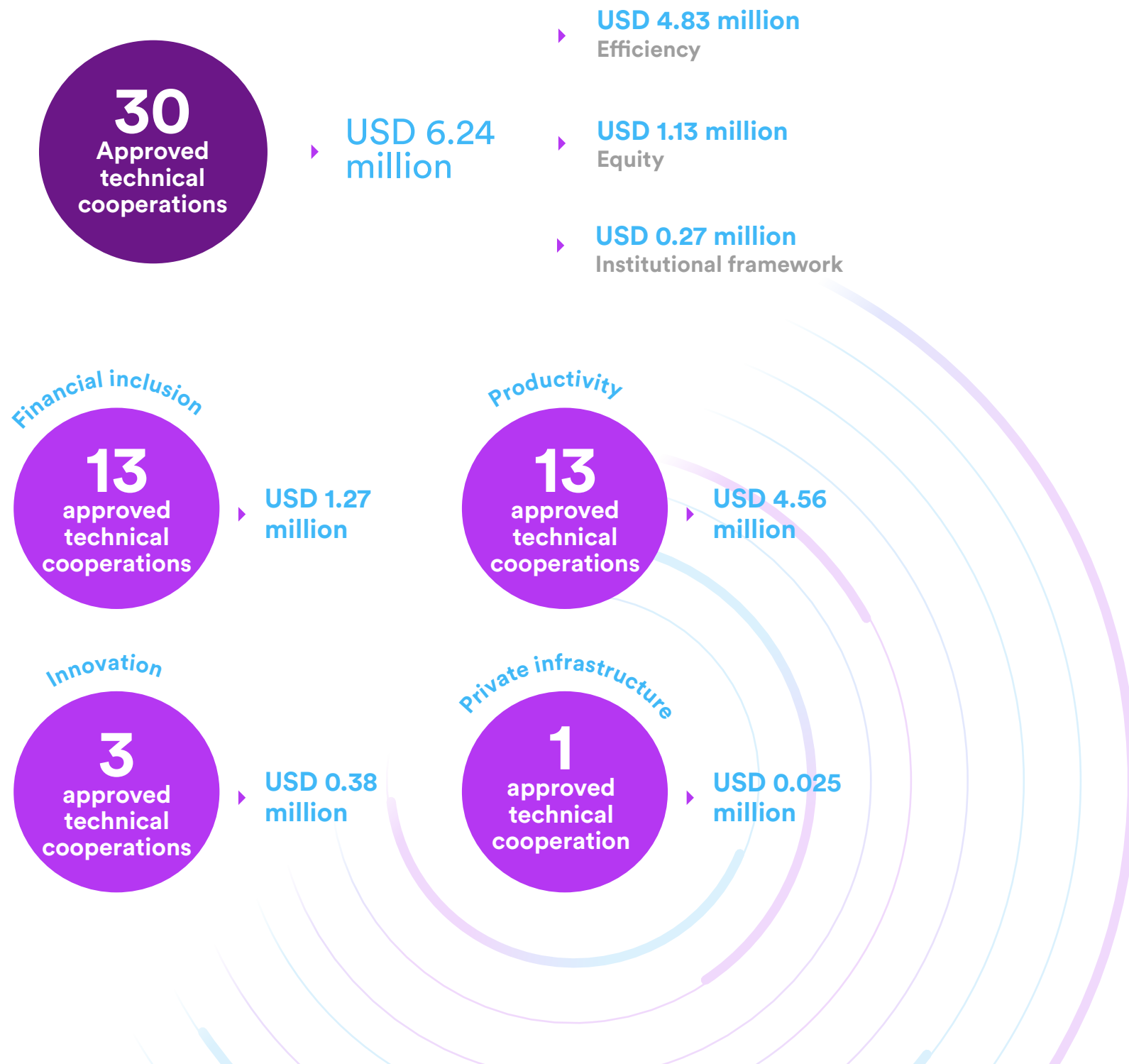


Figure 16 Approved technical cooperation – Private sector



4
Equity

Material topic: Equity and sustainable development.

Challenges for equity and sustainable development in Latin America

The population in Latin America and the Caribbean reaches close to **634 million**, of which 80% lives in urban centers.

In Latin America and the Caribbean, cities with one million inhabitants or more have continued to grow during past decades. While in 1950 there were only 8, in 2010 it reached 56.

The middle class doubled in the last decade: people with incomes between 12 and 62 Dollars a day almost doubled in Latin America, including 186 million people.

Social exclusion continues to be an important brand in the region: 1 out of 4 Latin Americans live in precarious conditions, without access to quality basic public services.

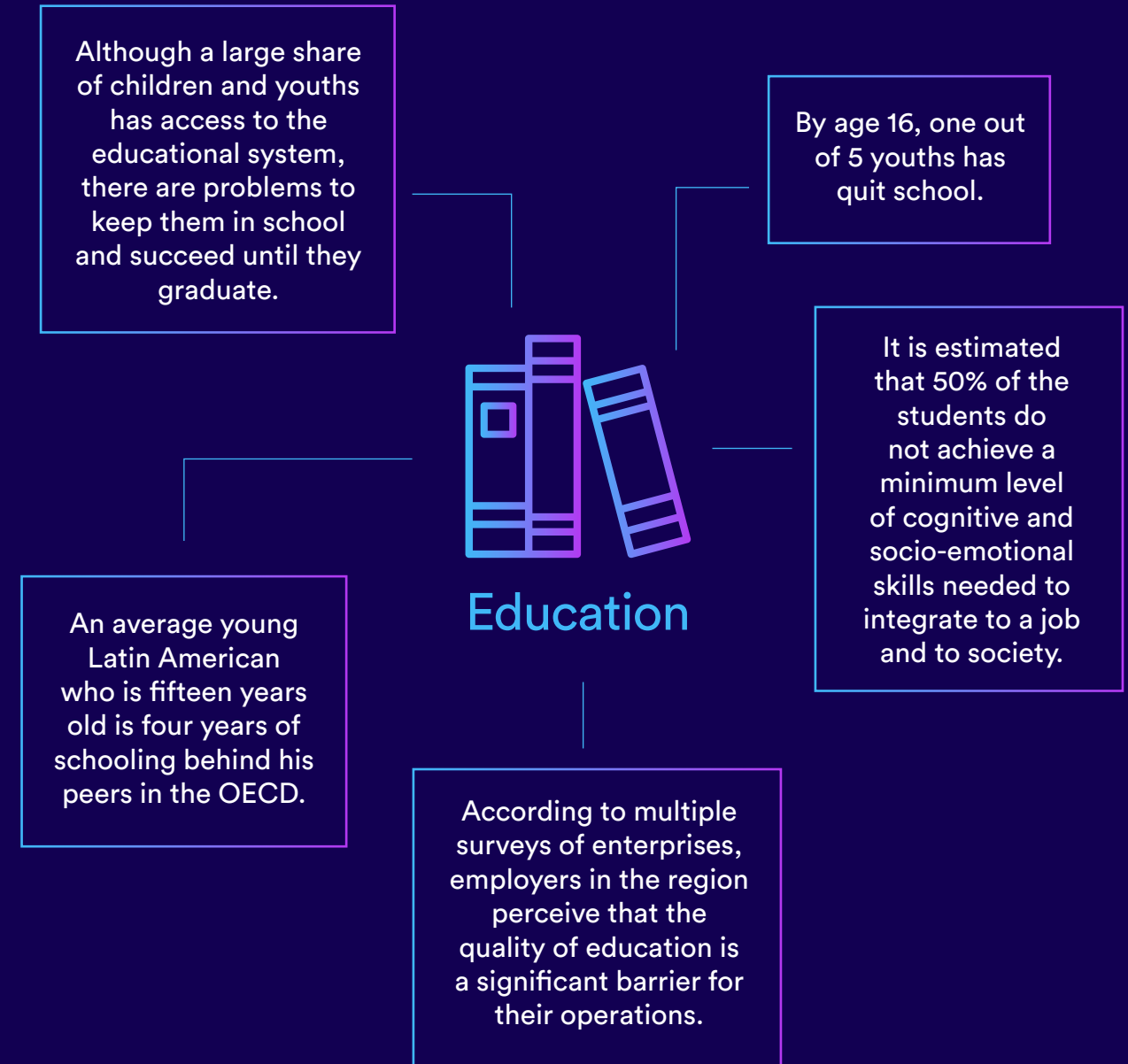
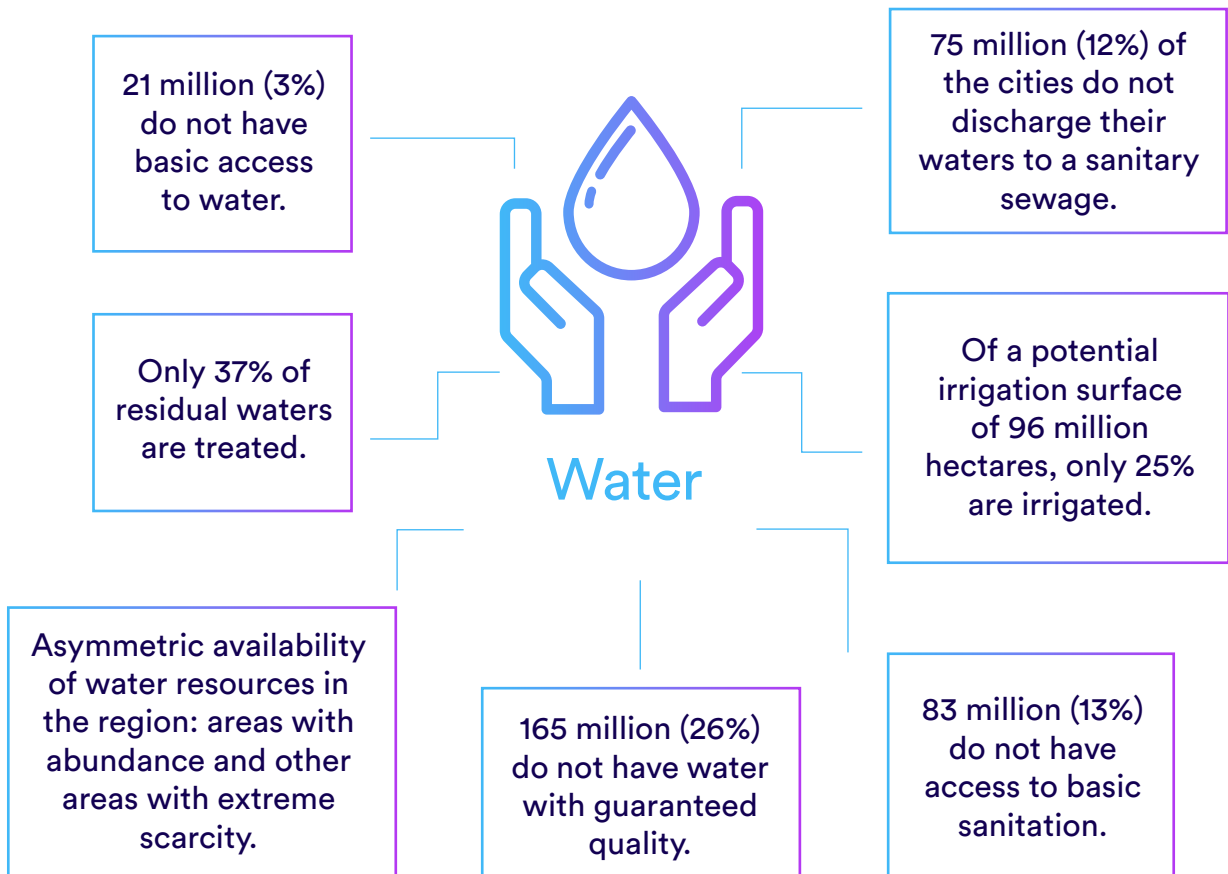
With an urbanization rate that increased from 41% in 1950 to 80% in 2015, Latin America is now the region with the greatest urban growth in the world, and the second most urbanized after North America.

Migration from the countryside to the city continues to have a significant impact in rural areas and in cities.

Only 27% of the urban population of Latin America and the Caribbean are covered by 4G networks, compared to 77% of the OCDE countries.



Cities



Female participation in the workforce (2018) reached around 50.6%, while male participation reaches 74.7%.⁹

In 2018, 30.1% of the people are living in poverty, and 10.7% in extreme poverty, with a higher incidence among young boys and girls, adolescents, youths, women, rural population, indigenous people, and afro-descendants.⁸



Inclusion and gender equity

Women are still lagging with respect to access and use of financial services: at a world level, the gender gap related to the ownership of a bank account reaches 7%, 11% in formal savings, and 3% in formal credits; in addition, women predominate among the non-banking customers.¹¹

The share of women without their own income reached a regional average of 29% while that of men is 10.5%.¹⁰

It is estimated that 29.8% of women have been victims of physical and/or sexual violence by their male partners.¹²

⁸ CEPAL (2019). Panorama Social de América Latina 2019. <https://www.cepal.org/es/publicaciones/44969-panorama-social-america-latina-2019>

⁹ CEPAL (2019). Coyuntura Laboral en América Latina y el Caribe: evolución y perspectivas de la participación laboral femenina en América Latina. <https://www.cepal.org/es/publicaciones/44916-coyuntura-laboral-america-latina-caribe-evolucion-perspectivas-la-participacion>

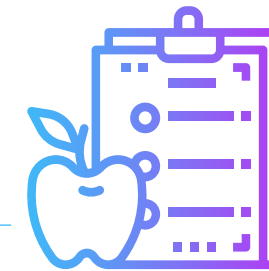
¹⁰ Gender Equity Observatory in Latin America and the Caribbean. Data from around 2017.

¹¹ Global Findex data base, 2017. <https://globalfindex.worldbank.org/>

¹² WHO (2013). Global and regional estimates of violence against women: prevalence and health effects of intimate partner violence and nonpartner sexual violence. <https://www.who.int/reproductivehealth/publications/violence/9789241564625/es/>

It was estimated that in 2018, in the region of Latin America and the Caribbean, 5.8% of children under the age of 5, suffered from a delay in growth (chronic malnutrition).

The trend toward a reduction in the prevalence of chronic malnutrition in children under the age of 5 all over the world and, particularly in the region of Latin America and the Caribbean is very slow, and if urgent measures are not taken, the corresponding objectives of the ODS 2 will not be met.



Health and child nutrition

The minimum standard for health investment recommended by the WHO is 6% of GDP, and only three countries of the region comply with it (Cuba, Costa Rica, and Uruguay).

The malnutrition spectrum also addresses the subject of overweight and obesity, as well as the deficiency of micronutrients, particularly iron.

Early malnutrition affects the cognitive development and physical growth of individuals, thus affecting their productivity; in addition, it is an important risk factor for morbidity and premature mortality.

Currently, the focus based on the first 1,000 days of life and the intersectoral approach, particularly with water, sanitation, and education, have shown to be the most effective for the reduction of the prevalence in growth delay.

CAF contributions to equity and sustainable development in Latin America

Strategic action framework

CAF has structured a sustainable development agenda by means of which it seeks to support the countries of the region to overcome the challenges and close the identified gaps with respect to an equitable disposition and distribution of resources. The strategic objectives that have been stated for this action are the following:

Cities with future

- Promote and strengthen an efficient urban management, focused on improving the access to quality services in order to contribute to productivity, social inclusion, and resilience of cities in Latin America.

Water security

- Promote safe access to potable water by the population, and contribute to the productive development of countries by encouraging an efficient use of water, as well as reducing water contamination, preserving ecosystems, and protecting against disasters related to the lack or excess of water.

Quality education

- Contribute to close the gap in access, and improve the quality and relevance of education, promoting completion and recognizing the specific conditions of each educational system.

Inclusion and gender equity

- Promote a cross-cutting inclusion of the principle of equal opportunities and empowerment of women in the business and support areas, in agreement with the Institutional Guidelines of Gender Equity and social safeguards, in order to improve CAF's response capacity to member countries.

Health and child nutrition

- Contribute together with the governments of the region to the improve health conditions of the population, prioritizing initiatives that contribute to reduce the prevalence of chronic malnutrition and micronutrient deficiencies during early childhood.





In 2019 resources were approved to develop a sustainable development agenda in each of its lines of action, as follows:

Approved credit operations

Approved technical cooperations

	USD million	USD million
2017	864	3.37
2018	1,068	4.94
2019	1,506.90	26.82

Cities with a future

5
approved credit operations for USD 624.9 million

5
approved technical cooperations for USD 950,000

8
approved credit operations for USD 761 million, with USD 455 million focused on water

13
approved technical cooperations for USD 25 million

Water security

Quality education

1
approved credit operation for USD 121 million

4
approved technical cooperations for USD 425,000

3
approved credit operations for USD 343,364

2
approved credit operations for USD 105,700

Inclusion and gender equity

Health and child nutrition

Figure 17. Distribution of approved credit operations and technical operations in 2019, by lines of action – Equity and Sustainable Development. Source: Vice-presidency of Sustainable Development (VDS, for its acronym in Spanish)



Cities with Future



The strategy of Cities with Future developed by CAF seeks to **improve the levels of inclusion and productivity in the region**, through actions that facilitate and strengthen access to opportunities that cities offer to individuals, families, and organizations regarding consumption of goods and services, production, work, recreation, and entertainment, among others.

As a cross-cutting strategy to the spheres of impact in the sustainable development prioritized by the Institution, support is provided to the management and financing of urban interventions that prioritize vulnerable populations to:

- Promote access to opportunities that improve inclusion and productivity of vulnerable urban populations.
- Strengthen the efficiency of public management and finances of local governments.



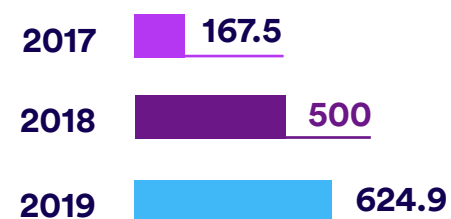
In 2019, five credit operations were approved within the Cities with Future strategy, for a total amount of USD 624.9 million, as well as five technical cooperations for USD 950,000, to support countries in the region for the comprehensive management of their cities.

For the 2019-2022 period, it is expected that urban projects and programs with the Cities with Future approach will be approved by CAF, benefiting more than 5.3 million people in terms of access to opportunities, inclusion, and productivity.

Approved credit operations

Amounts of approved credit operations in Cities with Future

Figures in USD million



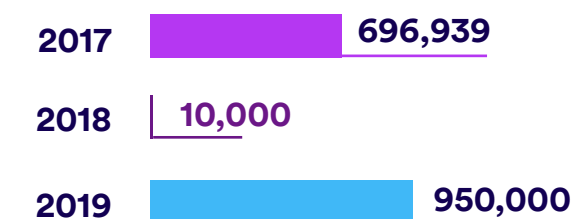
Country	Operation name	Approved amount (USD million)		
		Total	CAF resources	Counterpart resources
Brazil	Integration Program for the Urban, Social, and Environmental Development of the Municipality of Camaçari (VIN/VDS)	100	80	20
	Advance Program-Sustainable Development and Urban Reclassification of Jaraguá do Sul	62.5	50	12.5
	Integrated Mobility System of Contagem (VIN/VDS)	52.5	42	10.5
	Urban Mobility and Requalification Program for Jacareí (VIN/VDS)	75	60	15
Ecuador	Casa para Todos Housing Project (CPT, for its acronym in Spanish)	334.9	203	131.9

Table 27. Approved credit operations. Source: Vice-presidency of Sustainable Development – VDS

Approved technical operations

Amounts of technical cooperations in Cities with Future

Figures in USD



Country	Name of operation	Approved amount (USD)
Bolivia	Central urban work sites, Villa Fátima, Mallasa and Max Paredes.	350,000
Colombia	Institutional strengthening of the Ministry of Housing, City, and Territory for the implementation of Colombia's urban agenda.	180,000
Paraguay	Program to improve the Quality of Information of the National Cadastral Information (Phase II).	250,000
Peru	Development of an urban development model in the city of Urubamba.	100,000
Multinational	Improvement of technical capacities for the design and implementation of policies.	70,000

Table 28. Approved technical operations. Source: Vice-presidency of Sustainable Development - VDS



Strengthening of internal capabilities

In addition to the financed credit and technical cooperation operations, internal capabilities were strengthened during the year, to structure projects framed within the Cities with Future strategy, by means of the following activities:

- Promotion of a conceptualization of loan operations with a multisectoral approach based on the perspective of access to opportunities.
- Participation in the exploration of possible projects in different countries of the region:
 - **Bolivia:** development of the Peru-Bolivia border area.
 - **Colombia:** cadastral update, housing and urban development policy.
 - **Costa Rica:** regional and urban development of the country.
 - **Ecuador:** sustainable intermediate cities.
 - **Peru:** urban development and renewal of degraded spaces.
 - **Mexico:** regional and urban development of the States of Tabasco and Chiapas.
 - **Paraguay:** land registry and urbanization of precarious settlements.
 - **Uruguay:** revitalization and circular urban economies
- Generation of spaces for discussion and exchange of experiences between officials of the region regarding strategic subjects for cities, such as:
 - **Housing:** Buenos Aires and Porto Viejo.
 - **Citizen safety:** Buenos Aires, Salvador, Camaçari, Fortaleza, Sao Bernardo, Maldonado, Ciudad Victoria.
 - **Urban development:** Porto Viejo, La Paz, Quito, Camaçari, and Salvador.
- Dissemination of practical experiences regarding public safety that can be directly applied to loans in their origination and administration stage, as well as before CAF's potential clients, and a connection was made for cooperation between officials for the development of these subjects.
- Development of the urban forests and Green spaces component, supporting the structuring of four financing operations.
- Advances made for the coordination of work teams for the generation of initiatives for climate change in the urban field, specifically in the evaluation processes for Colombia, Bolivia, and Ecuador.
- Support provided to initiatives of the Program, in the framework of the Collaboration Agreement subscribed between CAF and the 100 Resilient Cities¹³ initiative.



¹³ For more information, visit: <https://www.100resilientcities.org/>

Water security



Facing the characteristics of the region regarding the quality and access to water and its associated services, from an integrating approach for water security CAF's action are aimed at:

- Guaranteeing safe, efficient, and sustainable access to water and sanitation services.
- Reducing water pollution and accomplishing the preservation of ecosystems.
- Ensuring efficient and accessible services to rural irrigation for family agriculture.
- Promoting multisectoral development of water for agroindustry and other productive uses.
- Improving water governance and sustainable management of water resources.

For the achievement of this agenda, during 2019 eighth credits with water security components were approved, for a total amount of USD 761.1 million from own resources (USD 455 million specifically for the water sector), and USD 122.75 million from counterpart resources. In addition, 13 technical cooperation operations aimed at water management were approved, for a total amount of USD 24.9 million.

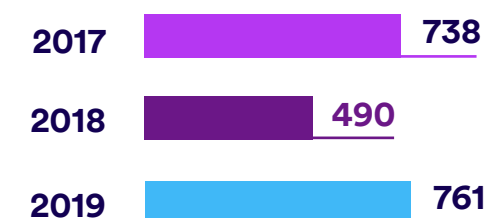
With actions like these, it is expected that for the 2019-2022 period water projects and programs financed by CAF will achieve the following results:

- 11.2 million people will benefit from connections or improved potable water services.
- 3.2 million people will benefit from new connections or improved sanitation services.
- 4.5 million people will be provided with residual water treatment services.
- 96 thousand families will benefit from irrigation infrastructure for family agriculture.
- More than 10 million people will reduce their exposure to floods and drought.

Approved credit operations

Amounts of approved credit operations for water security

Amounts in USD million



Country	Name of operation	Approved amount (USD million)		
		Total	CAF amount	Counterpart
Argentina	Infrastructure Program for Provinces in Argentina (PFIR).	300	300 ¹⁴	--
Brazil	Potable Water Project and others, Moggi das Cruzes.	87	70 ¹⁵	17
	Project for Rainwater Macro-Drainage, Santo André.	62.5	50	12.5
	Project for Rainwater Drainage and others, San Bernardo do Campo II.	100	80 ¹⁶	20
Ecuador	Residual Waters Treatment Plant in Guangarcucho Cuenca ¹⁷ .	77.85	34.1	43.75

¹⁴ Of this total, USD 66 million correspond to resources of the VDS.

¹⁵ Of this total, USD 38 million correspond to resources of the VDS.

¹⁶ Of this total, USD 40 million correspond to resources of the VDS.

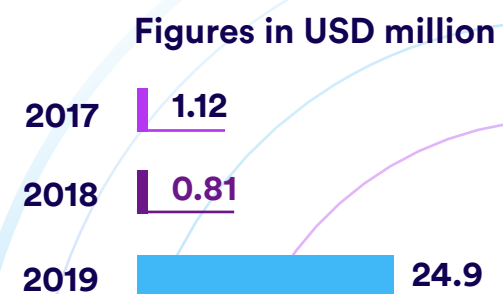
¹⁷ Operation financed jointly with the European Investment Bank.

Country	Name of operation	Approved amount (USD million)		
		Total	CAF amount	Counterpart
Paraguay	Sanitation Program in Intermediate Cities.	50	50	--
Dominican Republic	Acueducto Oriental Project.	108.5	97	11.5
Uruguay	Casupa dam project.	98	80	18

Table 29. Approved credit operations: Water security. Source: Vice-presidency of Sustainable Development (VDS)

Approved technical cooperations

Amounts of approved technical cooperations for water security



Country	Name of the operation	Approved amount (USD)
Brazil	Technical support for the accompaniment of the construction of the Pedreira and duas Pontes dams in the State of Sao Paulo.	80,000
Colombia	Support for the execution of the “Potable Water and Sanitation for Urban and Rural Areas in the District of Buenaventura”, Colombia.	200,000
	Support for the design and implementation of the regionalization policy of the aqueduct and sewage public services.	128,934
Ecuador	Strengthening of the water control and regulation agency (ARCA, for its acronym in Spanish) for the formulation of two regulations related to control of the quality and efficient use of water in Ecuador.	80,000
	Diagnosis of the capabilities of the Decentralized Autonomous Governments (GADS, for its acronym in Spanish) that participate in the CFA 10801 credit – Environmental Sanitation Program for community development (PROMADEC IV).	65,000
	Comprehensive, sustainable, and participatory management of water in Cuenca, through the conservation of water sources, management of demand, and prevention of contamination.	250,100 ¹⁸
Venezuela	Technical support for the Rehabilitation Program for the Larger Purification Plants I and II (CFA 7902 and CFA 8390).	265,000
Argentina and Uruguay	Adaptation to climate change in vulnerable coastal systems and ecosystems of the Uruguay river.	13.9 million ¹⁹

¹⁸ Of this total, USD 150,100 correspond to CAF resources and USD 100,000 to counterpart resources

¹⁹ Amounts managed with resources from the United Nations Adaptation Fund

Country	Name of the operation	Approved amount (USD)
Argentina, Brazil, Paraguay, and Uruguay	Implementation of the Strategic Action Program of the Guarani Aquifer: Support for regional actions	4.8 million ²⁰
Regional	Latin American Sanitation Conference 2019, Phase 2.	17,200
	Optimization of policies and norms for dam security.	107,000
	Program to improve management of Potable Water and Sanitation in Latin American cities – Phase II	124,000
	Pre-Investment Program for the Water sector CAF PPSA II.	5 million

Table 30. Approved technical cooperation operations: Water security. Source: Vice-presidency of Sustainable Development (VDS)

In 2019 a credit operation was approved with education components, for a total amount of USD 121 million. In addition, four technical cooperation operations were approved for the compliance of this agenda, reaching USD 425,000.

It is expected that for the 2019-2022 period, the programs and projects financed by CAF in education will benefit approximately 624,000 children, youths and teachers of the region, and that they will achieve the following results, among others:

- 676 thousand students benefiting from new or improved infrastructure.
- 124 thousand students benefiting from access to information and communication technology.
- 37 thousand children incorporated to early childhood and pre-school care.
- 33 thousand teachers and/or management staff to benefit from training.
- 131 thousand youths benefiting from pertinence programs or reduction of school dropouts.

Quality education



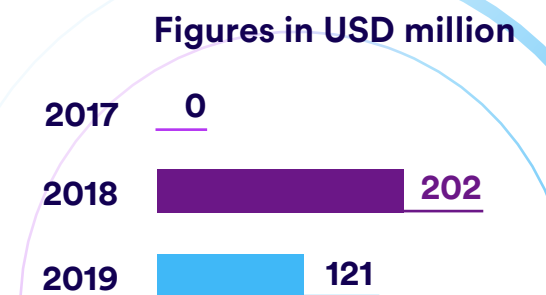
CAF has designed strategies to contribute to close the existing gaps in access, quality, and relevance of education in Latin America. These strategies are aimed mainly at the following aspects:

- Promote access to quality school facilities.
- Improve the quality of education at all levels.
- Strengthen the relevance of education, especially for youths that are about to enter the workforce.
- Improve educational management.

²⁰ Amounts managed with resources from the Global Environmental Fund (GEF) and counterparts in the countries for USD 2.8 million

Approved credit operations

Approved credit operations in education



Country	Name of operation	Approved amount (USD million)
Argentina	Program to improve educational quality “Promace” – Argentina, Jujuy province	121 ²¹

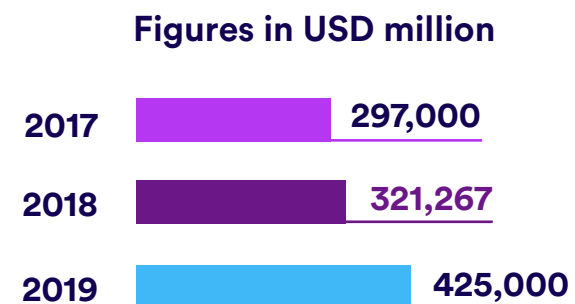
Table 31. Approved credit operations: Education. Source: Vicepresidency of Sustainable Development (VDS)

In addition, support was provided to structure the “Comprehensive Care for early Childhood” initiative, with the participation of health, nutrition, education, water, and gender equity agendas.



Approved technical operations

Amount of technical cooperation operations approved in education



²¹ Of this total, USD 100 million correspond to CAF resources, and USD 21 million to counterpart resources

Country	Name of operation	Approved amount (USD)
	Design of the implementation plan for the academic strengthening component of the operation: Renewal of the Faculty of Natural, Exact, and Technological Sciences of the University of Panama.	95,000
Panama	Design of the management and implementation plan of the project: Transformation and Improvement of the Instituto Nacional de Formación Profesional y Capacitación para el Desarrollo Humano (INADEH) (National Institute for Professional Education and Training for Human Development).	110,000
	Support for the sustainability of the Bilingual Panama Program.	100,000
Uruguay	Strengthening of the relationship between education and work.	120,000

Table 32. Approved technical cooperation operations: Education. Source: Vice-presidency of Sustainable Development (VDS)

Inclusion and gender equity

CAF’s actions regarding inclusion and gender equity is mainly aimed at the incorporation of the gender perspective and social inclusion in the Institution’s operations, in order to improve access to economic and financial resources by women and other vulnerable populations of the region, thus promoting economic autonomy and elimination of all forms of gender violence.



Aligned with the Gender Equity Institutional Guidelines, CAF's strategy in this area is focused on the following components:

- Promote the incorporation of social inclusion and gender perspective in CAF's projects and programs.
- Promote the generation of knowledge for social and gender inclusion.
- Promote the economic autonomy and financial inclusion of women and other populations with difficult access to these resources.
- Strengthen the mechanisms to fight gender violence in the region.

In line with these purposes, in 2019 two technical operations were approved with social inclusion and gender equity components, for a total amount of USD 105,700. In addition, technical assistance was provided in the origination and evaluation processes of four credit operations and nine green funds operations, considering the gender safeguard defined by the Institution.

Approved technical cooperations

Country	Name of operation	Amount approved (USD)
Colombia	Me muevo segura (I move safely)- Pilot intervention for the prevention and improvement of the perception of violence and sexual harassment against women and girls in urban public spaces.	55,700
Peru	Support the policy of financial inclusion and gender of the Sistema de Cajas Municipales de Ahorro y Crédito (Municipal savings and credit unions) of Peru	50,000

Table 33. Approved technical cooperation operations: Inclusion and gender equity. Source: Vice-presidency of Sustainable Development, Vice-presidency of Infrastructure, and Vice-presidency of the Private Sector



Technical assistance on gender issues for approved credit and Green fund operations

Type of operation	Name of operation	Description
Credit operations	Program for the Improvement of educational access and quality PROMACE, for its acronym in Spanish).	Prevention of school dropout of girls and adolescents, teacher training in equality, and inclusive infrastructure.
	Promotion Agency of the State of Sao Paulo Desenvolve SP: Línea de Crédito Revolvente no Comprometida (Revolving uncommitted credit line)	Support to define the bases for financial products aimed at women.
Green fund operations	Reconversion of the livestock production in Darien, Panama, based on the maintenance of biodiversity.	Work with local organizations to make the production and decision making functions of women visible in these spaces; recognize them and define them as main beneficiaries in the transformation toward silvopastoral systems; develop affirmative actions to include them in technical assistance instances; work with local credit institutions for the elimination of gender bias; replace non-recognized productive practices to offer technical assistance that improves the quality of work and product, and integrate them to value chains.

Type of operation	Name of operation	Description
	Supporting the Chilean Low Emissions Transport Strategy Project - CLETS	Measurement of emissions reduction according to the gender of the impacted population (change of transport habits); crowd-mapping and crowdsourcing to generate security information; prioritizing the first routes to be modified according to the level of use by women of vulnerable sectors; inclusion of the accessibility dimension; development of a gender sensitive budget.
Green fund operations	Implementation of the regional strategic action program of the Guarani Aquifer	Ensure the participation of women in decision making, and integrate the subject of gender as a component per se, so that governments can foresee, organize, and budget the development of a knowledge production system regarding the uses of water disaggregated by gender.
	Transformation of the panela production sub-sector in Colombia	Replace the base line of women who produce panela and measure the impacts on health of the change in productive strategies according to gender; develop plans for the management of residues, considering the prominence and knowledge of women in the production and use of compost and organic fertilizers.

Table 34. Credit and green fund operations with gender safeguard. Source: Vice-presidency of Sustainable Development (VDS), Vice-presidency of the Private Sector (VSP)

In addition, support was provided to the different business areas for the incorporation of the gender perspective in CAF's projects and programs:

- Review of the report “Medición de acceso a oportunidades que favorecen la inclusión: aspectos conceptuales, indicadores y su medición” (Measurement of access to opportunities that favor inclusion: conceptual aspects, indicators and their measurement).
- Proposal regarding the Facility for financial inclusion and empowerment of women in Latin America.
- Technical assistance at the time of origination of four technical cooperation operations.

Health and child nutrition



To address challenges related to overcoming child malnutrition in the region, particularly in rural areas, CAF recently developed a sectoral agenda aimed at:

- Promotion of family and community participation in the provision of health, favorable environments, and food security for infants.
- Provide and manage essential public services: health, water, and sanitation.
- Strengthen the institutional capacity to address health and nutrition, and provide continuity to the implemented programs.

To comply with these objectives, during 2019 three technical cooperations were approved, charged to CAF's Technical Cooperation Fund, for a total amount of USD 343,364.

With the actions initiated in 2019 and other interventions made by CAF during the 2019-2022 period, it is expected that 1,398,000 children under five years old and pregnant and breastfeeding women will benefit. In addition, the institutional strengthening actions are aimed at helping countries, for example Ecuador, in the design and implementation of mechanisms that guarantee a coordinated management, based on results and aligned to the achievement of an effective reduction of child malnutrition.

Approved technical cooperations

Country	Name of operation	Approved amount (USD)
Bolivia	Pilot Intersectoral Project for the reduction of chronic malnutrition: Growing Up with Safe Water in Bolivia.	125,600
Ecuador	Nominal follow-up system and management monitoring in the framework of the Ternura Mission.	155,364 ²²
	Budget by Results (PPR, for its acronym in Spanish) to strengthen the fight against Chronic Malnutrition in the children of Ecuador.	62,400

Table 35. Approved technical cooperation operations: Health and child malnutrition. Source: Vice-presidency of Sustainable Development (VDS)

To strengthen the intersectoral approach and add value to the projects to provide water for human consumption, a technical cooperation operation was designed: “Creciendo con agua segura” (Growing with safe water). This cooperation was approved and is expected to start at the beginning of 2020. In addition to CAF, there are participants from the Ministries of the Environment and Water, Health, Education, and development agencies from the UN System (UNICEF, PAHO/WHO).

²² Of this amount, USD 118,400 correspond to CAF resources and USD 36,954 to counterpart resources

Social innovation

Contributions of social innovation to equity and sustainable development in Latin America



Today, social innovation is considered an imperative for the resolution of some of the most complex social problems of the twenty-first century, particularly in the face of challenges that the marginal and vulnerable populations in society encounter.

In the context of CAF operations, social innovation is a complementary vehicle to the promotion of sustainable development, which contributes to generate social and labor inclusion opportunities for the most vulnerable population on a small-scale context.



Thus, CAF's management with respect to this, focused through the Direction of Social Innovation, materializes in two levels of action:

1

As **complementary tool for the traditional business instruments**, by setting up novel initiatives at a small-scale in the territory, with the potential of becoming useful solutions to social problems of vulnerable groups from low income sectors.

2

As an **instrument to call and coordinate individuals for the construction of ecosystems of actors and strategic alliances** that share an agenda to promote change trends and new development paradigms in the region.

Added value of social innovation:

- Contributes to **the implementation of CAF's Human Development Agenda**, in line with the mandate stipulated by the Institution's shareholder countries in the regulations of the Human Development Fund (FONDESHU, for its acronym in Spanish).
- Represents an **experimental low cost and flexible testing space**, with the potential of turning into solutions that may be escalated by CAF's business.
- Has the **potential to influence local and/or national public policies**.
- Reaches **beneficiaries that other traditional instruments of the business do not reach**, especially high vulnerability communities.
- It is an **effective bridge for social actors and the civil society**, who are the primary source of innovation and creativity.
- Responds to social demands in a **small scale, quickly and efficiently**.
- Represents a **potential for attracting financial and knowledge resources**.
- Builds **alliances and strategic relationships with traditional and non-traditional actors** of development.
- Contributes to **attract and manage knowledge** in the development of ideas, models, and solutions to social problems.

Strategic action framework

CAF's Direction of Social Innovation, which works as an experimentation lab to contribute to the solution of complex problems in the region, is aimed at compliance with the following objectives:

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

To comply with these objectives, CAF's social innovation management is developed according to two spheres of complementary action: macro sphere and micro sphere.



Macro Sphere

- Construction of **strategic alliances and ecosystems** to promote new development paradigms and change trends in the region.
- Promotion and trial of **different ways to do things**, including measurement methodologies for poverty with the potential to influence public policies.
- Attract, disseminate and manage new and practical knowledge**, so that other development and/or business actors may replicate and/or expand the learnings regarding social innovation.

Micro sphere

- Strengthening of individual and collective capabilities of vulnerable groups and organizations of the civil society**, from a perspective of rights and gender, in order to generate inclusion opportunities.
- Interventions with a territorial approach** that prioritizes social demand and address, through pilot actions, social problems of vulnerable groups whose complexity demands a multidimensional look (economic, political, social, and environmental elements, among others) which are in agreement with the complexity of reality.
- Virtuous and flexible completion processes and local cooperation**, as well as experimentation dynamics, research-action, and permanent learning.
- Materialization of **alliances with relevant actors at several levels**, adding to the collective impact of interventions.

2019 Results

Alliances

5

alliances to strengthen the social innovation ecosystems in the region



Sistem B



ONCE social group



URSULA Union of Universities



Oxford Poverty and Human Initiative



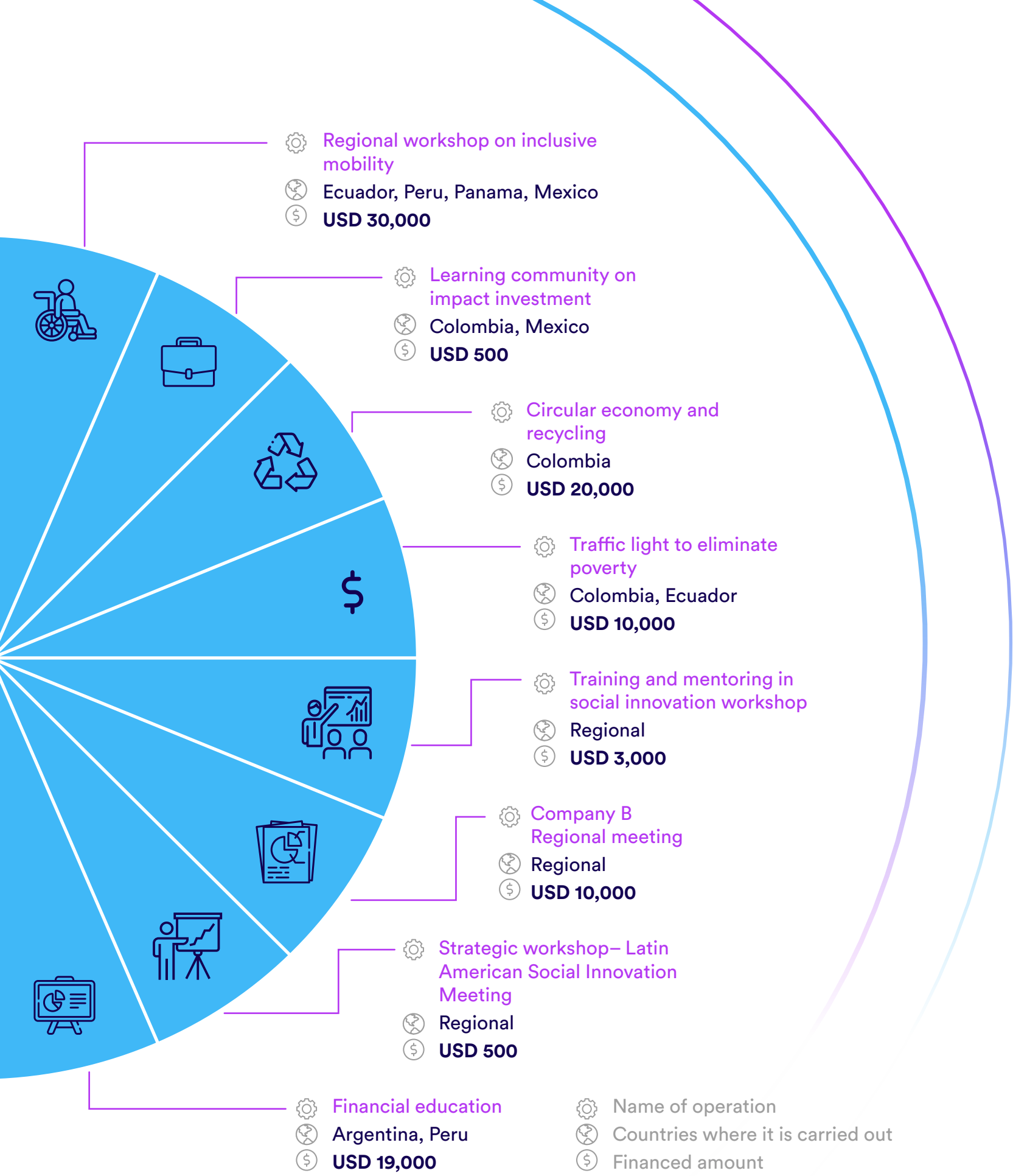
Paraguaya Foundation

Financing

8

approved social innovation operations

total value of **USD 93.000**



CAF investment multiplier (USD leveraged for each invested USD)

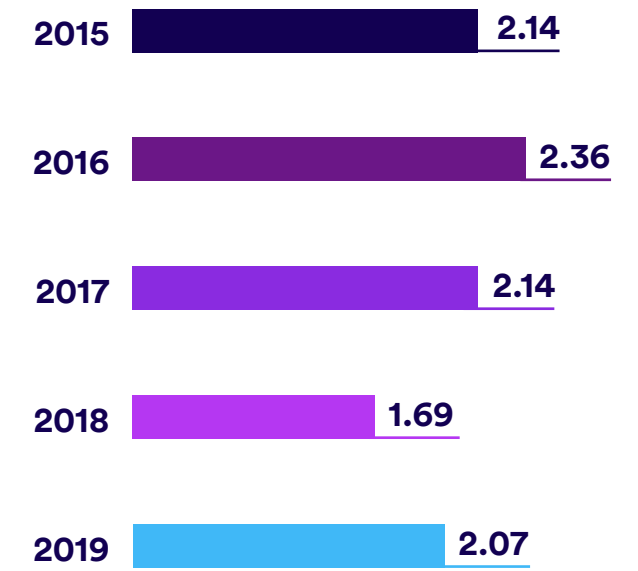


Figure 18. Main results of Social Innovation in 2019. Source: Direction of Social Innovation

Macro Sphere

From the macro sphere, it is important to highlight the management and consolidation of alliances with important global and regional actors for the promotion of new development paradigms and change trends in Latin America.

B Systems

Movement that seeks to generate an economy with integral value, promoting forms of economic organization that may be measured simultaneously and with short and long term considerations for the wellbeing of individuals, societies, and the planet.

Since its creation in Latin America in April 2012, promoted by CAF with its Social Innovation initiative, 10 National B Systems have consolidated, in addition to an International B System, seven local B communities, and one community with over 500 B Companies in the region.



In the framework of the System B initiative, promoted in Argentina, Brazil, Colombia, Chile, Mexico, Paraguay, Peru, and Uruguay, during 2019 the following results were achieved:

- CAF Publication and Sistema B “System B and B Companies in Latin America”²³.
- First International Meeting of the B Movement, carried out in Mendoza, Argentina.
- 540 companies certified as B companies in the region.
- Advances in B legislation: Five law projects presented in the meetings in Brazil, Chile, Argentina, Colombia, and Uruguay. In Colombia it is a law since 2018.
- Promotion of legal groups in three countries, to advance on B legislation.
- A larger number of researchers are joining the academic network, which already has 1,340 participants.
- Consolidation of alliances with 20 universities in the region.
- Promotion of a B hub in Venezuela.
- Regular training regarding B evaluation tools.
- Consolidation of five entrepreneurial councils in Argentina, Chile, Colombia, Ecuador, and Uruguay, and Peru and Mexico are underway, with the objective of contributing to the mission and vision of System B.

URSULA Association of universities

The Latin American University Social Responsibility Association (URSULA, for its acronym in Spanish) is a space of convergence, co-created by CAF’s Direction of Social Innovation, with different actors from different development sectors, aimed at the profound discussion regarding the role of universities in society and their social responsibility, as well as the different strategies and methodologies to achieve it.

In 2019, 20 universities adhered to this initiative of 20 additional universities from the region, achieving the consolidation of a regional platform of institutionalized and sustainable University Social Responsibility.

ONCE Social group

National Organization of Spanish Blind Individuals (ONCE, for its acronym in Spanish), composed by social companies and foundations with the main purpose of improving the quality of life of disabled individuals.

The following advances may be highlighted from the coordinated work with this social group during 2019:

- Generation of opportunities for socio-economic inclusion through models and innovating tools for people with disabilities, with the corresponding development of tools, technologies, and knowledge.
- Successful intervention regarding the access of people with disabilities and social impact, by training employees of the urban transportation system to treat disabled individuals, as well as the development of protocols and their pertinent sign posts in the TransMICable aerial cable of Bogota, Colombia.
- The “Regional Workshop on Inclusive Mobility: Social Innovation, Transportation, and Disability” was carried out with the participation of authorities and urban transportation operators of four countries: Ecuador, Mexico, Panama and Peru.

²³ Available at: <http://scioteca.caf.com/handle/123456789/1436>

Paraguaya Foundation

Organization in Paraguay which seeks to develop and implement practical solutions, innovative, and sustainable, that enable the activation of the entrepreneurial potential of families to eliminate their multidimensional poverty and live with dignity.

In the framework of this alliance, the model of the “Semáforo de la Eliminación de la Pobreza” (Red light for the elimination of poverty) has been disseminated at a regional level, with the following outstanding results:

In Ecuador

Jointly with the Ministry of Agriculture and Livestock, it was possible to adapt the Red Light to the Ecuadorean context, focused on the socio-productive dimension.

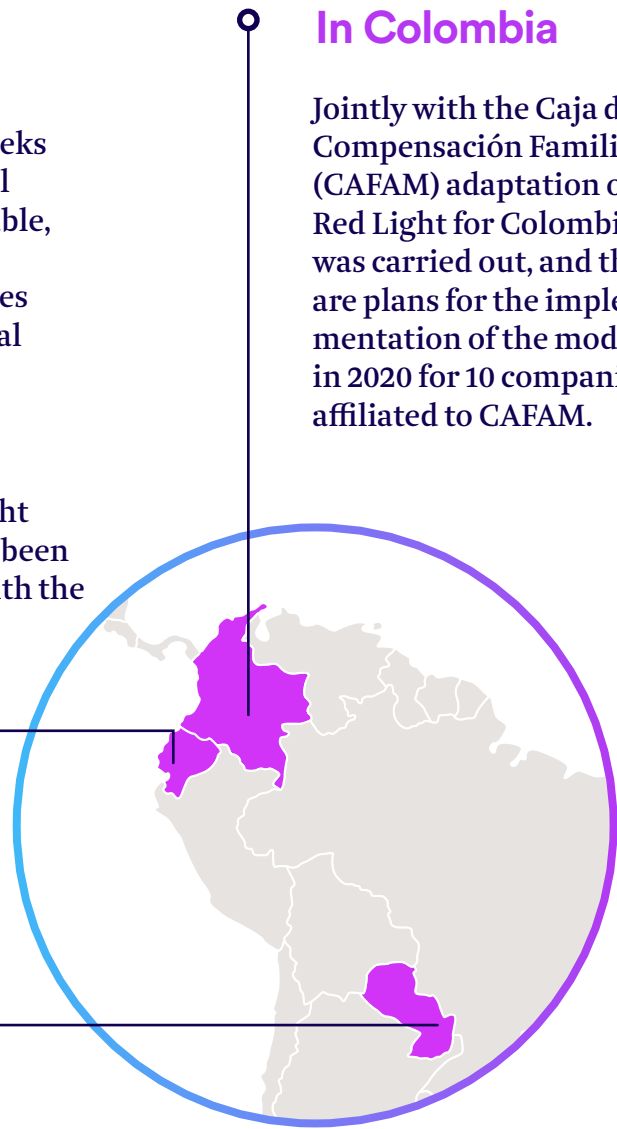
Advances were made in the pilot implementation of the model with 300 families in the provinces of Imbabura, Carchi, and Esmeraldas.

In Colombia

Jointly with the Caja de Compensación Familiar (CAFAM) adaptation of the Red Light for Colombia was carried out, and there are plans for the implementation of the model in 2020 for 10 companies affiliated to CAFAM.

In Paraguay

- 60 companies apply the *Semáforo de Eliminación de la Pobreza* (Red light for the elimination of poverty).
- Twelve active hubs worldwide implement the Red Light.
- Subscription of the agreement with the Ministry of Foreign Relations to boost the development and strengthening of the Cooperacion Sur - Sur offer in the country.
- Development of a new technological platform currently being used, which facilitates the implementation of the Red Light.



OPHI – Oxford Poverty and Human Development Initiative

In 2019, the dissemination of the study “Las Dimensiones Faltantes en la Medición de la Pobreza” (The Missing dimensions of poverty measurements) and the model of the “Semáforo de Eliminación de la Pobreza” (Red Light for the Elimination of Poverty) were a success. They were carried out in alliance with this initiative and the Paraguaya Foundation, in Ecuador with FLACSO, and in Mexico with the Colegio de México, as local partners.

Innovation with Sense Platform –Avina Foundation

The Innovation with Sense Platform is a strategic alliance between global, regional, national, and local organizations that decide to place their capabilities to serve the promotion of wider collaborative processes, integrating social, technological, and business innovation, to generate a greater impact and accelerate social change toward the Sustainable Development Objectives.

In the framework of this alliance, during 2019 the following results were achieved:

Country	2019 Main results
Argentina	<ul style="list-style-type: none"> The Samsung Namun Centers are an initiative aimed at contributing to the sustainable development of isolated communities in the Gran Chaco through the generation and access to Information and Communications Technology. Digital literacy courses were carried out for 423 students. Resources were leveraged and digital literacy actions were taken with the Ministry of Social Development, as well as training on Canvas tools, jointly with the Banco Nacion Foundation. Strengthening of craftwork marketing by using technologies. In the framework of the initiative “El Futuro está en el Monte”, (The future is in the Forest) 370 hectares were reforested with native species and 500 water solutions were implemented, directly benefiting 2,500 people. Two million Dollars were mobilized toward triple impact business models. More than 4,000 productive enterprises were developed, of which 70% are headed by women.

Country	2019 Main results
Uruguay	<ul style="list-style-type: none"> ○ Culmination of the digital platform “Por mi Barrio”²⁴ (For my neighborhood), which laid the foundations for reflection and analysis of other civic technology cases in Latin America, and to launch the ExploraLatam²⁵ platform.
Regional	<ul style="list-style-type: none"> ○ in Mexico, El Salvador, Costa Rica, Guatemala, Brazil and Chile, the objective was to strengthen the capabilities of migrant based organizations and pro-migrant organizations, to provide them with a role and encourage active participation in the legislation and decision making in their countries, as well as associate with the private sector in the development of due diligence strategies in their productive chain, from an intercultural approach and respecting the rights of migrant workers. ○ Initiatives were promoted for access to water in Brazil and Mexico. ○ The Political Innovation Network was consolidated as a practice community within the political innovation network of the region. In 2019, the network focused on practical issues such as strengthening the political discourse, and sharing potentially replicable practices in the region. An on-line action agenda was designed with two focal points: environment and feminism.

Table 36. Main results of the Innovation with Sense platform. Source: Direction of Social Innovation.

Other alliances

Ashoka: network of social entrepreneurs

- Training and mentoring started regarding the subject of scale for social innovators and entrepreneurs that will participate in the Ashoks Summit in August, 2020, with countries of the Mercosur and others in the region.



Social innovation from the public sector - ELIS

A strategic workshop was carried out in Bogota, to define the mission, vision, and roadmap of the Latin American Social Innovation Network from the Public Sector. This is a successful network of actors with a development of more than five years.



Learning community on impact investment (Colombia - Mexico)

Education on Impact Investment:

- A group discussion-workshop between universities and investors to advance facing the challenges of the impact investment ecosystem, as well as the identification of ways in which the academia can contribute with this objective.

Table 37. Main results of other alliances managed in 2019. Source: Direction of Social Innovation

²⁴ Available at: https://altec.lat/wp-content/uploads/2019/04/Por-Mi-barrio_20181221.pdf
²⁵ Available at: <https://exploralat.am/>

Micro sphere

From the micro sphere, initiatives are promoted in two complementary directions. On the one hand, those aimed at the **generation of income, productive work, and wellbeing for vulnerable populations**. On the other hand, those related with the **provision of essential services for the majorities**. At the close of the year, the current portfolio included 23 social innovation operations.

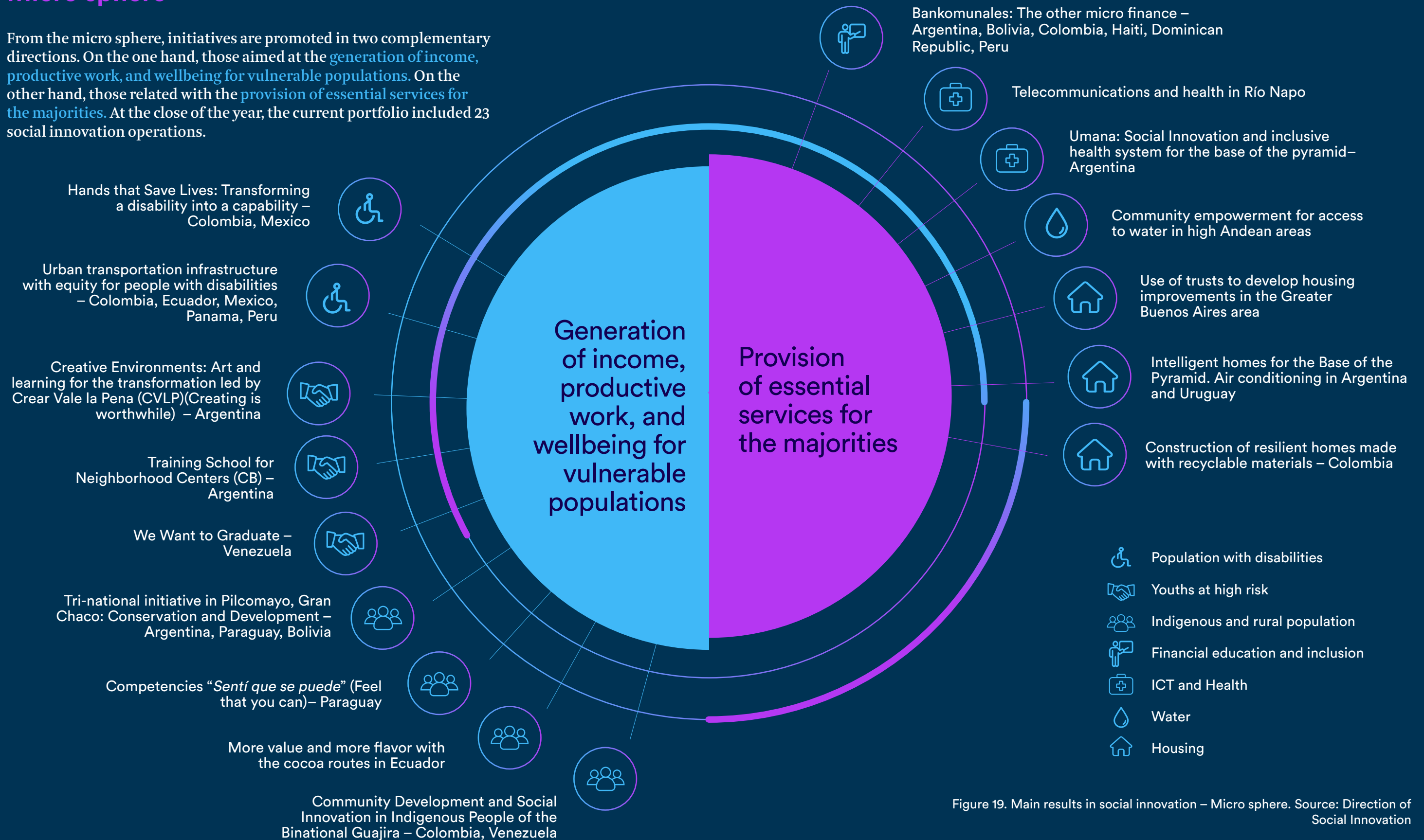


Figure 19. Main results in social innovation – Micro sphere. Source: Direction of Social Innovation

Initiatives related to income generation, productive work, and wellbeing for vulnerable populations.

Population with disabilities

Hands that save lives: Transforming a disability into a capability – Colombia, Mexico

Colombia

- Five women trained as teachers of Touch Examiners (AET, for its acronym in Spanish) and one woman trained as teacher of teachers.
- Cali public hospitals incorporated AET in their payroll.
- Design of a clinical study aimed at 400 patients, with the National Cancer Institute in order to validate the model before the Colombian Ministry of Health and contribute to change in the national public policy regarding breast cancer.

Mexico

- Seven women with visual disability were trained and graduated as AET after nine months of theoretical and practical training.
- Alliances with actors of different sectors and disciplines, including health authorities of the State of Veracruz, Fundación Once para América Latina-FOAL-, Promotora Social México, Asociación mexicana de atención a personas con discapacidad visual- (Mexican association for people with visual disability) (AMADIVI, for its acronym in Spanish).
- Training of two Mexican teachers as teachers of AET.
- Practice in local public hospitals for three months.
- More than 1,000 patients examined by AET's during their practices. Three confirmed cases of breast cancer
- Clinical studies with 1,000 patients.
- The government of the State of Jalisco is interested in replicating the model.

Urban transportation infrastructure with equity for people with disabilities – Colombia, Ecuador, Mexico, Panama, Peru.



- Diagnosis of the accessibility of signposts in TransMiCable stations; design an improvement plan and diagnosis of the management of passenger flows.
- Adjustments of the protocols for service and assistance, and training of TransMiCables workers for their assistance and support to passengers with disabilities.
- Successful replication of learnings through a regional social innovation and inclusive mobility workshop, aimed at universal access, with the participation of authorities and operators of urban transportation in Ecuador, Mexico, Panama and Peru.

Table 38. Main results of the initiatives aimed at population with disabilities. Source: Direction of Social Innovation

Youths at high risk

Creative Environments: Art and learning for the transformation, headed by *Crear Vale la Pena* (CVLP, for its acronym in Spanish) – Argentina

- Development of public-private consortia to implement the program, with the participation of the Nation's Ministries of Education, Culture, and Social Development, the Municipality of San Isidro, The Cultural Institute of the Province of Corrientes, the Banco Nacion Foundation, the Crear Vale la Pena Foundation, and CAF.
- Program implemented in the neighborhoods of San Isidro (stated as valuable for the municipality), and El Pilar, located in the Greater Buenos; In addition, in Corrientes jointly with the Secretary of Education of the province, and in Jujuy, with the potential of growing to other territories.
- Reaching 3,000 students and 5,000 youths in the communities.
- At the express request of the Nation's Ministry of Education so that the CVLP trains its teams in the 11 provinces that are most affected by teenage pregnancy in the country.
- In addition, the Nation's Ministry of Education expressed interest in financing the teaching the teacher program "Create to Create" led by the CVLP.
- Conversations with the Ministry of Education of Jujuy to incorporate the program Creative Environments in 120 schools of the province, in synergy with CAF credit operations.

Training school in neighborhood centers (CB, for its acronym in Spanish) – Argentina

- Development of four editions of the on-line course "Neighborhood Centers: a community strategy to face life" with the participation of 670 community leaders from 21 provinces in the country.
- Development of eight regional meetings regarding the dynamics of Neighborhood Centers, and two pastoral meetings regarding drug addiction, with the participation of more than 10 thousand people.
- Development of research lines to systematize and strengthen the implementation of "The school talks to the School" and the "Best Practices for Adolescents".

We want to graduate – Venezuela

- Alliances with 27 public and private schools of the neighborhoods of Caracas to benefit 1,000 youths.
- 98% of the students in the program graduate from high school. Of these, 32% incorporated to the formal workplace, and 73% managed to access the university.
- A manual was designed for the development of the first franchise of "Queremos Graduarnos" (We Want to Graduate) in La Victoria as a pilot, including 200 youths.
- An on-line classroom was created for distance learning of the youths that experience difficulties to assist the workshops.

Table 39. Main results of the initiative aimed at high risk youths. Source: Direction of Social Innovation

Indigenous and rural populations

Community development and social innovation in indigenous peoples of the binational Guajira – Colombia, Venezuela

- Deepening of the comprehensive community development model in 32 indigenous communities of La Guajira, one of the areas with the highest poverty indices and inequality in Colombia.
- Twelve workshops on training leaders, families, and authorities with more than 800 participants.
- Two nutrition census follow-ups for 446 boys and girls under the age of five, showing a substantial improvement in the indicators of child malnutrition, with a reduction of 76% compared to the beginning of the project.
- Fifteen children with moderate and severe acute malnutrition were provided with nutritional packages; two children were sent to the recovery center with severe acute malnutrition.
- Three thousand kilos of a multi-mix nutritional supplement were prepared with local ingredients for 300 children and pregnant and breast-feeding mothers of the communities of the project.
- 2,288 bags of Vitameal (equivalent to 5,720 kilos) were distributed. This is nourishing food, rich in nutrients, and were exchanged for 5 tons of residues.
- 22 individuals were trained to manage sheep and goats and half an hectare with seeds as food for the animals.
- 90 women improved their income in the production of knitted goods, resulting from the training provided by SENA; improvement in the designs and development of new products with Universidad Javeriana, and opening of new marketing channels.
- Coordination with the Education Secretariats of Manaure and Riohacha for the construction of six community arbors that are used as classrooms, benefiting 304 boys and girls. Telefónica and Compromiso Empresarial magazine recognized this initiative as one of the ten best transparency and good governance practices.

Tri-national initiative in Pilcomayo, Gran Chaco: conservation and development – Argentina, Paraguay, Bolivia



- Construction of a regional vision in the Pilcomayo watershed, and its recognition as a Biosphere reserve by UNESCO.

Water (Paraguay):

- 1,600 families received filters and dispensing jugs, and organized community commissions for water management.
- 80% fewer children with diarrhea and other diseases.
- 350 families with harvest systems.

Community vegetable gardens (Paraguay):

- 160 families established plots of land with minor crops and vegetables.

Apiculture, livestock, and crafts (Paraguay, Argentina, Bolivia):

- 320 families were trained on marketing techniques.
- 640 hives with increased production of 60 liters per family and per harvest.
- 320 families benefited.
- Reduction of livestock mortality, genetic improvements, and income increase.
- More than 300 women received training and strengthened marketing – sale prices of products increased by 50%.

Community tourism (Argentina):

- 90 families trained in Bañado de la Estrella.
- Construction of infrastructure, promotion and marketing of the initiative.
- Achieved leverage of EUR1.5 million.



Competencies “Sentí que se puede” (Feel that you can)– Paraguay

- Bathrooms and kitchens: 272 families with bathrooms and kitchens built through a contest.
- Smile: 60 free dental interventions by students in their rural year of practice.

More value and flavor with the coca routes in Ecuador

- Graduation of 214 rural youths to provide tourism services such as cooks, waiters, tourism administrators, and community tourism agents.
- These youths were employed in the six Tourism Community Centers supported by CAF’s social innovation project.

Table 40. Main results of the initiatives aimed at indigenous and rural populations
Source: Direction of Social Innovation

Initiatives for the promotion and improvement of essential services for the majority

Education and financial inclusion

Bankomunales: The other micro finance – Argentina, Bolivia, Colombia, Haiti, Dominican Republic, Peru

- Development of a technological application that automates the management of Bankomunal.
- Advances were made in the negotiations with electronic wallets to use their platform as transaction vehicle.
- MIBKCLUB, this initiative was promoted by CAF’s social innovation, and was a winning project in the insurance innovation category of the Mapfre Foundation.

Table 41. Main results of the education and financial inclusion initiatives
Source: Direction of Social Innovation

ICT and Health

Telecommunications and health in Río Napo

- Innovation in legislation and business model of the operators of rural mobile infrastructure (OIMR, for its acronym in Spanish), demonstrating that it is a sustainable paradigm to take voice and data cellular services to isolated communities in the Peruvian Amazon.
- A Telefonica lab was established with the first results. Telefonica launched its OIMR, “Internet for Everyone”.
- It was demonstrated that it is possible to use telecommunications systems deployed for health services by means of tele-medicine (tele-stethoscope, tele-sonography, tele-dermatology).
- Tele-medicine network in 13 health establishment in the Napo Watershed.
- Tele-medicine services are completely integrated to the public health system in the area.



- More than 700 tele-consultations carried out: 60% clinical consultations, 30% for management and coordination, and 10% for training.
- Eight communities have 3G connectivity and 3,000 inhabitants benefit from it. Potentially, services will be provided for three or four additional communities in connection with Internet for Everyone (IpT), CAF's asset investment.
- Increase of diagnosis capabilities and treatments in more isolated centers.
- Remote diagnosis of Respiratory Diseases in Children (ERI, for its acronym in Spanish) through tele-stethoscopes and early identification of risky childbirths by tele-sonography.

- Optimization of resources of the health system – remote diagnosis reduces personnel and patient commute time, gasoline, and others (saves the health system USD 30,000 annually).
- Reinforcement of the health personnel's knowledge through distance learning.
- Populations who are protagonists of their own health – mobile apps for pregnant women, adolescents, and mothers and fathers with children under five years old.

- Opens doors to replicate tele-medicine solutions and enable the connectivity offered by IpT to have a direct social impact on the improvement of health in marginalized communities. Currently, a replication is being explored in the Sierra area jointly with Minsa and Ehas.
- The project evaluation phase started. It is expected that final documents will be ready during the first semester of 2020.

Umana: social innovation and inclusive health system for the people at the base of the pyramid – Argentina

- 84,259 users in Jujuy and 1,168 in Salta.
- Services for 34 medical specialties with a network of 182 professionals.
- Development of the Umana platform and a mobile application for intelligent phones, two working tools.
- Beginning of the construction of the ecosystem in Tucuman, particularly with medical providers and points of sale, as first expansion stage of the model in Northwestern Argentina).

Table 42. Main results of the ICT and health initiatives
Source: Direction of Social Innovation

Water

Community empowerment for access to water in high Andean areas

- A model was implemented to optimize access to water in rural communities with Agualimpia, in 13 localities of Ancash, Arequipa, and Cajamarca (Peru).
- As a consequence, 7,660 people had access to quality chlorinated water.
- Two diagnosis and management software for the improvement of the systems to access quality water developed and transferred to the water and sanitation authority of Peru.
- Technical support for the pilot phase of the Safe Water Program of the Regional Government of Cajamarca (12 rural localities)
- Technical support for the National Program for Rural Sanitation (PNSR for its acronym in Spanish) of the Ministry of Housing, Construction, and Sanitation, in the implementation of a system to monitor process indicators, based on the Agualimpia experience.
- The documentation process of the intervention started, and the results presentation event is planned for 2020.

Housing

Use of a trust to develop housing improvement in the Greater Buenos Aires

- Community empowerment and pilot to implement a Trust in the mid-term, enabling 10,000 families to access housing improvements
- Development of 70 initial diagnostic interventions, surveys, blueprints, climate control, drafts, and work budget.
- Implementation of 20 projects to carry out the housing improvements.
- Institutional strengthening of the Pro-Vivienda Social Foundation to improve the management of their projects, particularly trusts.
- Audio-visual documentation of the experience through 3 micro-documentaries used to systematize the experience and disseminate it to promote adherence to the program.

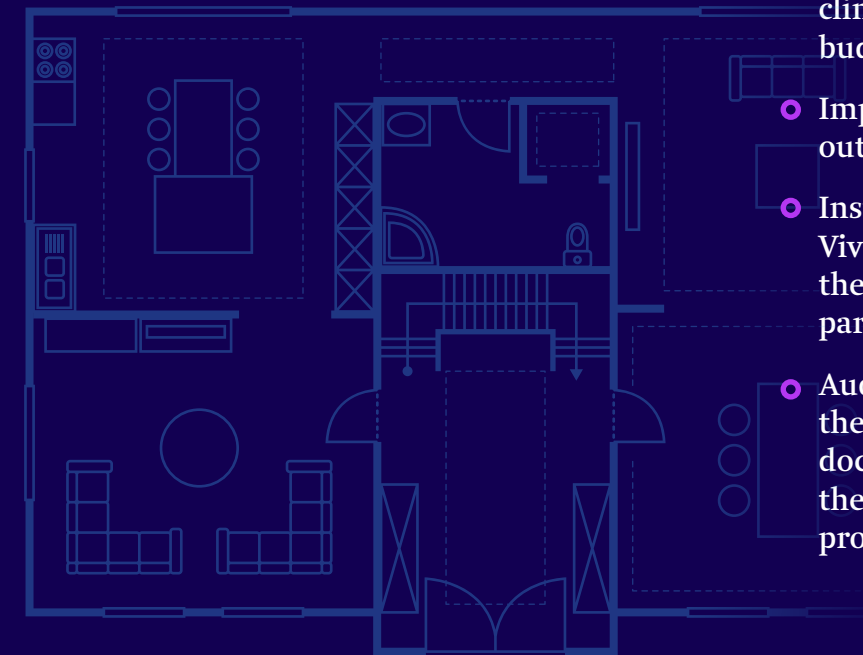



Table 43 Main results of the water initiatives. Source: Direction of Social Innovation



Intelligent homes for the base of the pyramid – Air conditioning model in Argentina and Uruguay

- Methodology adjusted and tested in Uruguay creates the conditions for the development of a public policy boosted by the National Energy Direction in the Housing Improvement Program.
- Four auditors and six builders trained in the WAP methodology (parity selection). Training for the selected team, including 10 youths from auditing and conditioning.
- 103 homes audited in Uruguay.
- 95 reformed homes according to the recommendations of the work team in Uruguay.
- Transfer of the methodology and training of the technical team of the Pro-Vivienda Social Foundation (Argentina).
- Development of the “Manual del Programa de Mejoramiento de Vivienda” (Manual for the Housing Improvement Program) based on the experience of this project.

Construction of resilient housing with bricks made of recyclable materials – Colombia

- Update of the training process of 30 house doctors – master builders of the community – on healthy housing, best construction practices, and construction methodology with plastic bricks.
- Alliance with SENA, the Swisscontact Foundation, GERFOR to train house doctors (hydrosanitary issues) and the Public Services Special Administrative Unit of Cali (UAESP, for its acronym in Spanish).
- 17 housing improvements were carried out, 7 with plastic blocks and 10 that cover the priority needs of housing (roof, central pillars, facilities, etc.)
- 20 tons of blocks of plastic residues which are difficult to dispose of.
- 15 environmental challenges carried out, 15 advisors trained on recycling, more than 350 people, members of Bankomunales and their families participate in an environmental education program, as a result of this project.

Table 44. Main results of the housing initiatives. Source: Direction of Social Innovation

Evaluation and follow-up

The Direction of Social Innovation conducts a continuous and rigorous follow-up of all its interventions, including gathering initial information regarding information about the situation of the intervened community (Base line), intermediate evaluations of advances, and a measurement of results after the intervention, followed by an evaluation of the processes, learnings and achievements of the initiatives carried out.

Toward green economies that are resilient to climate change in Latin America

Material topic: Green economies that are resilient to climate change.



Latin America and the Caribbean (LAC) is the region with the greatest biodiversity in the planet (CDB, 2016):

- South America has more than 40% of the diversity on earth, and more than one fourth of the forests.
- Central America, despite covering only 0.5% of the land mass, has 10% of its biological biodiversity.
- 50% of the plant life found in the Caribbean is not found anywhere else in the planet.
- The ecosystems of the LAC region vary from wetlands and coastal ecosystems, to deserts, tropical forests, extensive prairies of the savannah, and high-altitude Andean habitats.

Considering these characteristics, the resources of biodiversity constitute the **natural capital** of the region: a strategic comparative advantage which is the base for industrial production such as food, forestry, cosmetic, pharmaceutical, and tourism.



However, the region faces an accelerated loss and degradation of these resources, resulting from different factors such as over-exploitation, contamination, migration, loss of habitat, invasive species, and especially variability and climate change.

It is estimated that if no actions are taken in a timely manner, annual damages that will be produced during the second half of the XXI century resulting from the physical impacts observed and foreseen with respect to climate change will have an economic impact of between 1.4% and 4.3% of the region's GDP²⁶.

In the face of this situation, the international community has made significant efforts to collaborate and define goals jointly, to promote sustainable development and accelerate the response to the challenges of an adequate management of the natural capital and the mitigation of threats such as the loss of biodiversity and climate change. The ratification of the 2030 Development Agenda by the LAC countries is noteworthy. This agenda defines the **Sustainable Development Objectives, the AICHI Goals for biodiversity²⁷ and the Paris Agreement**, among other international commitments.

In this context, CAF is aiming to promote a sustainable development agenda that effectively and efficiently reconciles regional economic development and productive transformation from the inherent opportunities to the sustainable use of natural resources, mitigation, and adaptation to climate change.

CAF's green agenda

CAF's Green Agenda is the cross-cutting corporate coordinator that promotes the incorporation of solutions to development based on nature, a growth that is low in carbon and resilient to climate change, as well as processes for the virtuous cycles of green financing.

The participation of the public and private sectors is promoted, in order to comply with the goals and to overcome the environmental and climate challenges of the region, as well as for the inclusion and empowerment of the vulnerable groups of society.

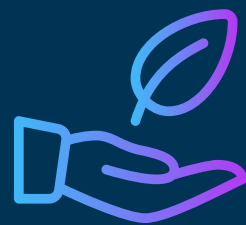
With this agenda, CAF reaffirms its institutional commitment with a comprehensive vision of sustainable development, and recognizes the importance of promoting structured actions to add value to the natural capital and its rational use, mitigate and adapt to climate change, and promote productive transformation and sustainable development in the region.

²⁶ ECLAC, La Economía del Cambio Climático en América Latina y el Caribe, una visión gráfica, 2018

²⁷ The AICHI Goals for biodiversity are 20 goals grouped into five strategic objectives stated by government representatives of 196 countries, all of them signatories of the Biological Diversity Convention during the COP 10 regarding biodiversity, which took place in the province of Aichi, Japan, in 2010.

Strategic objective

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



CAF's Green Agenda

Intermediate objectives

Support the structuring of programs and projects with environmental and climate co-benefits and the mobilization of international resources allocated to green financing

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

Promote CAF's internal environmental sustainability

Programatic lines

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

Acceleration of environmental and climate financing with green funds and concessional credit lines

Development of policies, strategies, plans, and programs related to the environment and climate.

Strengthen institutional capabilities to face environmental and climate change challenges and opportunities

Coordination of the Institutional System for Environmental Management– SIGA (for its acronym in Spanish).

Coordination of CAF's Sustainability Report.

Figure 20. Strategic and programmatic components of CAF's Green Agenda

To achieve the objectives stated in this Agenda, the Direction of Sustainability, Inclusion, and Climate Change guides its actions in three directions: support the structuring and design of projects and initiatives to mobilize resources with environmental and climate benefits; support countries in the region in addressing the response to their

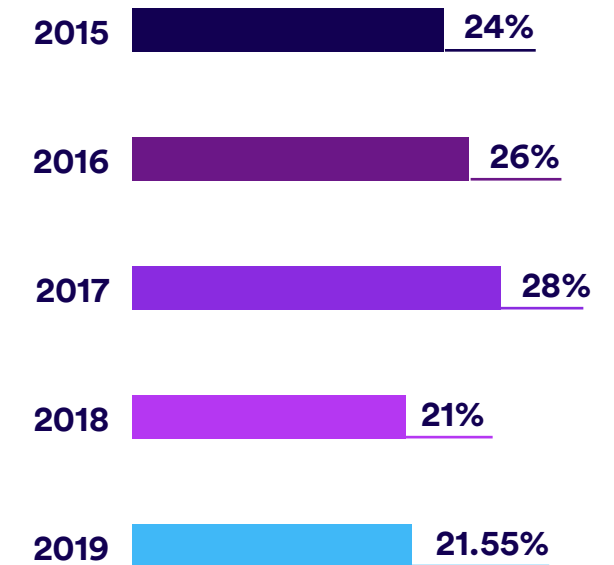
international environmental and climate commitments and, finally, promote CAF's internal environmental management, through the Institutional System for Environmental Management (SIGA, for its acronym in Spanish). Following are the outstanding contributions grouped by objective in the agenda:

Environmental and climate financing

Between 2015 and 2018 CAF maintained an average percentage of green approvals above 24%. In 2019, this figure reached 21.55% of the total financed amounts.

Percentage of green operations financed

The amount of green financing approved by CAF in 2019 reached USD 2,531.93 million, of which USD 1,613.51 million correspond to operations with mitigation components (63.73%); USD 757.67 million to operations with environmental components (29.92%) and USD 160.75 million for operations aimed at adaptation to climate change (6.35%).



Breakdown by category - 2019 Green financing

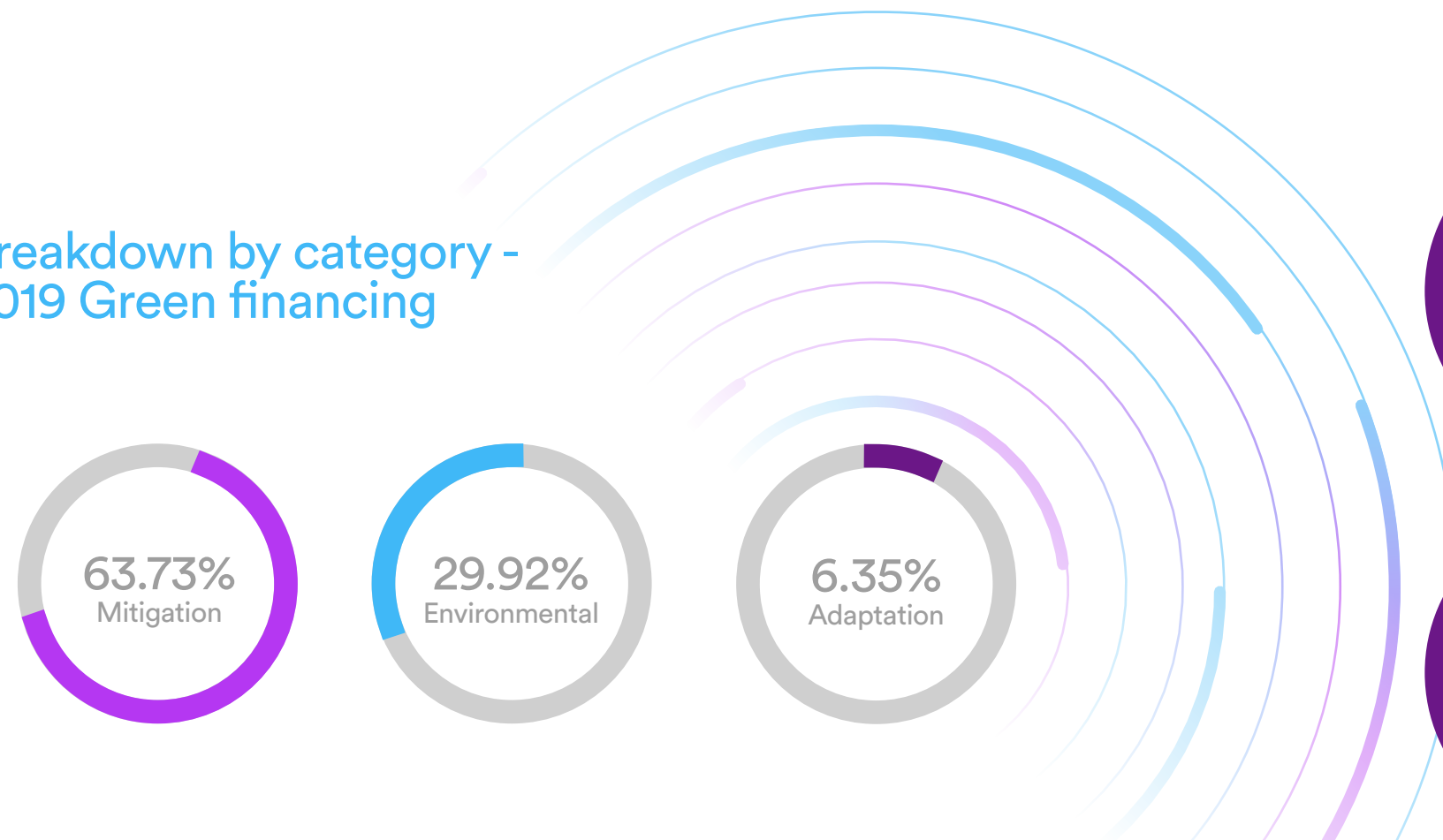


Figure 21. Breakdown by category of green financing, 2019

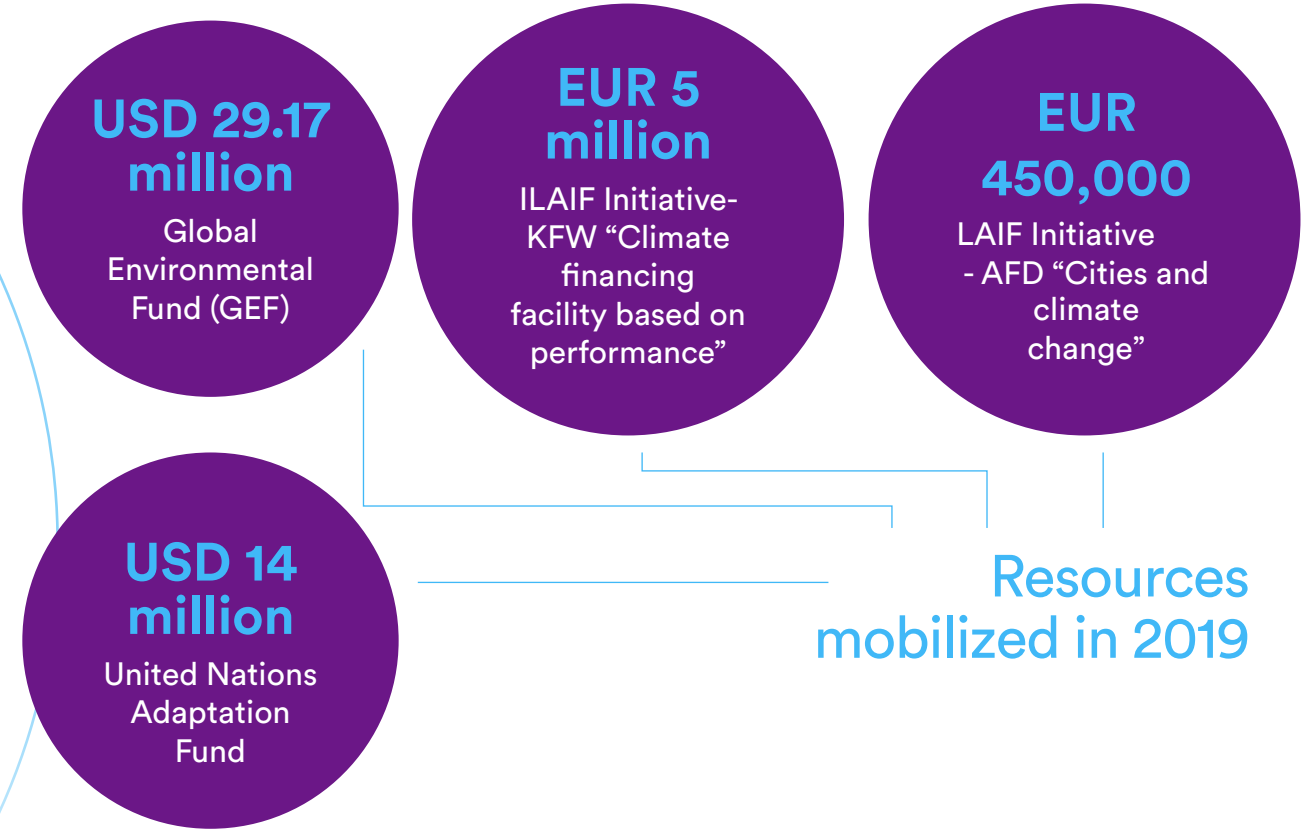


Figure 22. Mobilization of resources for environmental and climate financing in 2019

Mobilization of third-party resources for environmental and climate financing

Through green funds, CAF mobilizes resources to comply with the objectives stated in its Green Agenda relating to natural capital, mitigation, and adaptation to climate change, facilitating environmental and climate financing in the region.

USD 43.17 million and EUR 5.4 million were mobilized in 2019 from environmental and climate funds, to support the development of projects to strengthen the capacities and structuring of policies in countries of the region.

Mobilization and administration of GEF resources

As administrative agent of financing from the Global Environmental Fund (GEF), in 2019 the approval of six credit operations was achieved with resources of this fund, for a total amount of USD 29.17 million, and co-financing resources reaching USD 170.89 million.

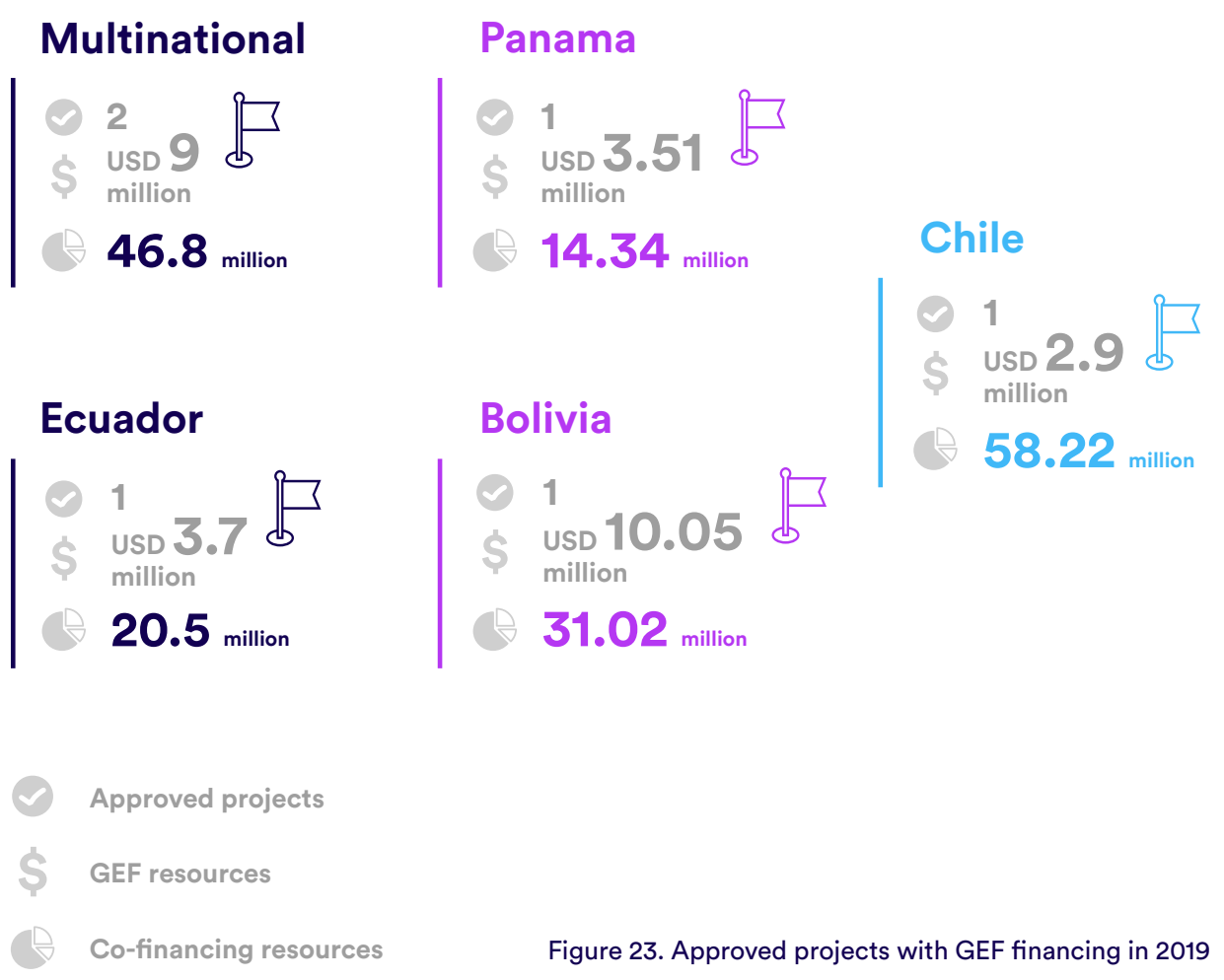


Figure 23. Approved projects with GEF financing in 2019

At the close of the year, the GEF portfolio quantified approvals for **USD 47.8 million**, which benefited 14 shareholder countries and included a total of 10 projects aligned with the strategic components of the Green Agenda; four related to water and sanitation, one to transportation, and five with the private sector.

Monitoring and evaluation for these projects starts during the design stage,

with the definition of its structure and application during the execution, and continues until after the close of the project with the ex-post evaluation and the final follow-up reports that seek to verify its impacts and effects.

The follow-up of the projects financed with GEF resources in 2019, still under execution, is outlined below:

Project	Results and relevant findings
Andean project for adaptation to climate change for water resources, AICCA	<ul style="list-style-type: none"> The AICCA project has been under execution for 23 months (March 2018 – January 2020). The first year PIR and audit were carried out without observations. In July 2019, AICCA started its second year under execution (July 2019 – June 2020) with an approved budget by the Regional Committee of USD 3,644,030.27. At the close of the July-December semester of the second year, the execution of the budget reached USD 774,714, which represents 21% of the total approved budget. The total disbursed GEF funds since the beginning of the project until December 2019 reached USD 1,950,430.27.
Preparing the grounds for the complete application of the strategic action program of the Plata Watershed	<ul style="list-style-type: none"> Accompaniment was provided for CIC and OAS for workshops for the development of preliminary project proposals for the implementation of the Strategic Actions Program of the Plata Watershed. Assistants were hired for technical advice to the National Project Coordinator in Brazil, Uruguay, Argentina, Paraguay, and Bolivia. Guidelines were published for the planning process of the work of the Regional Thematic Groups (GTR, for its acronym in Spanish) of the Strategic Actions Program.

Table 45. Follow-up of GEF projects in 2019

Mobilization of third-party resources for climate action

In 2019, the Adaptation Fund approved a regional project for **USD 14 million**, to reach a total of 12 operations in the portfolio with climate funds (Adaptation Fund and Climate Green Fund), a total of **USD 70 million** mobilized in climate funds and **USD 141 million** in co-financing in 9 countries. In addition, three projects were added to the portfolio of the European Union’s Latin American Investment Facility (LAIF), for a total amount of **EUR 5.45 million**.

Fund	Approved projects, 2019	Beneficiary country	Amount approved
United Nations Adaptation Fund	Adaptation to climate change in cities and vulnerable costal ecosystems of the Uruguay river	Argentina y Uruguay	USD 14,000,000
LAIF – AFD “Cities and climate change”	Technical, financial, and legal structuring for the conversion of the fleet of conventional buses to electric ones in the Autonomous City of Buenos Aires	Argentina	EUR 200,000
	Lima Green Corridor. Pre-investment study for the design of a metropolitan bicycle lane.	Perú	EUR 250,000

Fund	Approved projects, 2019	Beneficiary country	Amount approved
LAIF – KFW “Climate Financing Facility based on Performance”	Active capture and destruction of methane in the sanitary landfill of Guayaquil	Ecuador	EUR 5,000,000

Table 46. Projects approved with climate financing funds

It is noteworthy to mention the follow-up conducted in 2019 to the following projects financed with resources from the Green Climate Fund, the Adaptation Fund, and LAIF, which are under execution:

Green Climate Fund – GCF

Initiative	Description
Program for Climate Action and Development of Solar Energy in the Region of Tarapaca, in Chile	In 2019 there were satisfactory advances in the implementation of the project. Among the landmarks achieved are the negotiation and formalization of the Funded Activity Agreement – FAA) with the GCF for USD 39 million, which became effective on October 11, 2019; disbursements made by CAF and local banks for a total of USD 59.8 million (one third of the total cost), and advances in the construction of the project. This completed the financial structure and USD 141 million were leveraged in co-financing.

Initiative	Description
Sustainable transportation program for intermediate cities in Colombia: Montería, Pasto, Pereira, and Valledupar.	<p>Continuation of the implementation of the resources of the Project Preparation Fund (PPF, for its acronym in Spanish), previously approved by the GCF.</p> <p>During the year consulting services were contracted for a total amount of USD 1.14 million, intended for the financial and technical structuring of the Program in the four cities.</p> <p>The Program, in the pre-approval process, has estimated an investment of USD 50 million, which will be executed in coordination with the ministries of Transportation and Housing, City and Territory, as well as the governments of the cities.</p>
Agriculture low in emissions and resilient to variability and climate change in Colombia	<p>In 2019, the GCF approved the resources of the PPF for the formulation of the project, as well as the Concept Note which defines its reach.</p> <p>In July, the PPF resources amounting to USD 588,000 were received, and arrangements and the hiring process started in order to proceed with the technical, financial, and economic structuring of the process.</p>
Readiness CHI 002 – Support for entities and work frameworks.	<p>The administration of the preparatory funds ended. As a result of the consultancies that took place, three concept notes were prepared for the projects: Energy Commune, Sustainable Heating, and re-use of Residual Waters.</p>
Readiness CHI 004 – Support to strengthen the public-private planning processes at a sub-national level for the development of local programs.	<p>The objective of this Program is to develop four regional climate action plans, which include mitigation and adaptation to climate change components. During 2019, technical support was provided to the Ministry of the Environment of Chile.</p>

Initiative	Description
Readiness PRY 001 – strengthening of the AND and country program	<p>Continuation of the implementation of the preparatory funds for Paraguay. Of the USD 250,000 received, 33% have been executed, and 60% have been committed.</p> <p>The “Country Program” has been developed. The document highlights the priorities regarding projects and mitigation and adaptation to climate change measures, in order to access GCF resources.</p> <p>Among the contributions stands out the training provided to the staff of different entities, regarding the process to access and financing possibilities with the GCF.</p>
Readiness CRI 001 – Strengthening of the AND and Country Program	<p>The implementation of the preparatory funds for Costa Rica continued. Of the USD 258,261 received to date, 53% have been committed</p> <p>It should be noted that in 2019, a technical assistance consultancy was approved and initiated for the Government of Costa Rica, in order to improve its capacity to access and manage climate funds.</p>

Table 47. Management of the project portfolio for the Green Climate Fund



United Nations Adaptation Fund

Initiative	Description
<p>Regional Project Chile – Ecuador</p> <p>Reduction of the climate vulnerability and flood risk in urban and semi-urban coastal areas in Latin American cities.</p>	<p>The execution of the project started formally with the signature of the CAF-UNDP Agreement (Ecuador), the executing agency selected by the governments of Chile and Ecuador, and CAF.</p> <p>In this context, in October 2019 a Start-Up Workshop was carried out in the city of Esmeraldas, in Ecuador, which included the participation of the beneficiary civil society, as well as municipal authorities and the Prefecture of Esmeraldas, members of the National Risks and Emergency Services, and the Ministry of the Environment of Ecuador. The Start-Up Workshop with key actors of Antofagasta, in Chile, is planned for 2020.</p> <p>The project has a budget of USD 14 million, to be implemented in five years, and started its execution with a transfer of USD 472,595 to the UNDP; resources allocated for the first year of activities.</p>
<p>National Project in Ecuador</p> <p>Increase the capacity to adapt of local communities, ecosystems, and hydro-electric systems in the upper watershed of Rio Blanco (Toachi-Pilatón Watershed)</p>	<p>The Monitoring, Evaluation, and Supervision Program included in the Environmental and Social Management Plan was modified in order to clearly show how the monitoring, evaluation, and supervision requirements that result from the reviews of the “Sub-projects to identify” will be integrated to the general activities of the project.</p>

Initiative	Description
<p>Ayninacuy</p> <p>Strengthening of the livelihood and income sources for vulnerable high Andean communities</p> <p>In the provinces of Arequipa, Caylloma, Condesuyos, Castilla, and La Unión in the Region of Arequipa, Peru - National Project</p>	<p>Arrangements were made to obtain the certificates of environmental compatibility and of absence of archeological remains, which are needed to initiate activities in the Arequipa mountains.</p> <p>Agreements were signed with 4 provincial municipalities, 18 district municipalities, and 36 with farming communities for the development of the activities included in the project.</p> <p>Training was provided to 468 members of the Alpaca communities, with 30% of female participation.</p> <p>In total, USD 375,567 were executed from resources of the Adaptation Fund.</p>

Table 48. Management of the portfolio of projects before the United Nations Adaptation Fund

<p>Facility for climate financing based on performance in Latin America (LAIF PBC)</p>	<p>Technical studies to check on the feasibility of the projects to burn methane in the landfills of Guayaquil, Ambato, Portoviejo, and Santo Domingo in Ecuador were carried out with funds of the European Union. These studies concluded in 2019.</p> <p>In addition, in Colombia the portfolio consolidated, and the performance agreement was developed for renewable energy projects and energy efficiency.</p>
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Investment Facility for Latin America (LAIF) “Cities and Climate Change”

The LAIF initiative “Cities and Climate Change” is financed by the European Union, managed by the French Development Agency, and executed by CAF. In the framework of its execution, in 2020 the following initiatives were contracted, for a total amount of EUR 1,115,842:

Initiative

Urban Vulnerability Analysis for the cities of Piura and Trujillo in Peru.

EUR 181,954
Amount contracted

Urban Vulnerability Analysis for the cities of La Paz and Tarija in Bolivia.

EUR 214,850
Amount contracted

Technical, financial, legal, social, and environmental structuring for the operation of phase 1 of the new integrated transportation system BRT (rapid transit bus) in Santa Cruz de la Sierra, Bolivia.

EUR 399,050
Amount contracted

Consultancy study to analyze the use of sewage and biogas of the new residual waters treatment plant in the city of Loja (Ecuador).

EUR 79,988
Amount contracted

Development of a Management Plan for Green Spaces of public use, and Urban Woodland in the city of Guayaquil, in Ecuador.

EUR 240,000
Amount contracted

Table 49. management of the project portfolio before the Investment Facility for Latin America “Cities and Climate Change”

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

- Technical assistance was provided to support the identification and climate analysis of the projects, and facilitate the qualification of those that have the option of being financed from the date of the issuance of **CAF’s first public green bond in the European market**, for a total amount of **EUR 750 million** with a coupon of 0.625%. This emission will enable the financing of projects that contribute to energy efficiency, promotion of renewable energies, sustainable transportation, management of residues, water, natural resources, and use of the land.
- Tools were developed to operate the **line of credit for green businesses and energy efficiency**, useful for financial operations based on natural capital. The pilot phase training included the participation of three financial institutions in tree countries.
- In the framework of the facility to finance Energy Efficiency projects of the KfW, the base line of potential energy efficiency projects was refined for seven countries (Ecuador, Colombia, Peru, Panama, Bolivia, Uruguay, and Paraguay), and a series of complementary studies that will make it possible to facilitate **EUR 80 million** in a line of credit for at least 20 financial institutions.
- Technical consultancies were provided for the identification, evaluation, and management of six new Green financing operations and 12 credit lines renewed for a total amount of **USD 755.9 million**.
- Natural capital criteria were incorporated to credit operations to finance tree planting plans and recovery of green spaces of 10 Municipalities and States in Brazil.

Acceleration of environmental and climate financing with green funds and concessional lines of credit.

- Strengthening of the coordination mechanism with CAF's business areas for the origination, structuring, and execution of two regional projects (AICCA and Strategic Actions for the Plata Watershed and Guarani Aquifer); **Eight projects were approved.**
- In the framework of the negotiations between CAF and the French Development Agency (AFD), consultancies were provided for the structuring of a line of credit aimed at re-financing green operations.
- Technical support was provided for the implementation and follow-up of the LAIF initiative "Citizens and Climate Change", coordinating operational activities with different areas at CAF.

Strengthening of capabilities

CAF supports governments in shareholder countries to formulate policies and programs to face environmental and climate change challenges, by implementing strategic programs for the public and private sectors.

These actions seek to support the execution of plans and specific measures to achieve the Sustainable Development Objectives and the international environmental agreements defined in the Nationally Determined Contributions (NDC) of the Paris Agreement and the AICHI Biodiversity Goals, among others.

Program to strengthen the capacities of financial institutions

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

673
people trained

14
in person workshops

5
on-line workshops

120
financial institutions involved

15
countries of the region

Promote the structuring of bio-businesses based on the conservation and sustainable use of biodiversity and genetic resources committed with ethical practices to manage biodiversity and a fair and equitable distribution of the derived benefits.

2
GEF projects approved, one with a regional reach and one for Ecuador

4
publications associated to the Latin American Cacao Initiative

2
publications regarding Biodiversity and Economy of the Oceans

Biodiversity Program—BioCAF (2015-2020)

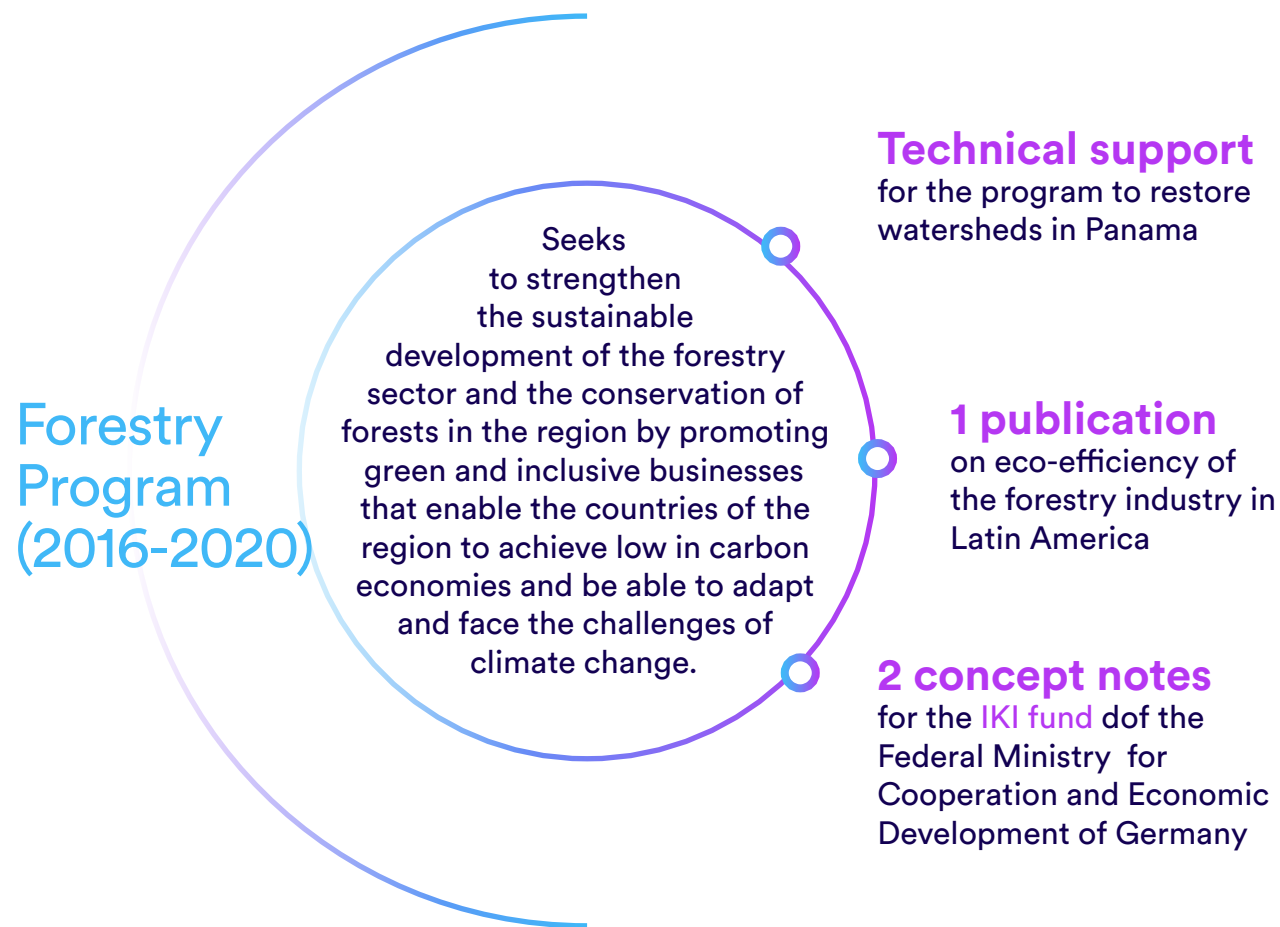


Figure 24. Main results of programs to strengthen environmental and climate capabilities

Institutional System for Environmental Management (SIGA, for its acronym in Spanish)

In 2019, CAF's efforts were aimed toward strengthening its Institutional System for Environmental Management (SIGA, for its acronym in Spanish) implementing processes defined under the guidelines of the ISO 14001 international norm with the participation of the 30 SIGA Managers belonging to different areas of the Institution.

Thus, coordinated actions were carried out that are related with a continuous improvement of the system, the management of the institutional carbon footprint, the comprehensive management of residues, as well as the sensitization and training of staff regarding related subjects, with results highlighted as follows:

Monitoring of the management cycle for the continuous improvement of the SIGA

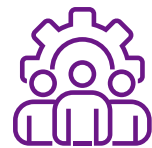
- Structure of the **SIGA voluntary work with 33 staff members** involved.
- 58 staff members** involved with SIGA with formalized roles and responsibilities
- Implementation of the **support system for SIGA** to follow-up processes under the ISO 14001 norm
- 13 offices** updated with respect to:
 - Environmental aspects and their impact
 - SIGA risks and its impact
 - Establishment of controls and action plans
- Incorporation of **33 suppliers** undergoing SIGA sensitization process
- Implementation of the monthly **process to review goals**

Comprehensive management of residues

- 13 offices** with implemented residue management practices
- Entry into operations of the **residue management module** in the management system of CAF's carbon footprint
- Acquisition of **additional containers** to separate residues
- Development and dissemination of **13 recycling guidelines** for CAF offices

Sensitization and training

Trained staff:



42 on SIGA norms

17 on management of carbon footprint

31 on management system of SIGA processes under ISO14001 norm

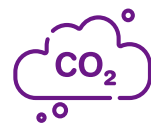
21 managers attending on-line courses on ecoefficiency

▶ **100% execution** of the 2019 sensitization plan

▶ **4 video-courses** on carbon footprint management for SIGA managers

▶ Development of **SIGA course** on the UVCAF platform

Management of the institutional carbon footprint



Improvements to the management system of the carbon footprint

incorporating functionalities to the follow-up of goals



Close of CAF's carbon neutrality cycle, compensating its carbon footprint since the beginning of its operations in 1970 until 2018



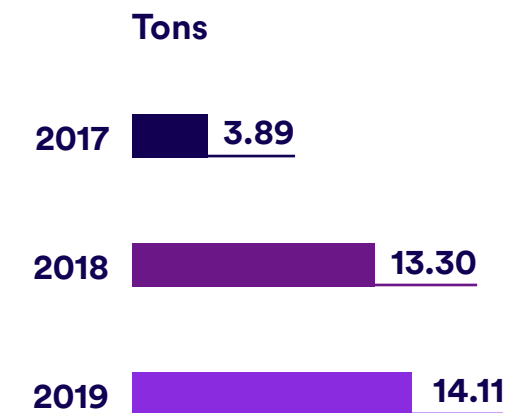
Compliance with quarterly audits to the inventory data of greenhouse gasses (GHG)

Waste management

During the year, **14.08 tons of non-dangerous waste** were adequately processed. This included residues of tetrapack, plastic, glass, paper, carton, aluminum, and organic waste. In addition, 16.43 tons of non-recyclable residues were disposed.

At the same time, **648 tons of dangerous waste** were adequately processed, 204% more than in 2018, including residues of used fluorescent lamps and batteries. This increase is a result of the management of fluorescent lamps which were discarded in the 13 country offices, as part of the plan to replace them with LED low consumption lamps.

Non dangerous waste



Dangerous waste

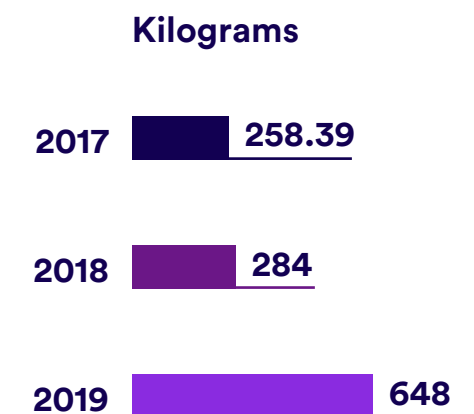


Figure 25. Main results of the SIGA management in 2019

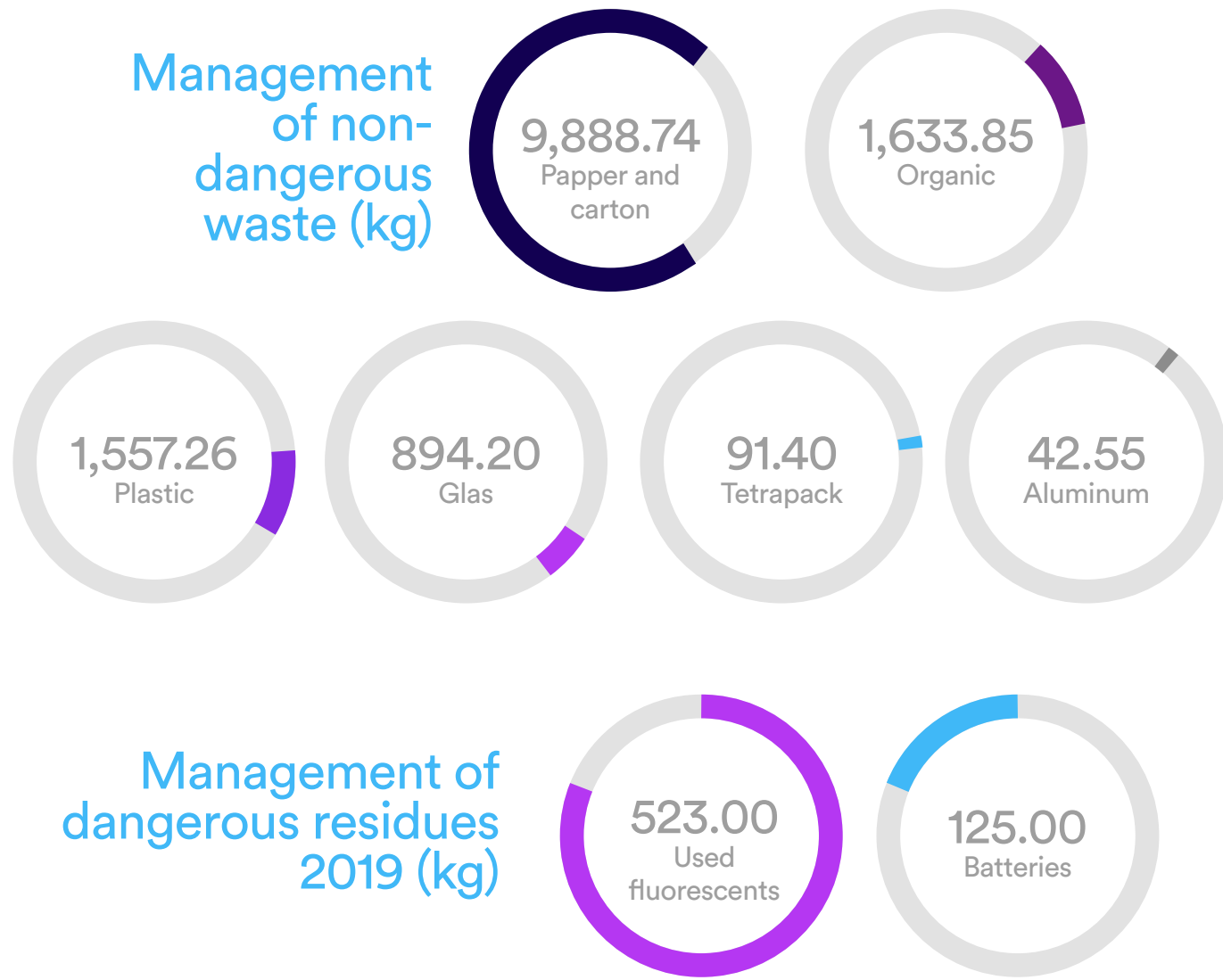


Figure 26. Management of non-dangerous and dangerous residues

Of the recycled material, 9,888.74 Kg correspond to paper and carton, which can be translated to 16.09 Ton of avoided CO₂e.

Estimate of CAF's carbon footprint 1970-2008

80,022 ton CO₂e

Indirect measurement of CAF's carbon footprint 2009-2018

82,962 ton CO₂e

CAF's historic carbon footprint 1970-2018

162,984 ton CO₂e

Carbon footprint

During 2019, CAF's carbon footprint estimates were carried out from the beginning of its operations in 1970 until 2008, with the objective of complementing the information on footprint measurement and add it to the inventory maintained by CAF since 2009. This effort enabled the consolidation of the total estimates of CAF's Carbon Footprint for the 1970-2018 period.



CAF's historic carbon footprint (1970-2018)

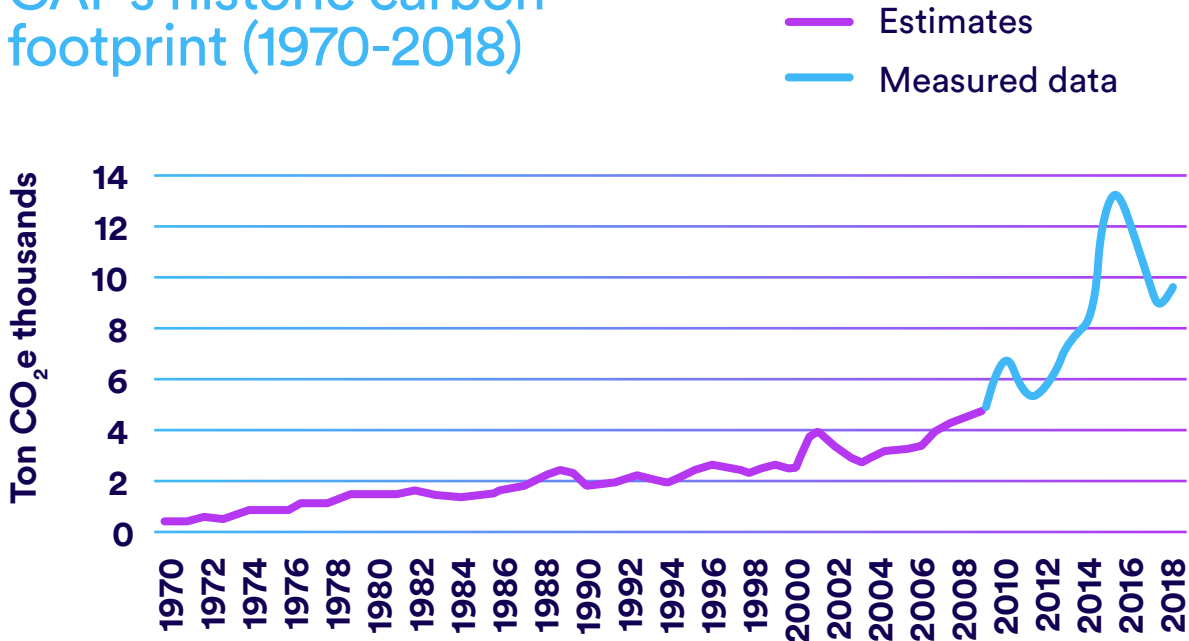


Figure 27. Historic behavior of CAF's carbon footprint (1970-2018)

With the objective of compensating its total carbon footprint, CAF acquired 162,986 carbon credits from a project in the Peruvian Amazon that protects and regenerates more than 300,000 hectares of forests, removes more than 1.5 million tons of dioxide per year, benefitting 400 local families who produce chestnuts.

With this compensatory action, CAF shows its institutional commitment with sustainable development and the fight against deforestation and degradation of Latin American forests. At the same time, it highlights its active and coherent compliance with the Paris Agreement regarding Climate Change, and evidences a continuous improvement with the development of SIGA.

Economic and financial sustainability

Material topic: Economic and financial sustainability.

Capturing and managing financial resources

In order to provide permanent support to the countries of the region to advance toward their sustainable growth objectives, CAF has financial policies and guidelines which, in addition to preserve its strength and profitability, allow it to guarantee the continuity of its operations and maintenance of its role in the active promotion of sustainable development in Latin America.

To this effect, CAF maintains optimal relationships with the international financial community, in order to diversify the sources of financing and attract financial resources to the region with better terms and conditions coming from international markets outside the region.

Thus, CAF seeks to offer the countries a more attractive level of financing, with the potential to provide more support for development projects from a competitive, flexible, and innovative framework.

In this context, the main sources of financial resources attracted by CAF are:

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

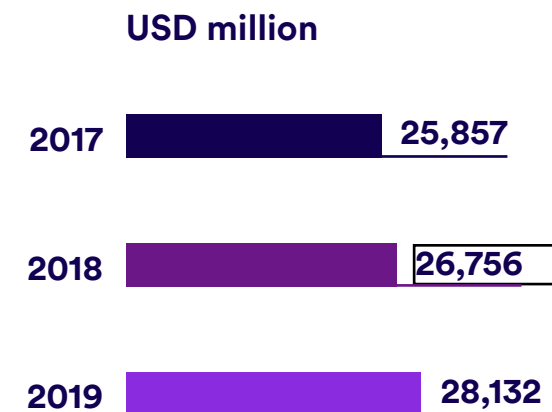


Origin of the resources

In 2019, 85% of CAF's indebtedness came from international capital markets, followed by 10% of the deposits received from institutional investors, and the remaining 5% from long-term loans and credit lines.

As a result of a greater concentration in long-term financing, in 2019 there was an improvement of the liability maturity profile and the liquidity indicators. At the close of the year, CAF's financial liabilities reached **USD 28,132 million**, 5% higher than in 2018.

Financial liabilities



2019 Composition of financial liabilities

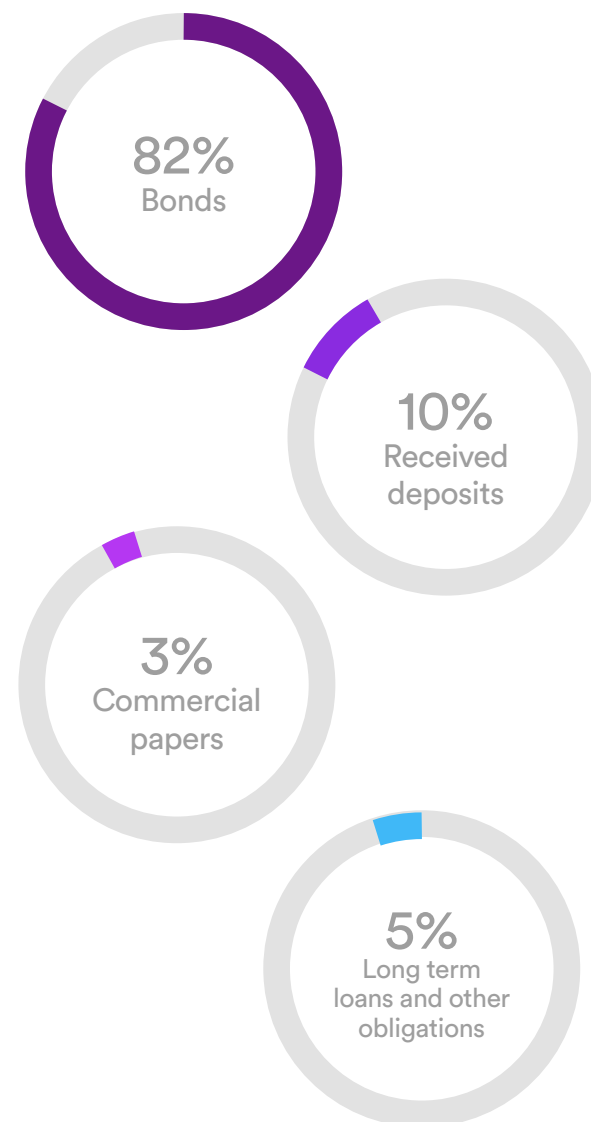


Figure 28. CAF's financial liabilities. Source: Direction of Financial Policies and International Issues

In this context, CAF continued with the diversification of its placements through emissions of bonds in different markets of America, Europe, and Oceania. As part of this effort, in May 2019 the theoretical framework of the "green bonds" was reviewed by the agency Sustainalytics, certifying that the program is aligned with the "2018 Principles of Green Funds". After the review, in November 2019, the issue of CAF's first public green bond was carried out, for a total of EUR 750 million.

In addition, during the third quarter of the year CAF issued the first thematic “educational” bond, for a total amount of **USD 140 million**, which was acquired by investors with the mandate to invest in instruments of a social character.

These efforts show the Institution’s interest to expand its financing to social investment projects which are environmentally responsible.

With respect to medium and long-term loans from development financial institutions in industrialized countries, international agencies, and multilateral banks, it is important to highlight the beginning of negotiations for the subscription of new lines of credit with:

- German Development Bank – KfW.
- European Investment Bank – BEI.
- French Development Agency – AFD.
- South Korea Foreign Trade Bank – K-EXIM.
- Cassa Depositi e Prestiti - CdP.

Risk ratings

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

In addition, CAF evaluates its management according to the parameters established in its guidelines and policies with respect to liquidity, volume of investment by type of risk and capital, while at the same time it adjusts its management to comply with the financial indicators that support its credit ranking, which was ranked in the following levels during 2019:



Figure 29. CAF's 2019 risk rating. Source: Direction of Financial Policies and International emissions

²⁸ In January 2020 Fitch updated its risk rating to A+ with a negative perspective.



The current risk ratings place CAF among the best rated issuers in the region, reflecting the continuous support of its shareholders, a strengthened equity, cautious management of its liquidity, and a greater diversification of its portfolio.

Co-financing

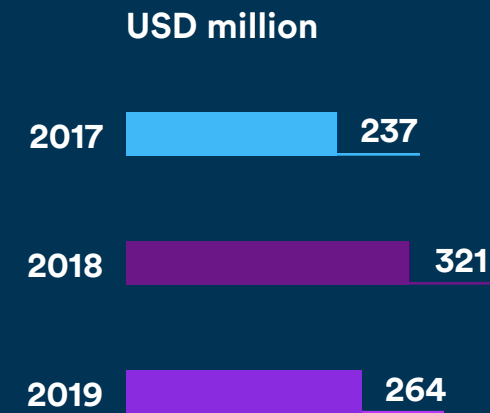
Achieving development and economic integration of the countries in Latin America requires a significant investment and, therefore, the participation of multiple actors, including governments, multilateral agencies, development agencies, foundations, and the private sector. As part of its mission as a multilateral development bank, CAF not only finances projects and provides technical assistance to the countries of the region, but also mobilizes resources from different sources in order to maximize the impact of its operations and accelerate the achievement of the Sustainable Development Objectives.

Thus, co-financing is a mechanism that provides benefits to all the actors involved throughout the value chain. On the one hand, it facilitates the leverage of financial resources and the transfer of knowledge and technologies in favor of the clients and their communities; on the other, it allows those involved as third parties (co-financing institutions) to reach communities where they had no access.

Co-financing in numbers

In 2019, the total amount of third party resources mobilized through sovereign co-financing reached **USD 264 million**, raised from diverse multilateral agencies, financial institutions, and official agencies from different regions that range from Central America to Asia and Europe.

Annual sovereign co-financing



2019 Sovereign co-financing

Origin of resources	Mobilized third-party amounts	Destination
Central American Economic Integration Bank (BCIE)	USD 67 million	Program to Improve Educational Access and Quality (PROMACE), Province of Jujuy, Argentina.
Fonplata	USD 120 million	Federal Program for Regional Infrastructure, Argentina.
Japanese International Cooperation Agency (JICA)	USD 42 million	Okinawa III Highway Project (Bolivia)
European Investment Bank (BEI)	USD 35 million	Residual Water Treatment Plan, Guangarcucho, Cuenca, Ecuador.

Table 50. 2019 Breakdown of sovereign co-financing. Source: Direction of Institutional Financial Resources

Credit lines and cooperation of a different nature

Contracting credit lines allows CAF to diversify its sources of financing and participate in a larger amount of initiatives that contribute with development and economic integration of the countries of Latin America.

Specifically, the credit lines in local currency enable CAF to adjust its products to the financial demand of the countries of the region, which seek to minimize the exchange risk and the resulting impacts of volatility in international markets.

In addition, the new credit lines are a renewed support to the institutional management in priority sectors to achieve sustainable and inclusive economic development, among which are the sustainable multimodal transportation, energy efficiency, infrastructure, water, and sanitation, among others. The credit lines are one of the numerous benefits of the Strategic Alliances that the Direction of Institutional Financial Resources established and promotes.

In 2019, credit lines with development agencies and banks were subscribed for a total of **USD 666 million**.

Credit lines subscribed with development agencies

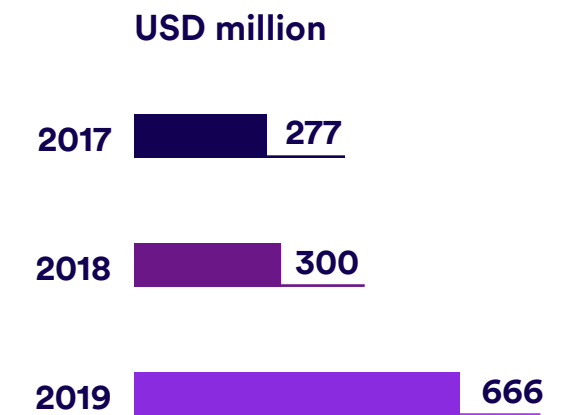




Figure 30. Credit lines subscribed with development agencies. Source: Direction of Institutional Financial Resources

Moreover, non-reimbursable resources from development agencies are increasingly scarce. However, in its role as one of the implementing shareholders of the British Prosperity Fund, in 2019 CAF received from the British Government the allocation of additional resources for the development of projects in Colombia, for GBP 560,000.

The funds raised in this manner were used for the structuring and implementation of two specific projects:

- I. Feasibility and convenience of the application of the Global Infrastructure Program methodologies in the project Aeropuerto del Café (GBP 270,000).
- II. Strengthening the capacities of tilapia producers in the Department of Magdalena (GBP 290,000).



Asset distribution

2019 was marked by an increase in the activities of financial institutions, where two approvals in Chile and Ecuador stand out. It was the first Institution's AB loan to Chile.

- Banco Guayaquil (Ecuador) and Tanner (Chile): USD 90 million in the B tranche of AB Loans.
- Banco Guayaquil (Ecuador): USD 30 million in CNS. Syndicated loan.

Said operations enabled the mobilization of resources from commercial banks and investment funds, among which three stand out: Ecobusiness Fund, Multibank (Panama) and Banco de Occidente.

Furthermore, the participation of the portfolio continues with the same trend of previous years, with a portfolio sale which reaches USD 42.25 million, allowing CAF to free space for new credit operations. Operations in Ecuador, Paraguay, Chile, and Brazil stand out.

CAF Special cooperation funds for development and other mechanisms

In order to complement its financial operations and strengthen its contributions to the development of the region, CAF has the following mechanisms and funding sources to support development and reimbursable and non-reimbursable technical cooperation:

CAF special funds

In order to provide continuity and sustainability to the impacts that CAF generates on development and integration of the countries of the region, in 2019 the technical cooperation operations were aligned to the business through a comprehensive approach that coordinates activities and focuses the operations toward the five spheres of impact included in the corporate strategy, recognizing that technical cooperation generates value added to the countries, seeking improvements in efficiency, equity, sustainability, institutionalism, and integration.

Special funds

Funds with resources from CAF's operating profits. Technical Cooperation Fund (FCT, for its acronym in Spanish)
Human Development Fund (FONDESHU, for its acronym in Spanish)

Third-party resources

Resources of a Catalytic Nature administered and/or managed by CAF. To date, there have been 15 donors of which 12 remain active.

Thus, the technical cooperation operations approved during the year considered the specific needs and requirements of the shareholder countries in these spheres of impact, in order to complement the products and services offered by the Institution, as well as focusing on the identified strategic and business priorities.

In this context, **134 technical cooperation operations** were approved, charged to CAF's Special Funds²⁹ for a total amount of **USD 30 million**. These operations covered the five spheres of impact prioritized by the Institution's strategic vision, as follows:

Distribution of approved amounts by strategic sphere

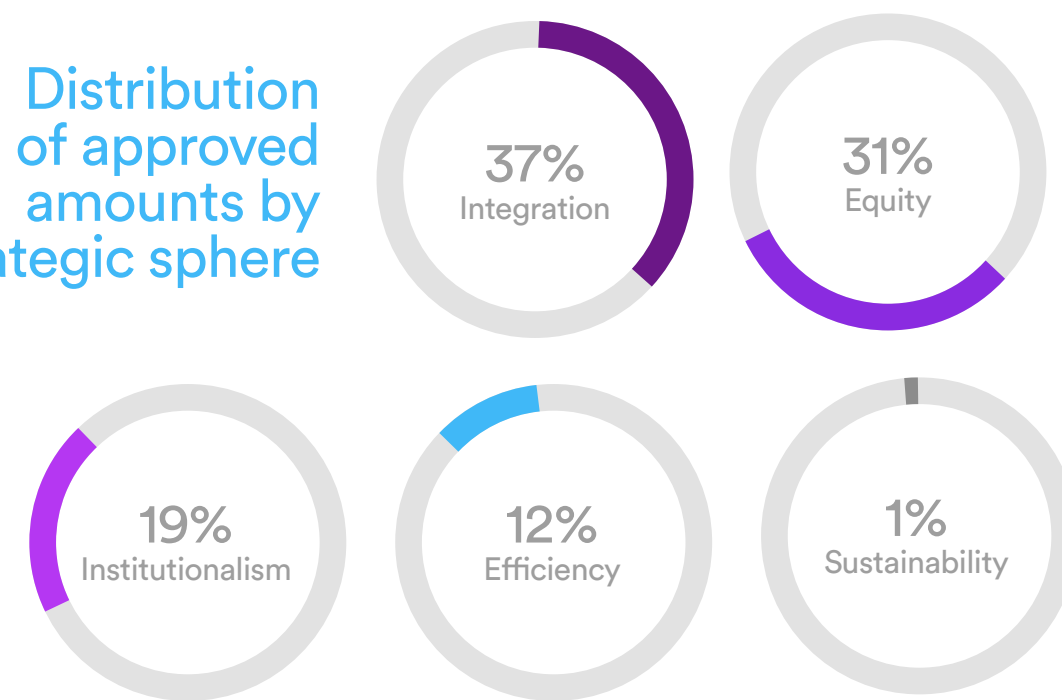


Figure 31. Distribution of approved technical cooperation operations by strategic sphere Source: Direction of Cooperation Funds for Development

The operations approved during the year were aimed mainly at the development of initiatives to strengthen regional actions with programs and projects of a multinational character. Of the total approval, 64% financed regional initiatives, corresponding to **USD 19.4 million**, while the remaining 36% was allocated to finance projects and programs in shareholder countries, for a total of **USD 11 million**.

It is important to highlight that a significant part of the approved amounts seeks to channel the technical cooperation toward complementary support of infrastructure works financed by the Institution, with important components of support to integration and equality of the countries of the region.

²⁹ 128 de estas operaciones de cooperación técnica fueron aprobadas con cargo al Fondo de Cooperación Técnica (FCT) por un valor de USD 29 millones, y 6 de ellas con cargo al Fondo de Desarrollo Humano (FONDESHU) por un valor de USD 1 millón

Contribution to the Objectives of Sustainable Development

The operations approved charged to CAF's Special Funds were aligned with the Sustainable Development Objectives, as may be seen below:



Figure 32. Alignment of the approved technical cooperation operations with the Objectives of Sustainable Development. Source: Direction of Cooperation Funds for Development

Technical Cooperation Fund (FCT, for its acronym in Spanish)

The Technical Cooperation Fund (FCT) is the main source of technical assistance resources managed by CAF, financed by the Institution's operating profits.

During 2019, 128 technical cooperation operations were approved, financed by the FCT for a total amount of USD 29.5 million. Following is a detail of all the operations and amounts approved by country.



FCT - Total and amount of approvals by country

Figure 33. Breakdown of approved technical cooperation operations charged to the FCT, by country. Source: Direction of Cooperation Funds for Development

Among these stands out the approval of the second phase of the Infrastructure Pre-Investment Program (PPI II) for USD 10 million, as well as the Water Sector Pre-Investment Program, phase II (PPSA II) for USD 5 million.

Human Development Fund (FONDESHU, for its acronym in Spanish)

The main objective of this fund is to contribute to development and fight against poverty through financing or investment in projects that have a high demonstrative impact, and that promote sustainable human development in favor of marginalized social sectors in CAF shareholder countries.

In 2019 6 operations financed by the Human Development Fund were approved, for USD 930,000.

Ninety-five percent of this amount was channeled mainly toward donations to address social emergency situations and complementary support to the governments affected by the fires in the Amazon, as detailed below:

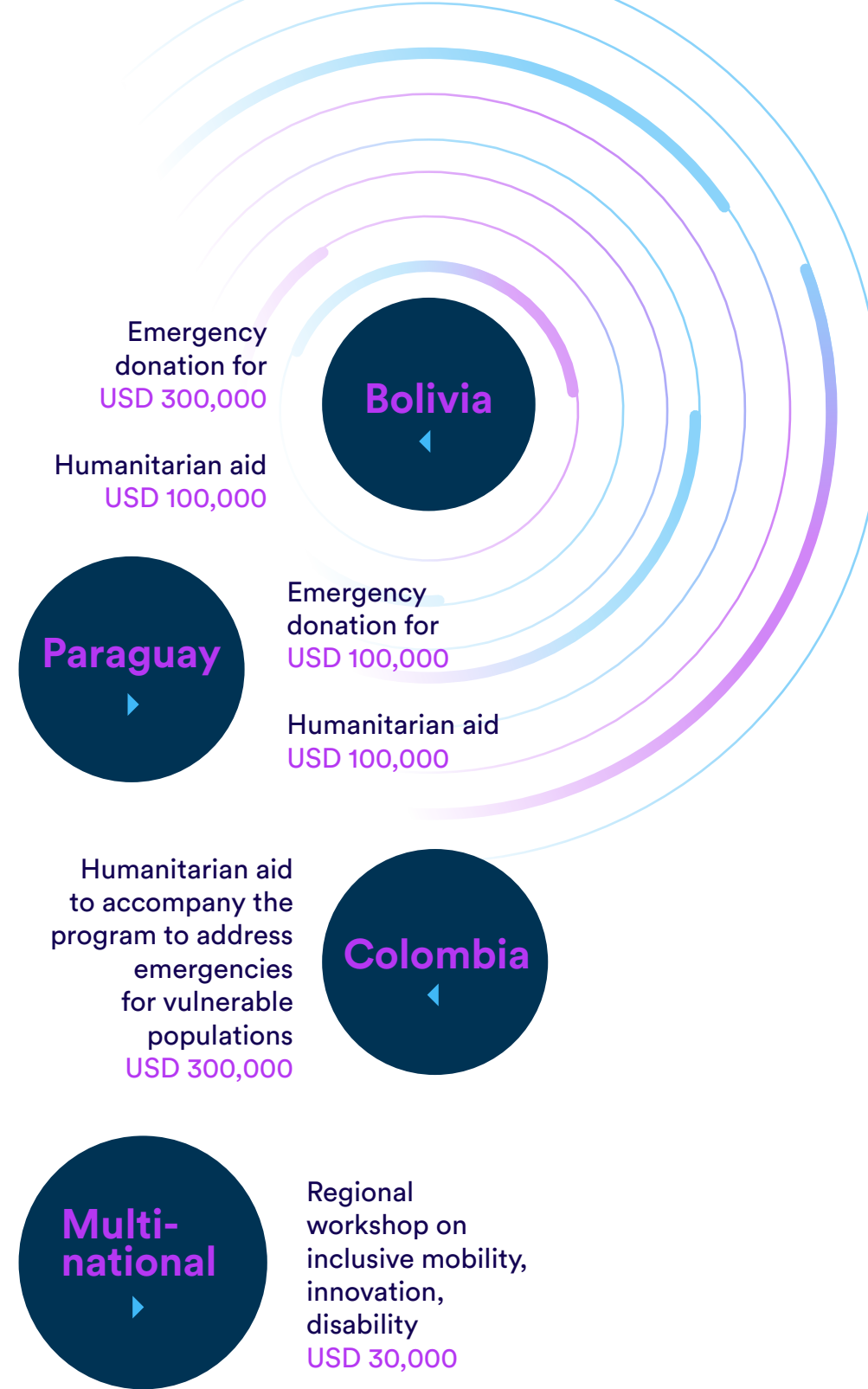


Figure 34. Breakdown of approved technical cooperation operations financed by FONDESHU by country. Source: Direction of Cooperation Funds for Development

Third party cooperation resources for development

CAF manages and/or executes third party resources to finance technical cooperation operations in the region, aimed mainly at contracting studies, consultancies, and technical assistance according to four modalities: donations for projects, implemented resources, executed resources, and closed funds.

At the close of 2019, the current portfolio of third-party resources approved by CAF reached approximately USD 130.4 million, of which 76.9% corresponded to implemented funds, 23.9% to executed resources, and the remaining 0.2% to donations for projects. Of the total resources, at the close of the year USD 49.3 million had been received, and USD 36.9 million have been committed for the execution of projects.

	Donations	Executed resources	Implemented funds
Amounts approved (USD million)	0.21	31.12	99.11
Amounts received (USD million)	0.21	18.90	30.16
Executed amounts (USD million)	0.20	17.92	18.80

Table 51. Distribution of third-party resources managed by CAF. Source: Direction of Cooperation Funds for development

Following is a detail of the projects with approved third-party resources during 2019.

Fund	Approved projects	Approved amounts
Global Environmental Fund - GEF	<i>Amazon Sustainable Landscape Approach in the Pluri-national System of Protected Areas and Strategic Ecosystems of Bolivia</i>	USD 11,179,246
	<i>Promoting National Blue Economy priorities through marine spatial planning in the Caribbean Large Marine Ecosystem Plus</i>	USD 3,552,867
French Treasury FASEP Facility - FASEP	<i>Medium Capacity Transportation System (tramway) at Niterói</i>	EUR 828,000
French Development Agency - AFD	Diagnosis of the energy efficiency of the Monterrey Water and Drainage Services (SADM) and a comprehensive strategy to increase the level of its efficiency	USD 665,000
Adaptation Fund - AF	<i>Increasing adaptive capacity of local communities, ecosystems and hydroelectric systems in the Toachi-Pilaton watershed with a focus on Ecosystem and Community Based Adaptation and Integrated Adaptive Watershed Management</i>	USD 2,489,373
Italian General Cooperation Fund - FGCI	<i>Strengthening of Strategic Actions: Comprehensive Management of Fire in Ecuador</i>	USD 152,984

Table 52. Third-party resources approved in 2019. Source: Direction of Cooperation Funds for Development



At the close of 2019, CAF has financed programs and/or projects with resources from the following third-party funds:

Resource origin	Amount	Currency
French Development Agency (AFD)	1,700,000	EUR
Adaptation Fund (AF)	33,441,215	USD
British Prosperity Fund (FPB)	7,696,511	GBP
Italian General Cooperation Fund (FGCI)	5,000,000	EUR
French Treasury FASEP Facility (FASEP)	2,000,000	EUR
Global Environmental Facility (GEF)	38,894,991	USD
Green Climate Fund (GCF)	8,243,146	USD
Federal Ministry for Economic Cooperation and Development (BMZ-GIZ)	187,473	EUR
Federal Ministry for Economic Cooperation and Development (BMZ - KFW)	977,504	EUR
OPEC Fund for International Development (OFID)	800,000	USD
European Union (LAIF-AFD)	4,200,000	EUR
European Union (LAIF-KFW)	19,850,000	EUR

Table 53. Portfolio of third-party resources managed by CAF. Source: Direction of Cooperation Funds for Development

Other special funds

CAF supports projects and initiatives through other funds of a different nature to those of technical cooperation, among which stand out the Entrepreneurial Investment and Development Fund (FIDE) and the Compensatory Financing Fund (FFC).

Entrepreneurial Investment and Development Fund

Contributes to strengthen small and mid-sized enterprises and promotes development and regulation of the risk capital industry in CAF's shareholder countries. This fund invests resources directly in companies or indirectly through investments in risk capital funds.

In 2019, two equity investments were approved for incorporation to the inventory of operations:

- Latam Impact Fund, Multinational Investment Fund for USD 10 million.
- Bancóldex Fund of Funds Capital, Colombia, for USD 8 million.

Compensatory Financing Fund (CFF)

Through this fund, CAF allocates resources to reduce the financial costs of sovereign investment programs and projects, be it directly with a national government or with sub-national governments and public enterprises, provided that they have the guarantee of the respective national government. In countries with lower relative development, the projects that are privileged are those that directly benefit marginalized populations in the following sectors: potable water and sewage, health and environmental sanitation, education, and rural and community development.

The CFF grants a partial subsidy with which member countries access the Institution's financing. All sovereign investment loans are eligible for the subsidy. The goal for approvals of sovereign loans eligible for CFF subsidy for 2019 was USD 3,825 million. In addition, calculations estimate that throughout the year, the CFF would compensate approximately USD 78 million in interests.



Institutional framework

Material topic: digital transformation and public innovation.

Digital transformation and public innovation for the sustainability of Latin America

GRI 103-1

Recently it has been shown that the complexity with which the State functions affects the quality of life of people. Studies show that in Latin America, 25% of the processes or formalities that citizens carry out, require at least three interactions with state institutions, which demand on average 5.4 hours among the countries of the region. Added to this is a significant regulatory complexity that implies a large number of processes or formalities with high requirements, increasing the transaction costs for citizens and enterprises (BID, 2018).

At the same time, the results of the CAF 2018 survey (ECAAF 2018) show that 23% of the population in the surveyed cities states that during the past year a public official has asked for a bribe or informal payment to obtain a service or speed a process (CAF, 2019). This increases the negative perception of citizens with respect to public institutions, reducing the credibility and trust of people for the different services offered by the State, to the point where it could affect democracies and institutions of the region (Transparencia Internacional, 2019).


Facing this scenario, CAF's Direction of Digital Innovation of the State (DIDE, for its acronym in Spanish) which was created at the end of 2018 and is ascribed to the Vice-presidency of Knowledge, has focused its strategy in the promotion of the digital transformation of the State as a tool and change route that contributes to the modernization of public administration in the region. In this respect, CAF's actions are aimed at the consolidation of States that are more agile, efficient, and transparent, that provide services to their citizens with appropriate and optimal methods, and that improve the quality of life of the citizens with the implementation of the latest technological advances.




To this effect, the DIDE is in charge of proposing and accompanying the improvement and renewal of the services aimed at the citizenry and enterprises, while at the same time promote productive transformation through digital innovation and data intelligence in the public sector of Latin American countries.

CAF contributions to digital transformation and public innovation

GRI 103-2

CAF has defined a series of objectives under five strategic pillars of action that serves as roadmap to contribute to the consolidation of more agile, efficient, and transparent States. The DIDE efforts contribute directly to the institutional strengthening of the member governments, one of the strategic pillars of CAF's corporate strategy. At the same time, the DIDE has defined the following pillars and objectives:

Strategic pillars	Objectives
 <p>Digital government and public innovation</p>	<ul style="list-style-type: none"> ○ Improve the quality, integration, and mass use of public processes and digital services. ○ Modernize public registries and promote the interoperability of the State. ○ Promote the strategic use of data and emergent technologies to improve decision making and generate solutions to public problems. ○ Promote innovation culture in the public sector and strengthen the digital ecosystem. ○ Develop cross-cutting solutions that leverage the development of digital government (digital identity, digital signature, electronic invoice).

Strategic pillars	Objectives
 <p>Regulatory improvement and administrative simplification</p>	<ul style="list-style-type: none"> ○ Promote and develop initiatives linked to the simplification of procedures and public efficiency. ○ Support governments in the region in the implementation of improvement strategies for the development of regulations and to strengthen the governance of regulatory agencies. ○ Activate the link with the citizenry and reduce unproductive procedures. ○ Coordinate efforts within governments to generate synergies and reduce information asymmetries through practice communities for regulation.
 <p>Governmental Transparency and public integrity</p>	<ul style="list-style-type: none"> ○ Strengthen the transparency and integrity in the value chain of the States so that they can be more effective in the supply of public goods, generating a better quality of life. ○ Promote open government, accountability, as well as open data, purchases, and recruitment. ○ Develop data intelligence systems to detect corruption risks in public purchases
 <p>Data intelligence and new technology</p>	<ul style="list-style-type: none"> ○ Promote the use of new technologies in public management. ○ Develop initiatives to promote data intelligence: <ul style="list-style-type: none"> ○ GovTech: Report, index, observatory, investment fund, consultancies. ○ Data value: data in macroeconomic terms (efficiency, cost reduction, and fiscal collection). ○ Data infrastructure: analysis of data for the design, implementation, and evaluation of policies and sectors.

Strategic pillars

Objectives


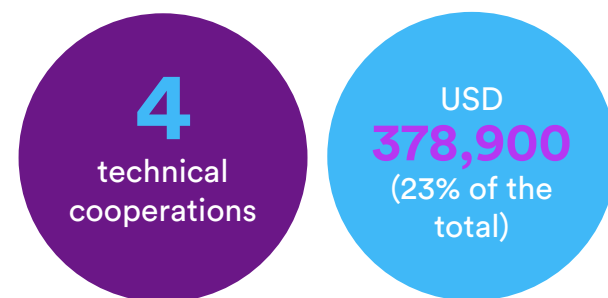
 <p>Intelligent cities and digital municipalities</p>	<ul style="list-style-type: none"> Support sub-national governments to offer better services to citizens through digital transformation strategies and actions. Strengthen the increase and improvement of the use of data.
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Table 54. DIDE pillars and strategic objectives

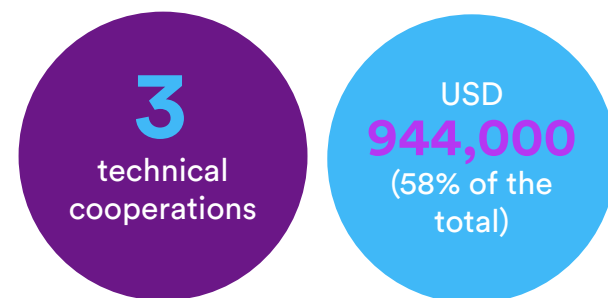
Approved technical cooperation operations

In 2019 CAF approved **8 technical cooperation operations** with digital transformation and public innovation components, for a total amount of **USD 1.62 million**. These operations were carried out mainly in three action pillars:

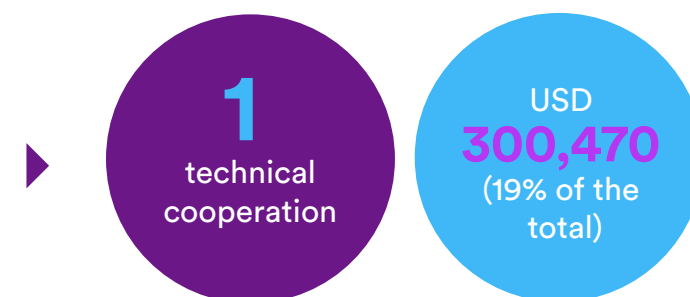
Governmental transparency and public integrity



Digital government and public innovation



Data intelligence and new technologies



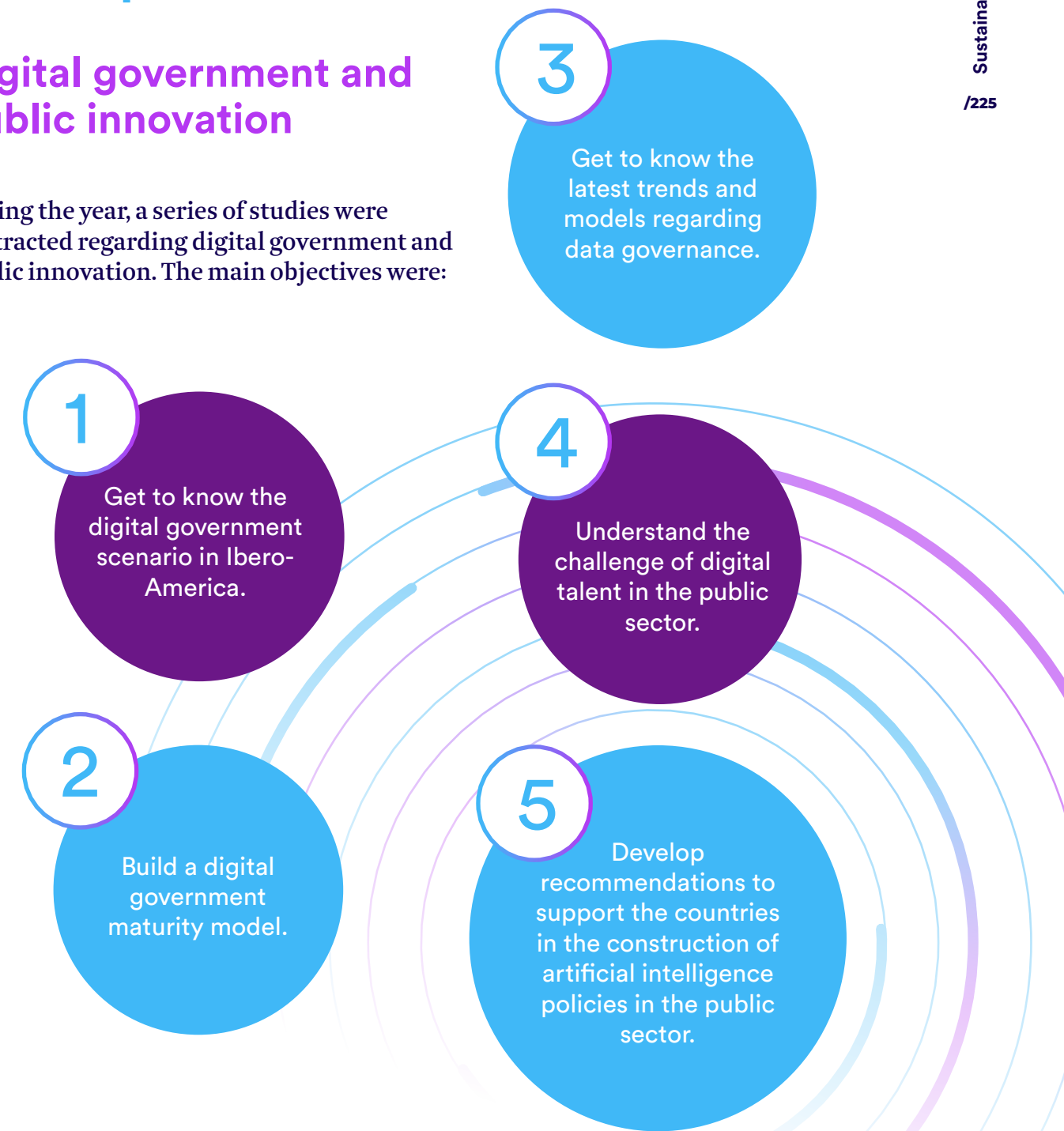
Country	Name of technical cooperation	Action pillar	Total amount approved
Multinational	Going Digital: The State of the Digital Government in Latin America in 2020 (OECD).	Digital government and public innovation	USD 500,000
	Prevention of corruption through transparency and data analysis of the public hiring contract systems (OAS).	Governmental transparency and public integrity	USD 168,400
	Promotion of the strategic use of data and artificial intelligence in the public sector, to generate social and economic value in Latin America.	Digital government and public innovation	USD 294,000
Argentina	Strengthening of integrity policies and open government in the city of Buenos Aires.	Digital government and public innovation	USD 150,000
Mexico	Support to the regional digitalization agenda for open public contracting (ADIP).	Data intelligence and new technologies	USD 300,470



Main advances by action pillar

Digital government and public innovation

During the year, a series of studies were contracted regarding digital government and public innovation. The main objectives were:



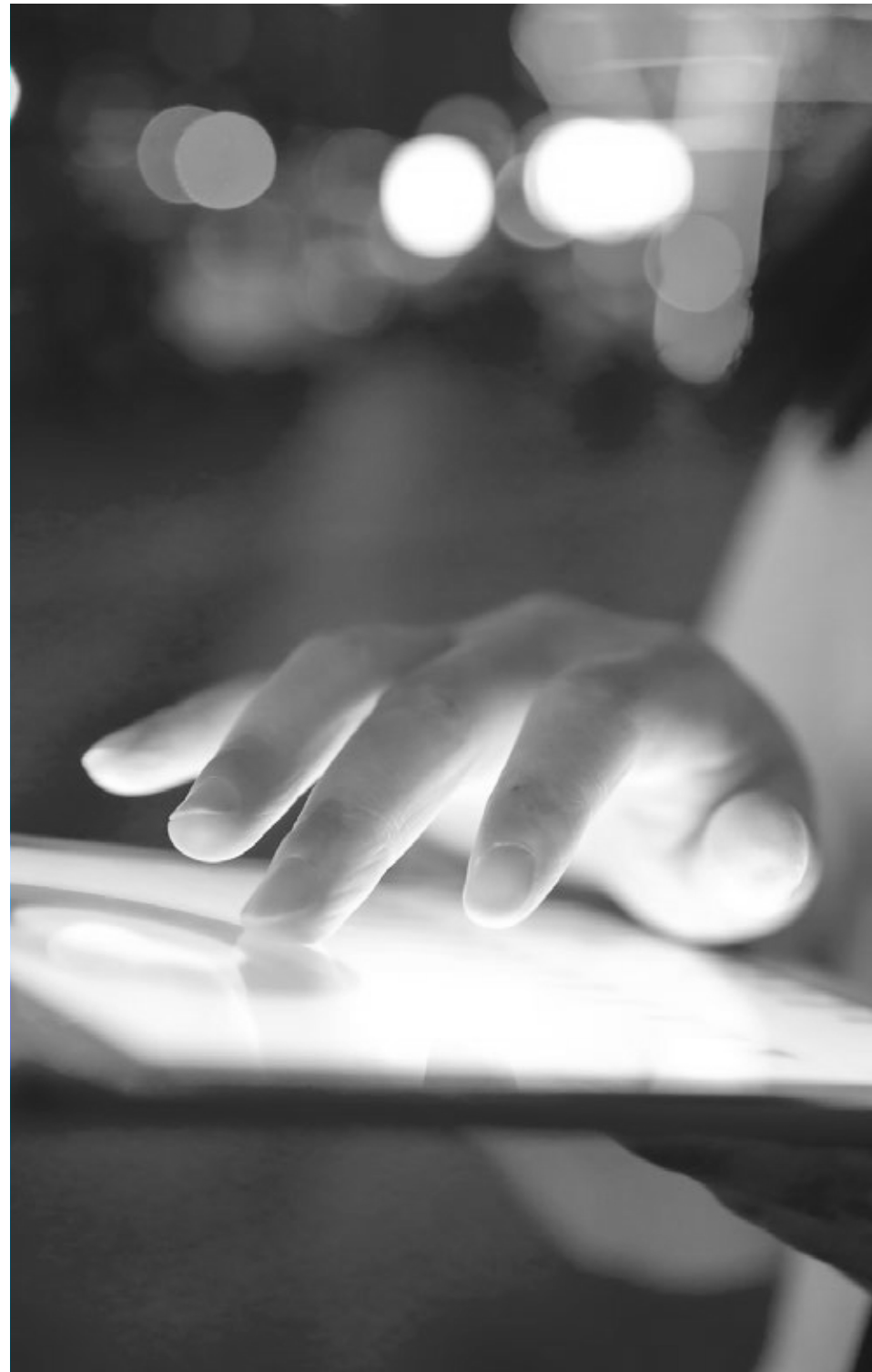
Country	Name of technical cooperation	Action pillar	Total amount approved
Colombia	Open data to prevent corruption in Colombia (MINTIC).	Governmental transparency and public integrity	USD 76,500
	Design of a methodology for the identification of networks and macro corruption patterns.	Governmental transparency and public integrity	USD 50,000
Ecuador	Open data to prevent corruption in Ecuador (MINTEL).	Governmental transparency and public integrity	USD 84,000

Table 55. Approved technical cooperation operations – Digital transformation and public innovation

At the same time, work was carried out jointly with offices and responsible parties of CAF in Argentina, Brazil, Colombia, Costa Rica, Europe, Panama, and Peru in structuring diverse support instruments:

- In the case of Colombia, CAF contributed to the definition of the role of innovation ecosystems with the National Planning Department (DNP, for its acronym in Spanish).
- In Peru, collaboration was provided to the Ministry of Economy and Finances (MEF, for its acronym in Spanish), and the National Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI, for its acronym in Spanish) to let them know the Argentinean experience regarding the digitalization of electronic files and the conversion strategy to a government that works without paper.

Finally, with technical cooperation resources, two regional strategic initiatives were approved, to be executed during 2020. The first one was developed jointly with the OECD, through the design of a proposal for the development of the joint report called *Going Digital: The State of the Digital Government in Latin America in 2020*. The second is aimed at the design of the CAF regional initiative called *Promotion of the strategic use of data and artificial intelligence in the public sector*, to generate social and economic value in Latin America.



Regulatory improvement and administrative simplification

In collaboration with the Vice-presidency of Country Programs (VPP, for its acronym in Spanish), a project originated and was structured in Mexico based on learning (PBL) for USD 300 million regarding regulatory matters, to be executed in 2020 by the Finance Secretariat of Mexico. This is the first PBL designed by CAF regarding this subject, as well as the first implemented in Mexico, and the first initiative of this type related to a DIDE subject. The development of this project is important, as it lays the foundation to promote similar operations in other countries that require this type of financial support.

Work was also carried out with different countries of the region, where the following technical supports was provided:

- The government of Argentina was supported in the organization of economic regulatory group for the implementation of a digital-based regulatory analysis pilot, and in the development of a resolution to establish transparency standards for all state-owned enterprises.
- Support was offered in terms of regulatory reform of the National Productivity Commission of the Government of Chile in structuring a tool to analyze regulatory impact.
- Jointly with the Government of Ecuador, a strategy was designed for regulatory improvement by the adoption of benchmarking tools and the creation of practice communities at the municipal and federal levels.

Finally, the process of documenting the cases of regional successes regarding the subjects of productive simplification, administrative reform, and regulatory improvement.

Governmental transparency and public integrity

Advances were made in structuring the Data Infrastructure for Integrity (IN4IN) and Integrity for Infrastructure (I4I) initiatives. The first considered the implementation of technical cooperation operations in Colombia and Ecuador to implement the Interamerican Open Data Program (PIDA, for its acronym in Spanish), promoted by the Organization of American States (OAS), with the opening of more than 30 data bases that have applications to monitor public management and fight against corruption.

In addition, an initiative started with the OAS to strengthen the electronic public

recruitment systems in the countries that are members of the Interamerican Public Purchases Network (RICG, for its acronym in Spanish), through the improvement in the quality of the data and its use for the valuation of corruption risks in public recruitment. At the same time, support was given to the Transparency Secretariat of the Presidency of the Republic of Colombia in the formulation of the Open State public policy, as a cross-cutting component to the new government's new anti-corruption policy.

Moreover, the I4I initiative resulted from the collaboration between DIDE and the Vice-presidency of Infrastructure (VIN), to ensure integrity in the supply chain of goods in the infrastructure sector for the governments, due to the sector's digitalization. In this context, the DIDE supported the Peru Office and the MEF in the development of a plan

for the implementation of the Building Information Modelling (BIM) methodology, a mechanism to digitalize the design, execution, and administration of large infrastructure projects that will enable a more efficient and transparent structuring of projects by using digital recruitment.

Data intelligence and new technologies

In order to position CAF as a leader on the subject, the content of the GovTech Platform was planned and its development started. Following are its components:

- GovTech First Regional Report (publication in 2020).
- GovTech 2020 Index to analyze the potential of the national ecosystems in the region.

- Proposal for an equity fund for the GovTech ecosystem
- Methodology and operational proposal for GovTech Labs and Public Challenges Initiatives in the region.
- Design and development of the GovTech Observatory that will provide a crowdsourcing tool to identify startups in the region (publication in 2020).
- Documentation of cases: two national ecosystems, four regional startups, and three with GovTech potential linked to innovative public purchases, public policies related to innovation, and financing mechanisms.
- Analysis of the diverse GovTech ecosystems and definition of the opportunities for CAF regarding funds, policy, and innovative public purchases.

With respect to data, CAF is a key actor in the region, providing support and participating as member of the Agenda Committee of the Regional Data Conference of Latin America and the Caribbean (Condatos), carried out in Ecuador during the month of August. In addition, a proposal was developed for the preparation of a report aimed at learning about the Value of Data in Latin America.

Initiatives and operations were also promoted through agreements and technical and financial support such as:

Design and approval of a CAF initiative for the support to open recruitments in the region. The pilot will take place in Mexico City.

Co-organization of the CAF-OECD Network Meeting on Open and Innovative Government in Cali, Colombia.

Support for the acceleration and scaling of GovTech in Colombia.

Subscription of the Framework Agreement on collaboration with PublicTechLab of the IE of Spain for the promotion of GovTech in Ibero-America.

Intelligent cities and digital municipalities

A series of studies carried out in 2019 enabled recommendations to promote the development of intelligent cities and digital municipalities in the region. The subjects addressed were related to:

- Existing and functional networks of intelligent cities.
- The role of government centers and delivery units to improve management in municipalities.
- Governance in cities in the data era.
- An identification methodology of the state of maturity regarding intelligent cities, that consists of a practical and self-applicable tool to determine the quality of the institutional strengthening, specifically in Brazil.

Likewise, the Brazil office was accompanied in the prospection of activities regarding intelligent cities and digital municipalities in loan programs (origination and administration), as is the case of the Macro Drainage and Environmental Recovery Program in the Municipality of Tres Lagoas.

³⁰ Compliance units, but with a strong political empowerment and technical capabilities



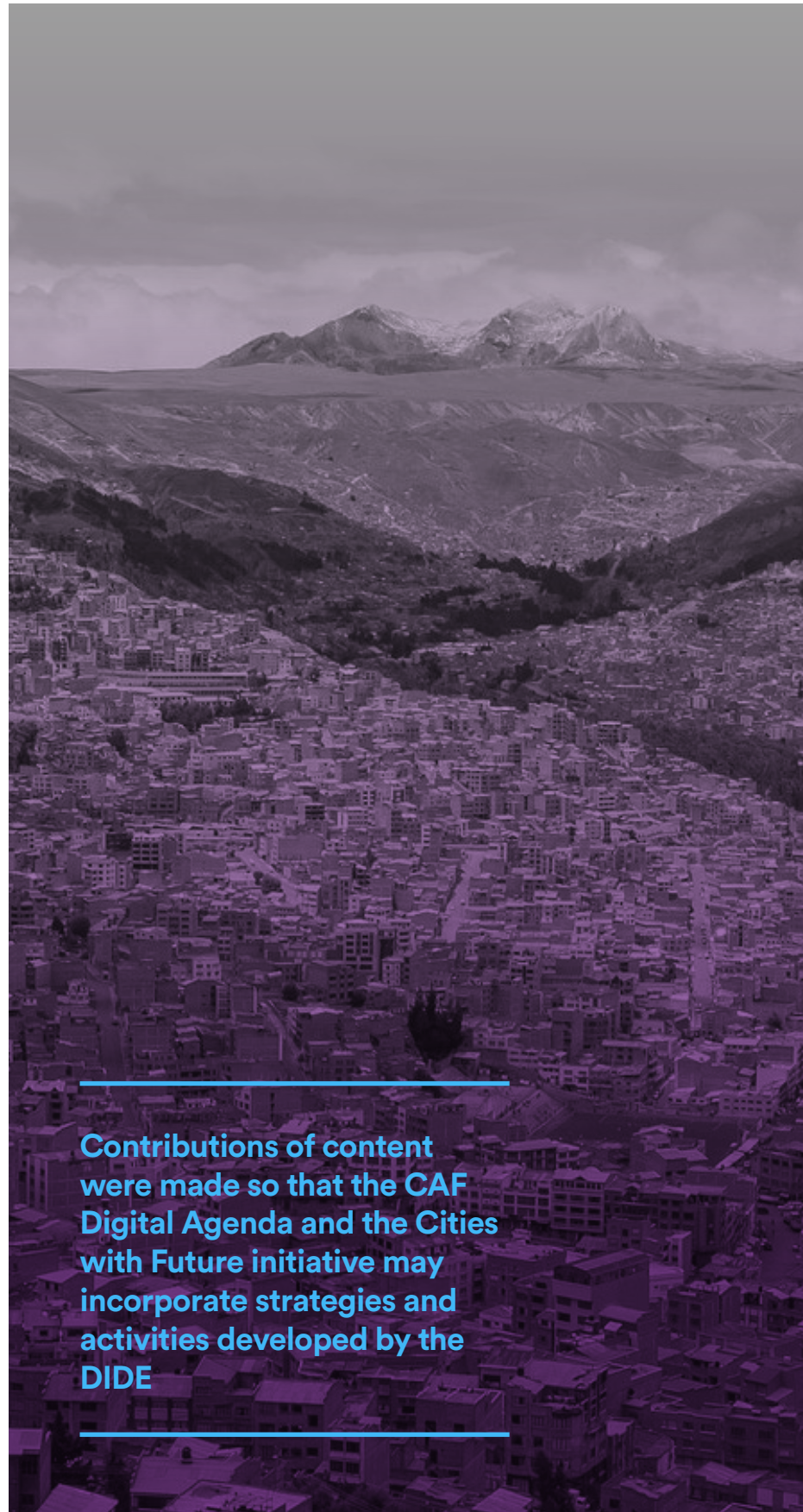
Strengthening of organizational capabilities

As the area consolidated between May and September with the incorporation of five specialists and the establishment of a team of eight staff members, DIDE began working on cross-cutting projects and generating specific content for the relations of sectoral areas and country offices.

Thus, sectoral notes were prepared during the year regarding digital transformation of the State for the specific cases of Argentina and Panama. Currently, the sectoral note on Ecuador is being prepared, and the planning of sectoral notes to be prepared by the DIDE in 2020 has been established. These documents were used as internal input by different areas at CAF, particularly the business areas and the VPP.

At the same time, contributions of content were made so that the CAF Digital Agenda and the Cities with Future initiative may incorporate strategies and activities developed by the DIDE. The DIDE specialist on intelligent cities and digital municipalities was appointed as member of the Committee.

DIDE contributed to generate and structure a loan for sectoral policies (PBL) in Mexico for USD 300 million, in collaboration with the VPP. A second PBL regarding regulatory matters is in its origination phase, requested by the Ministry of Economy and Finance (MEF) of Peru. In addition, the Direction is linked to six credit operations of the VDS, most of them relating to cities in Brazil.



Contributions of content were made so that the CAF Digital Agenda and the Cities with Future initiative may incorporate strategies and activities developed by the DIDE

Evaluation and follow-up

GRI 103-3

Starting in 2019, a control and follow-up panel was implemented at the DIDE with the objective of consolidating the information originated in the different actions and activities developed by the area, enabling the visualization of data linked to:

- Consultancies.
- Technical cooperation operations.
- Products and publications.
- Activities and events.
- Budgetary execution of DIDE's own resources.

This tool, of a collaborative nature, allows the information to be socialized among the area staff, and guarantees the possibility of following the advances of different elements that are relevant. Added to this, the panel enables a clear and simple visualization of key indicators of execution and management of projects.

The second mechanism used by the DIDE during 2019 to follow-up projects was the Weekly Team Meeting. This is carried out every Tuesday, for a two-hour period, and the area staff generates a space for exchange of ideas, consultation, and coordination. The object of this meeting is mainly related to the presentation of advances regarding the different projects and actions carried out by the area. At the same time, it has enabled the consolidation of a space for the generation of ideas and exchange of proposals, by facilitating the exchange of information between all the members of the work team.

Finally, in order to generate efficient processes with quality results, flows of internal management have been implemented for the generation, follow-up, and review of different products generated by the DIDE. Thus, the roles, functions, and times have been established to guarantee the area's good performance.



Material topic: Regional integration

Importance of border integration for the Latin American context

In general terms, integration in Latin America has been more in normative terms than economic and productive. Although the commercial treaties established with different countries of the region have reduced tariffs, there still are large non-tariff barriers that slow down the productive processes, the distribution of goods and services, and cooperation between countries. This is added to the lack of relevant value chains adjusted to the dynamics of the market and to the centralized competition in primary products that limit cooperation and the generation of value added.

At the same time, the dynamics of global trade have been changing in past years, requiring more versatility from the countries to access markets by the Pacific and the Atlantic, enabling the establishment of commercial relations with countries and organizations in different regions of the world. The context is very favorable for Latin American markets as it provides greater opportunities to strengthen SME's and

generates scenarios where it is possible to increase the value added of the offer of products from the countries of the region.

However, taking into consideration that borders are essential pillars for an efficient and sustainable integration, structural barriers are identified in Latin America that obstruct trade due mainly to high costs and delays in the transportation of goods, limitations in the access to financing for productive enterprises, particularly SME's, which results in a lack of competitive prices so that people and organizations may access imported goods.

Facing this context, a comprehensive approach of the management of borders is relevant to facilitate trade and increase the integrity and competitiveness of the region, as it leverages among other aspects, the mitigation of the impacts related with illegality and contraband, and the strengthening of productive linkages with value added to promote access to global markets and strengthen intraregional flows of trade.

Program for the comprehensive management of borders – PROGIF

CAF has defined the Program for the Comprehensive Management of Borders (PROGIF, for its acronym in Spanish) seeking to support countries in the region to respond to the current challenges in terms of integration, by adopting a comprehensive approach to the management of borders, conceived as a coordinating axis of productivity ecosystems and aimed at compliance with the following strategic objectives:

Strategic objectives

- Contribute to expand access to global markets through regional integration.
- Help promote better interregional flows that facilitate productive linkages and local development.



Norms or infrastructure alone do not solve the problem of facilitating and formalizing trade

The social circumstances at the borders prevent a sustainable economic development

Traditional governance has limits to dynamize the realities of the territory and implement joint actions

For the achievement of these objectives, a conceptual approach has been established that starts with recognizing the real characteristics of Latin American borders and the territory that circumscribes them, for the definition of strategic interventions that solve the main problems identified from a territorial point of view that integrates different sectors and actors in their execution:

- **Bottom-up approach**
 - Understand the real trade dynamics of the territory
- **Comprehensive territorial vision**
 - Mutsectoral interventions
 - Local economic development
- **Interinstitutional coordination and multi-actors**
 - Innovation in the management of action plans
 - Facilitate decentralized actions

Figure 35. Conceptual approach for the Comprehensive Management Program for the Borders. Source: Direction of Regional Initiatives

Thus, priority is given to carry out comprehensive interventions aimed at the development of infrastructure, operability of border services, strengthening of regulations and institutionalism related to the management of borders, and territorial and productive development, by means of the following action components:

Sphere of intervention	Components
Infrastructure	<ul style="list-style-type: none"> Logistic corridors ICTs Integrated border centers Basic services
Operability	<ul style="list-style-type: none"> Customs Sanitary and migratory processes Logistic services Institutional strengthening and capabilities
Regulations	<ul style="list-style-type: none"> Border National Plans Special Economic Zones Standardization of processes
Territorial and productive development	<ul style="list-style-type: none"> Land-use planning Socio-productive development Social programs Strengthening of the local private sector

Table 56. Operational approach for the Program for the Comprehensive Management of Borders. Source: Direction of Regional Initiatives

Additionally, for its development five axis of regional integration have been prioritized, which jointly include 41,120 Km., 36 borders and 18 countries of the region:

- Andean axis : Peru, Ecuador, Colombia, and Venezuela.
- Central interoceanic axis: Peru, Bolivia, and Brazil.
- Paraguay – Paraná Waterway Axis : Peru, Bolivia, Paraguay, and Argentina.
- Mercosur Axis : Chile, Argentina, and Uruguay.
- Mesoamerican Axis : Mexico, Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama.



Figure 36. Territorial Approach PROGIF. Source: Direction of Regional Initiatives

This strategy seeks the intervention in different territorial spheres from different action focuses and cross-cutting programs aimed at the consolidation of regional integration schemes.

- At a local level: interventions are prioritized in the infrastructure, social development, and urban development sectors.
- At a sub-national level: the prioritized actions are aimed at productive strengthening and development.
- At a national / binational level: mechanisms aimed at the development of infrastructure, regulatory consolidation, and strengthening of the operability at the borders.
- At a regional level: seeks to achieve regional integration schemes that leverage the competitive insertion in global markets and improvements in intraregional flows.

Territorial sphere



Local

Subnational

National/
regional

Regional

Sectors

Infrastructure
+
Social development
+
Urban development

Productive
development

Infrastructure
+
Regulation
+
Operability

Integration
schemes

Programs

Cities with future

Customs

Social innovation

Productive development

Institutional Management ICTs

Logistic corridors

Figure 37. Cross-cutting sectors and territorial scale (PROGIF) Source: Direction of Regional Initiatives

A consolidated portfolio of regional integration projects was reached in 2019 for USD 4,049 million, corresponding to 15% of CAF's total consolidated portfolio at the close of the year.



Strategic program: Logistic Integration Corridors



Objectives

Identify specific opportunities to structure and implement projects aimed at **improving productivity and dynamize physical and functional integration**, as well as the infrastructure of the cities in the areas of influence of the corridors

Contribute to the **origination phase of financing operations** for integration infrastructure projects

Development

Preliminary activity
Prioritization of the Corridors for the Analysis

A. Design and preparation of the intervention
(Short-term activities = 6 to 12 months)

B. Accompaniment and Financing
(Medium and long-term activities > 1 year)

Phase 1
Structuring of the corridor

Intermediate coordination activity
Framework agreements with country counterpart

Financing and implementation management
In charge of counterpart country

1A Functional structuring of the corridor

Phase 2
Implementation in Logistic Development Spheres

Phase 3
Implementation of project

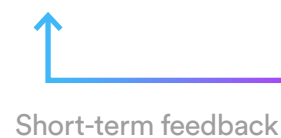
1B Guidelines for Intervention In Logistic Development Spheres (ADL, for its acronym in Spanish)

2A Priority Programs developed for the ADL

3A Promotion of investments and

2B Structuring of Prioritized Projects

3B Execution of the projects



Results

Two pilot applications of the CAF methodology for the analysis of Logistic Integration Corridors during 2018.

CLI Argentina → USD 95,700

CLI Ecuador → USD 78,800

Figure 38. Results Logistic Integration Corridors

The projects prioritized by the application of this methodology are structured and prepared for financing through the Program for Pre-investment of Regional Integration – CAF PPI.

Pre-investment program for regional infrastructure – CAF PPI

Support for the development of integration infrastructure in Latin America is only one of the main pillars of CAF's working agenda with its member countries. In this respect, at the close of 2019 CAF financed 83 infrastructure projects for integration, which total an investment of USD 31,497 million, including USD 11,876 million with CAF's direct financing.



Breakdown of integration infrastructure projects financed by sector

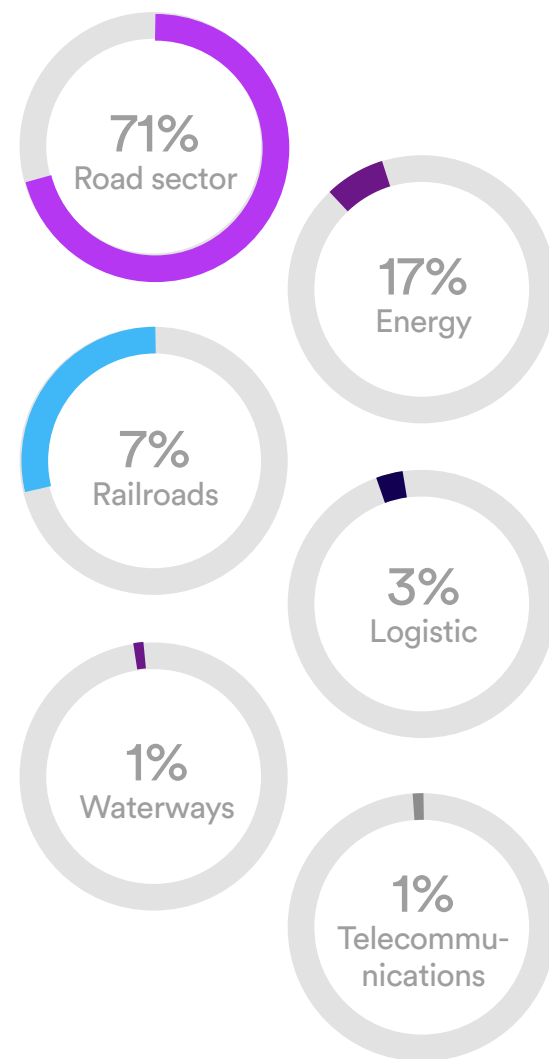


Figure 39. Breakdown of integration infrastructure projects by sector

From a renewed strategic perspective, CAF promotes physical, functional, and digital integration, in the region, through financing and support for the execution of high-quality integration infrastructure projects. This approach requires institutional efforts to

invest in strengthening the response capability to serve the countries with greater speed, flexibility, and comprehensiveness in its operations.

To this effect, at the end of 2017 the Board approved the **Program for Pre-investment in Infrastructure (CAF-PPI)**, with the objective of financing the development of tasks to support member countries regarding pre-investment design, formulation, and analysis for integration infrastructure projects that support the economic and social development of the region, in line with the initiatives prioritized in the application of the methodology of Integration Logistic Corridors.

The program has non-reimbursable technical cooperation resources for **USD 20 million³¹**, aimed at covering the following specific objectives:

- Promote and support the execution of regional infrastructure projects aligned to the interests of shareholder countries.
- Support the implementation of the planning actions that enable the achievement of integration projects in the different economic and social infrastructure sectors, that are prioritized by the countries of the region.
- Attract the interest of regional and extra regional entities and institutions to finance projects, increasing the offer of resources and transfer of knowledge.

CAF's member countries may request resources from this program for the development of projects that comply with the following eligibility requirements:

- Be included in the framework of one of the infrastructure integration activities of the region.
- Be a priority within the country's programmatic plan.
- Show consistency with CAF's country and regional strategy.
- Count on CAF financing or have a source of financing identified at the time the study begins.

Each financing granted by the CAF PPI Program may be up to USD 3 million, and countries may not receive allowances for one or more projects that jointly exceed 30% of the total resources that CAF contributes to the program in all its phases.

The promotion of the program started in 2018, and 10 countries were visited, after which five applications were received from Argentina, Bolivia, Chile, Panama, and Paraguay. At the close of 2019, four of those applications were approved, and the respective technical cooperation operations are under way.

³¹ Of this amount, USD 10 million correspond to the first stage, allocated in December 2017 and USD 10 million to the second stage, allocated in March 2018

2019 Results

In the framework of this program, the formalization of two technical cooperation operations for Bolivia and Chile were achieved during the year, for a total amount of **USD 6 million**. Since 2018, resources for **USD 8.56 million** were approved, corresponding to 85% of the amount assigned in the first stage of the program.



Figure 40. Resources assigned from the CAF PPI Program

With the development of these projects, it is expected that the following benefits and impacts will materialize:

Project	Expected benefits
Integration Project Submarine Cable Asia/Pacific	<ul style="list-style-type: none"> Lower costs for data transportation through greater competition in the offer of International Wide Band. Greater quality in the offer of International Wide Band (less latency). Improvement of the potential to locate digital businesses -increase of competitiveness and productivity of digital businesses. Promote digitalization in productive processes; facilitation of the development of new digital tools and productive policies "Industry 4.0"

Project	Expected benefits
Railroad Bi-Oceanic Integration Corridor (CFBI)	<ul style="list-style-type: none"> Contribution to perfect the systems and networks for the interconnection of transportation infrastructure in Bolivia and at a regional level, favoring the advance toward the construction of productive value chains. Transportation of 15.3 million tons to reach 34.6 million tons per year, including: agricultural production toward the Pacific ports; mining production toward the Paraguay-Parana Waterway and the Atlantic; imports of manufactured products, equipment, and fuels.

Table 57. Benefits expected from projects financed by the PPI CAF 2019

With respect to its execution, during the year the following studies were initiated, reaching a level of 56% of the funds under execution:

- Integration Project Submarine Cable Chile-Asia/Pacific:** Feasibility Study of the project, started in October 2019.
- Transchaco Route 9 Logistic Integration Corridor:** Engineering design studies which started in November 2019; and Road Security Audit which started in November 2019.
- Regional Integration Project Digital Hub in Panama (R-IXP):** Feasibility studies, initiated in July 2019.
- Railroad Bi-Oceanic Integration Corridor:** since the subscription of the agreement in October 2019, advances have been made in the definition of the terms of reference for the contracts of engineering design studies.

In order to provide a timely and effective follow-up to the operations of the program, a Control and Follow-Up System has been designed which is customized to the program. In it, the different landmarks achieved in each case are registered, both in terms of results as well as disbursements. This enables a clear overview of the state of the funds and deadlines for each Project, as well as compliance with the proposed goals.



GRI Content Index

Standard GRI	Contents	Location
	Organizational profile	Page
GRI 102: General Disclosures	102-1 Name of the organization	9
	102-2 Activities, brands, products, and services	10, 11
	102-3 Location of headquarters	9
	102-4 Location of operations	9
	102-5 Ownership and legal form	30, 31
	102-6 Markets served	10, 11
	102-7 Scale of the organization	12, 13, 14, 15
	102-8 Information on employees and other workers	54, 55, 56
	102-9 Supply chain	66, 67
	102-10 Significant changes to the organization and its supply chain	30
	102-11 Precautionary Principle or approach	45 - 49
	102-12 External initiatives	19 - 21, 96, 97
	102-13 Membership of associations	19 - 21

Standard GRI	Contents	Location
GRI 102: General Disclosures	Strategy	
	102-14 Statement from senior decision-maker	5, 6, 7
	Ethics and integrity	
	102-16 Values, principles, standards, and norms of behavior	31, 32, 33
	Governance	
	102-18 Governance structure	28, 29
	102-19 Delegating authority	28, 29
	Stakeholder engagement	
	102-40 List of stakeholder groups	21
	102-41 Collective bargaining agreements	64
	102-42 Identifying and selecting stakeholders	21
	102-43 Approach to stakeholder engagement	22, 23
	102-44 Key topics and concerns raised	25

Standard GRI	Contents	Location
GRI 102: General Disclosures	Reporting practice	
	102-45 Entities included in the consolidated financial statements	CAF - Latin America development bank
	102-46 Defining report content and topic Boundaries	23, 24
	102-47 List of material topics	25
	102-48 Restatements of information	There was no place for restatement of information from previous periods
	102-49 Changes in reporting	For this Report, the methodological criteria of the GRI Standards are maintained, which have been refined to identify and parameterize indicators that allow evidence of the contribution to sustainable development of CAF
	102-50 Reporting period	2019
	102-51 Date of most recent report	Published in 2018, for the period 2017-2018

Standard GRI	Contents	Location
GRI 102: General Disclosures	Reporting practice	
	102-52 Reporting cycle	Starting this year, the Sustainability Reports will be presented on an annual basis.
	102-53 Contact point for questions regarding the report	Any concern or request for additional information can be communicated to Nina Bastos, Chief Executive of the Directorate for Sustainability, Inclusion and Climate Change, at email nbastos@caf.com
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Essential Option
	102-55 GRI content index	249
	102-56 Vexternal assurance	The report was not subject to external verification. The information is secured internally through procedures specific to each area. The principles of report quality were applied

Standard GRI	Contents	Location
Material topic: Transport, telecommunications, energy, logistics and integration infrastructure		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	79,78
	103-2 The management approach and its components	81 - 83
	103-3 Evaluation of the management approach	98,99
GRI 203: Indirect economic impacts	203-1 Infrastructure investments and services supported	84
Own indicators	VIN-1 Approved credit operations in infrastructure	84, 85
	VIN-2 Technical cooperation approved in infrastructure	86, 87, 88
Material topic: Improving productivity and competitiveness of the private sector		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	100, 102
	103-2 The management approach and its components	102 - 105
	103-3 Evaluation of the management approach	105

Standard GRI	Contents	Location
Own indicators	VSP-1 Approved credit operations for the private sector	106, 107
	VSP-2 Technical cooperations approved for the private sector	108, 109
	VSP-3 Results of the financial inclusion program	104, 105
Material topic: Equity and sustainable development		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	122, 123
	103-2 The management approach and its components	127 - 130
	103-3 Evaluation of the management approach	131 - 133
Own indicators	VDS-1 Cities with a Future - Credit operations and technical cooperations approved	122, 123
	VDS-2 Water Security - Credit operations and technical cooperations approved	127 - 130
	VDS-3 Quality Education - Credit operations and technical cooperations approved	131 - 133

Standard GRI	Contents	Location
Own indicators	VDS-4 Gender Inclusion and Equity - Credit operations and technical cooperations approved	134
	VDS-5 Child Health and Nutrition - Credit operations and technical cooperations approved	139
	UIEG-1 Main results of the Strategic Plan for Gender Equity (PEEG)	136, 137
	IS-1 Results of Social Innovation	145 - 147
Material topic: Green and resilient to climate change economies		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	171, 172
	103-2 The management approach and its components	173, 174
	103-3 Evaluation of the management approach	175
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	195 - 197
	305-2 Energy indirect (Scope 2) GHG emissions	195 - 197
	305-3 Other indirect (Scope 3) GHG emissions)	195 - 197

Standard GRI	Contents	Location
GRI 306: Effluents and waste	306-2 Waste by type and disposal method	193 - 194
GRI G4 Financial Services Sector Disclosures	FS-8 Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	175
Own indicators	UCCOV-1 Percentage of Green Operations	175
	UCCOV-2 Distribution of Approved Green Operations	176
	UCCOV-3 Number of projects in the management process wit green and environmental funds	177
	UCCOV-4 Green financing approved projects	178
	UNV-1 Main results of the UNV in the framework of CAF operations	176
	UNV-2 Main results of the UNV in the framework of the GEF	177 - 179
	UNV-3 Main results of the UNV in the framework of monitoring and verification of compliance with green criteria and baseline studies for the structuring of new operations and / or projects	187 - 190

Standard GRI	Contents	Location
Own indicators	UNV-4 Main results of the program to support Financial Institutions in the application of environmental risk management and climate change practices (former PGASIF)	189
Material topic: Economic and financial sustainability		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	198
	103-2 The management approach and its components	200
	103-3 Evaluation of the management approach	202
Own indicators	DPFEI-1 Financial liabilities	200
	DPFEI-2 Credit Ratings	202
	DRFI-1 Approvals associated with syndications	207
	DRFI-2 Portfolio Sale	207
	DRFI-3 Lines of Credit with Development Agencies	205, 206
	DRFI-4 Nonreimbursable Resources with Development Agencies	205
	DRFI-5 Co-financing with Development Agencies	204

Standard GRI	Contents	Location
Material topic: Economic and financial sustainability		
Own indicators	DFCD-1 Total approvals of operations in technical cooperation by Fund	208, 209
	DFCD-2 Distribution of approvals by SDG	210
	DFCD-3 Technical Cooperation Fund	211
	DFCD-4 Human Development Fund	212
	DFCD-5 Third-party resources for development cooperation	213 - 216
Material topic: Digital transformation and public innovation		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	219
	103-2 The management approach and its components	220 - 222
	103-3 Evaluation of the management approach	233
Own indicators	DIDE-1 Credit operations and technical cooperations approved	222, 224
	DIDE-2 Main advances by action axis	225 - 232

Standard GRI	Contents	Location
Material topic: Regional integration		
GRI 103: Management approach	103-1 Explanation of the material topic and its Boundary	235
	103-2 The management approach and its components	236 - 241
	103-3 Evaluation of the management approach	247
Own indicators	CLI Integration logistics corridors	243
	PPI Regional infrastructure preinvestment program	243 - 247
Other internal performance indicators		
GRI 202: Market presence	202-1 Ratios of standard entry level wage by gender compared to local minimum wage	59
GRI 204: Procurement practices	204-1 Proportion of spending on local suppliers	67
GRI 401: Employment	401-1 New employee hires and employee turnover	60, 61
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	62 - 64

Standard GRI	Contents	Location
GRI 404: Training and education	404-1 Average hours of training per year per employee	64, 65
	404-3 Percentage of employees receiving regular performance and career development reviews	65
GRI 405: Diversity and equal opportunities	405-1 Diversity of governance bodies and employees	57 - 59
	405-2 Ratio of basic salary and remuneration of women to men	60
GRI 418: Customer privacy	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	44
Own indicators	DGR-1 Specific actions to support risk management	37, 38
	PDLA Specific actions to prevent money laundering	51
	DEIAP-1 Impact Assessment Projects	76
	DEIAP-2 Impact of impact evaluations on public policies	76, 77
	SGCN-1 Main results of the business continuity management system	39 - 44
	AI Specific internal audit actions	52 - 54
	GC Knowledge management activities by scope and material topic	71 - 75

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