

2009

**ANNUAL
REPORT**

CAF

2009

ANNUAL REPORT



FINANCING DEVELOPMENT • LATIN AMERICA



1970

Bolivia (1970)
Colombia (1970)
Ecuador (1970)
Peru (1970)
Venezuela (1970)

1990-1997

Bolivia
Colombia
Ecuador
Peru
Venezuela
Mexico (1990)
Brazil (1992)
Chile (1992)
Trinidad & Tobago (1994)
Panama (1997)
Paraguay (1997)
Jamaica (1999)



2001-2009

Bolivia
Colombia
Ecuador
Peru
Venezuela
Mexico
Brazil
Chile
Trinidad & Tobago
Panama
Paraguay
Jamaica
Argentina (2001)
Uruguay (2001)
Costa Rica (2002)
Spain (2002)
Dominican Republic (2004)
Portugal (2009)

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

The Institution serves both the public and private sectors of the economy, providing a wide variety of products and services to a broad portfolio of clients that include the governments of shareholder countries as well as public and private companies and financial institutions. Social and environmental variables are deemed key in the Institution's management policies, including ecoefficiency and sustainability criteria in all of its operations. As a financial intermediary, CAF allocates resources from industrialized countries to Latin America, serving as liaison between the region and international capital markets, and promoting business and investment opportunities.

Message from the Executive President 9

1 Financial highlights 10

2 Highlights 12

3 Economic overview and regional integration 15

4 Operations 29

Approvals 32

Disbursements 37

Portfolio 38

Cooperation funds 40

Shareholder countries 44

5 CAF's Agenda for Comprehensive Development 126

Infrastructure agenda 131

Social development agenda 139

Social sustainability agenda 143

Environmental agenda 145

Competitiveness, international insertion, and public policies agenda 149

TABLE OF CONTENTS

- 6 Regional promotion and dissemination of knowledge 157**
Internal organizational management 171
- 7 Special report: regional disparities and local economic development:
toward a new leading role for cities and regions 173**
- 8 Management's discussion and analysis of financial condition 189**
- 9 Audited financial statements 199**
Management's Report on the Effectiveness of Internal Control
over Financial Reporting 201
Independent Accountants' Report on Management's Assertion
on Effectiveness of Internal Controls over Financial Reporting 202
Independent Auditors' Report 203
- Governing bodies 200**
Board of Directors 201
Executive management 202
Products and services 203
Head and country offices 206



L. Enrique García
Executive President

MESSAGE FROM THE EXECUTIVE PRESIDENT

I am pleased to present the Annual Report and audited financial statements for the year 2009.

CAF played a critical role in the region this year in response to the international financial crisis. This was evidenced by a new record level of loan approvals, as well as the significant support provided to shareholder countries through rapid disbursement operations and contingent lines of credit. Additionally, we intensified our support to the private and public financial systems in the region, while also supporting each government's own anti-crisis strategy.

With a view toward strengthening this important anti-cyclical capability and supporting our growing presence in Latin America, CAF's Board of Directors and Shareholders' Assembly unanimously approved, in record time, a capital increase of USD 2.5 billion which will double paid-in capital. This decision is additional to the ongoing USD 1.5 billion capitalization process subscribed by Argentina, Brazil, Panama, Paraguay and Uruguay to become Series A shareholders. This means that CAF will receive approximately USD 4 billion in capital payments in the years to come. Also worthy of note is that Portugal became CAF's second shareholder country from the European Union.

In a very complex international scenario, it is noteworthy that CAF achieved highly satisfactory financial results and its credit ratings were ratified by the major rating agencies. This enabled CAF to undertake a number of bond issues, including the largest single placement in its history, despite the global financial crisis.

These results evidence the dynamic evolution of our Institution in recent years, and positions us to successfully address the challenges in a continuously changing environment. For these reasons, CAF's 40th anniversary is a propitious occasion to reflect upon the future of Latin America, our place in the global scenario and our own supportive role as one of the leading development banks in the region.

These results would not have been possible without the unwavering support of the governments of our shareholder countries, the Board of Directors, and the dedication and commitment of our staff. I would like to express my sincere gratitude to all of them.



L. Enrique García
Executive President

(in millions of USD)

	Total assets	Liquid assets	Investment and loan portfolio
2009	15,887	3,685	11,772
2008	14,212	3,221	10,259

1

FINANCIAL HIGHLIGHTS

(in millions of USD)	Paid-in capital	Total shareholders' equity	Net income
2009	2,486	5,287	235
2008	2,176	554	311

-
- **Significant capital increase of USD 2.5 billion that will double the paid-in capital of the Institution.**
-
- **Record level of approvals (USD 9.17 billion), a 15.4% increase over the previous year. Other approvals totalled USD 37 million, mainly for non-reimbursable operations.**
-
- **Decisive anti-cyclical role through rapid disbursement loan approvals and contingent credit lines to shareholder countries, as well as by strongly supporting both the public and private financial systems (55% of total approvals).**
-
- **Total assets: USD 15.8 billion; liquidity: USD 3.6 billion; shareholders' equity: USD 5.3 billion; and net income: USD 235 million.**

2

HIGHLIGHTS

- **Highly satisfactory financial ratios regarding portfolio quality, liquidity, profitability and administrative efficiency.**
- **Reaffirmation of the Institution's credit ratings, despite an adverse international financial environment; recognition of its credit quality as one of the major development banks in Latin America.**
- **USD 1 billion bond issue in the U.S. market, the largest in CAF's history; significant expansion into Latin American capital markets.**
- **Portugal becomes CAF's second shareholder country from the European Union.**

3

ECONOMIC OVERVIEW AND REGIONAL INTEGRATION

International environment: recent evolution and prospects

Financial, basic goods, and
foreign exchange markets
Emerging markets

Latin America: recent evolution and prospects

Real sector
External sector
Fiscal accounts
Monetary and exchange rate policies
Competitiveness and business environment

Regional integration

INTERNATIONAL ENVIRONMENT: RECENT EVOLUTION AND PROSPECTS

The second quarter of 2009 showed the first signs of a global economy in a slow recovery phase after having touched bottom. Undoubtedly, the policies of fiscal incentives implemented in the largest developed countries, together with an expansive monetary policy, are contributing to this result. In fact, stock markets in the industrial economies show a positive performance, as well as a reduction in the volatility of the papers traded in those markets. In addition, a reduction of risk premiums in credit markets can be perceived, and the expansion of world demand, boosted mainly by the growth of China, is already reflected on increasing raw material prices, especially minerals.

In addition, the collapse of international trade stopped, the real estate market in the United States shows signs of improvement, and industrial production in developed economies has turned up after showing negative figures for close to one and a half years. These signs are reinforced by a slight increase in confidence of European and United States consumers, although unemployment levels are still high, limiting the expansion of aggregate demand.

The emerging economies lead the recovery of the world economy due to their fast growth, where China's dynamism stands out. Undoubtedly, the fiscal stimulus implemented by the Chinese government had a significant impact on the acceleration of the GDP growth, the recovery of imports, and the positive impact on aggregate demand. In fact, an indicator which is commonly used to take the pulse of the Chinese economy, the sale of vehicles, shows an accelerated growth starting in early 2009.

Nevertheless, it can be expected that the recovery of the world economy will be slow and will probably not return to the dynamic levels observed before the crisis. In this sense, it is expected that global growth will progressively return to positive terrain even if there are still some risks, mainly related with problems remaining in the international banking system, the recovery of credit, and the possible effects of the macroeconomic policies implemented by the industrialized economies to deal with the crisis.

One of the most important concerns regarding the sustainability of the economic recovery refers to the possible future effects of the monetary expansion and the fiscal stimulus packages implemented by the principal economies. From the start of the crisis, the central banks of industrialized economies acted aggressively reducing interest rates and providing liquidity to banks with difficulties. The consequence of this was a substantial increase in the assets held by the mone-

tary authorities of industrialized economies. In addition, several multilateral organizations increased their flows of resources toward the principal economies of the world, where the allocation of Special Drawing Rights (SDRs) by the International Monetary Fund (IMF) for the equivalent of close to USD 280 billion stands out. Almost USD 100 billion of that was allocated to emerging economies.

This massive expansion of liquidity has generated concern regarding the future inflationary consequences. Nevertheless, central banks possess a series of instruments that allow them to absorb excess liquidity to mitigate the pressure on prices. In any case, while there is an excess of productive capacity, there should not be any inflationary pressures.

In the fiscal area, the long term effects appear to be more complicated to resolve. Due to the massive injection of public resources in the principal industrialized economies to alleviate the effects of the crisis, the fiscal and debt positions of those economies deteriorated sharply. At the same time, developed economies show low savings rates and a gradual aging of the population, thus reducing the capacity to generate the resources necessary to repay the debt and improve the fiscal accounts.

This could lead to a significant fiscal adjustment in the future. Another risk to be taken into consideration, which could adversely affect the international economic recovery, is the effect of new banking regulations and the consequences of the world financial crisis. On the one hand, it is important that regulatory changes aimed at making financial institutions more secure do not slow down the recovery of credit. On the other hand, as a consequence of the crisis, banks have hardened their credit standards, making access more difficult, and could encumber the growth of aggregate demand. In addition, it is essential to solve the problems of excess leverage of families and businesses —especially in the United States— and finalize the reorganization of the global financial systems.

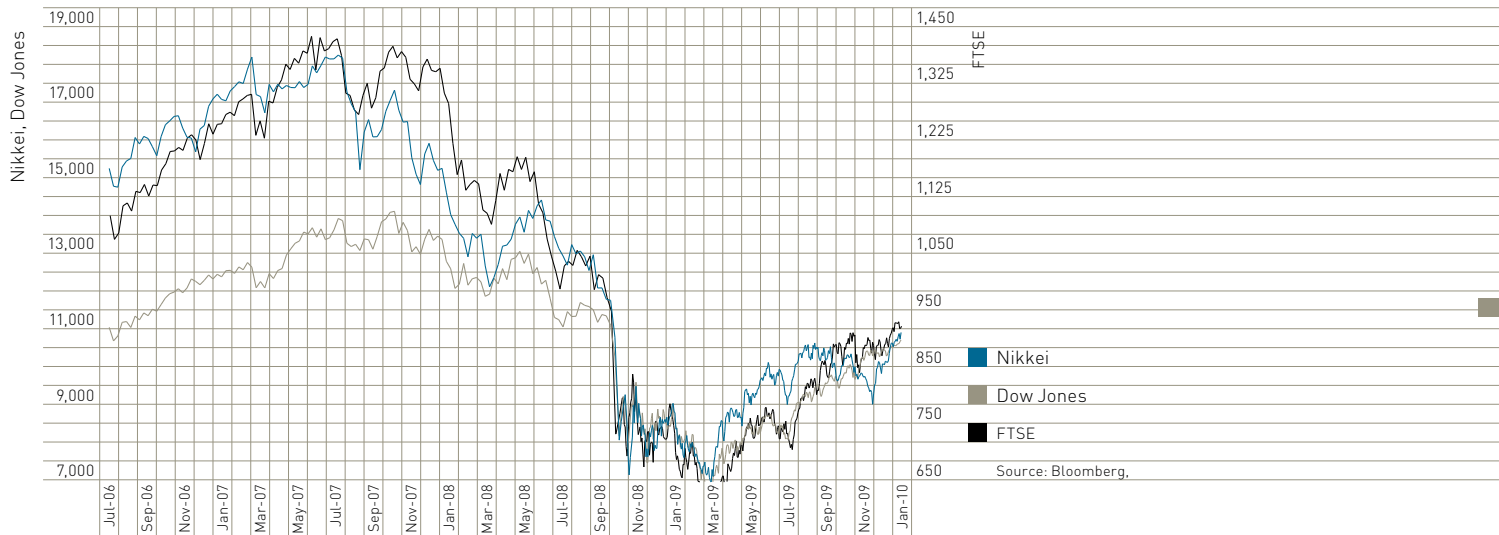
Financial, basic goods, and exchange markets

Calm progressively returned to financial markets starting in March 2009, on the basis of the continuity of the accommodative monetary policies which have guaranteed the reduction of the real interest rates and a return of the appetite for risk. The thawing of credit markets brought with them a reduction in the demand for the extraordinary liquidity facilities provided by central banks.

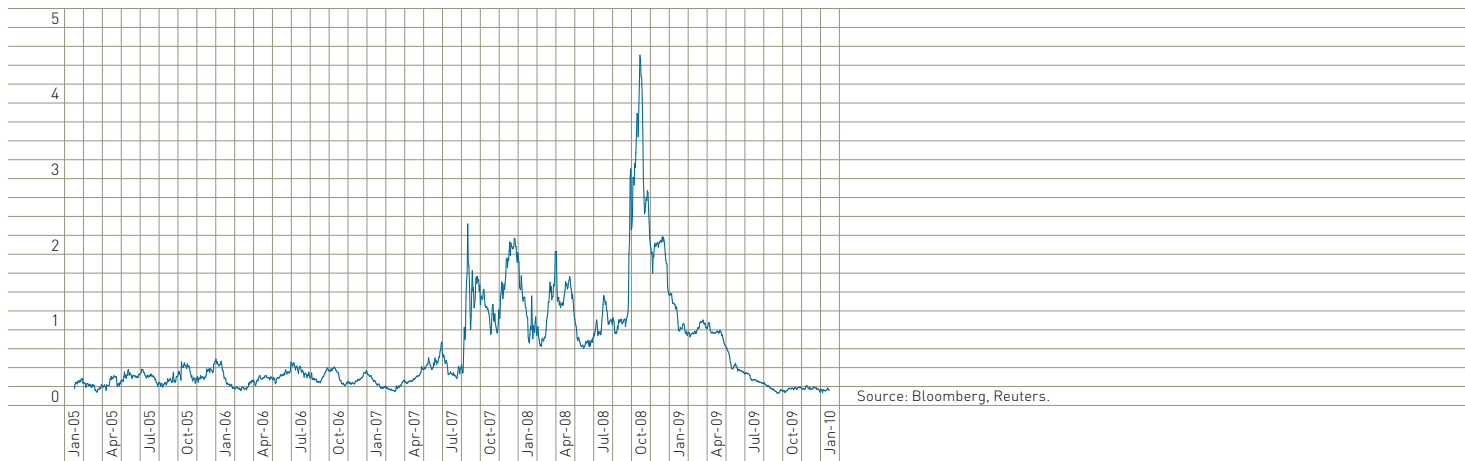
In line with a lower risk perception in the credit markets, spreads progressively narrowed at all levels (corporate, sovereign, the TED spread, and the spread between LIBOR and the policy rates). In many cases, the spreads even converged toward the levels prevailing prior to the Lehman Brothers' bankruptcy.

Market prices of basic goods advanced significantly due to improvements in the fundamentals of supply and demand, the reestablishment of flows in financial markets, and the fluctuations of the U.S. dollar. Industrial metals (lead, copper,

Graph 1. **Stock markets**



Graph 2. **TED SPREAD** (difference between LIBOR interest rate and US Treasury Bond)



and aluminum) benefited from the increase in Chinese demand for construction supplies, while agricultural goods continued to face a stable demand.

Nevertheless, energy products took the lead in the recovery. After being close to USD/b 40 in February of 2009, the Brent and WTI crude indicators closed the year above USD/b 70. It should be noted that a new rise in energy prices could undermine the global recovery as it reduces consumer's disposable income and increases production costs in some sectors.

The indexes of the main stock exchanges started to gain terrain in March 2009, in the most prolonged expansion since the beginning of the crisis. Markets benefited from the renewal of the appetite for risk, based on the progressive appearance of signs of recovery in global economic activity and on the improvement of conditions in credit markets. In addition, there was a reduction of volatility.

After the financial panic unraveled in October 2008, the dynamic of the dollar has been marked, to a great extent, by its function as a reserve currency. In this sense, the movements and volatility of the dollar have responded more to the

evolution of the appetite for risk than to economic fundamentals in the United States, which has affected the behavior of other currencies. Nevertheless, the weakening of the public finances in the United States has the potential to weaken the dollar in the medium term. Faced with these prospects and in view of recent volatility, some emerging countries have proposed a more active use of other currencies both as a reserve asset and for trade. Nevertheless, the viability of these initiatives is limited by the relative scarcity of alternative means of payment compared with the amounts currently in use.

Emerging markets

After the sharp setback associated with the collapse of international trade and the credit restrictions, starting in the second half of 2008, the monetary and fiscal stimulus packages supported the rebound of activity in emerging Asia starting in the second half of 2009. China led the recovery followed by India. The rebound of their imports also contributed to the improvement of intra-regional trade.

The indicators of industrial production, exports, and sales suggest that China came close to the 8% growth target at the close of 2009, through an ambitious fiscal stimulus program of close to USD 586 billion and aggressive reductions of interest rates to stimulate domestic demand.

Although in more modest proportions, the other Asian countries implemented stimulus plans along the same lines, with positive results in the level of activity. Nevertheless, the economies that are more dependent on exports (Korea, Hong Kong, Malaysia, Singapore, and Thailand) could not compensate for the collapse of external demand and closed the year with negative growth figures.

In China, it is estimated that most of the growth comes from the expansion of public investment. Despite the acceleration of credit and the introduction of subsidies for purchases of certain goods, the contribution of private consumption to growth was limited.

In the case of emerging Europe, growth also showed signs of recovery in the second quarter of 2009. After the stabilization of the financial systems, production levels started to increase. Nevertheless, the severe decline in the economies most affected by the liquidity rationing of last year (Hungary, Czech Republic, and Ukraine) caused economic contractions for the year as a whole.

LATIN AMERICA: RECENT EVOLUTION AND PROSPECTS

Although the region was better prepared than in the past to face a crisis of this nature, and at some point it was thought that it would be immune to the crisis, the fact is that the impact was much stronger than anticipated. In fact, the reduction of exports, the fall of remittances, the decline of capital flows (especially direct foreign investment), and the difficulties to access credit, had a significant impact on growth. Nevertheless, the possibility that several countries in the region had of implementing countercyclical fiscal policies and relax monetary policy, added

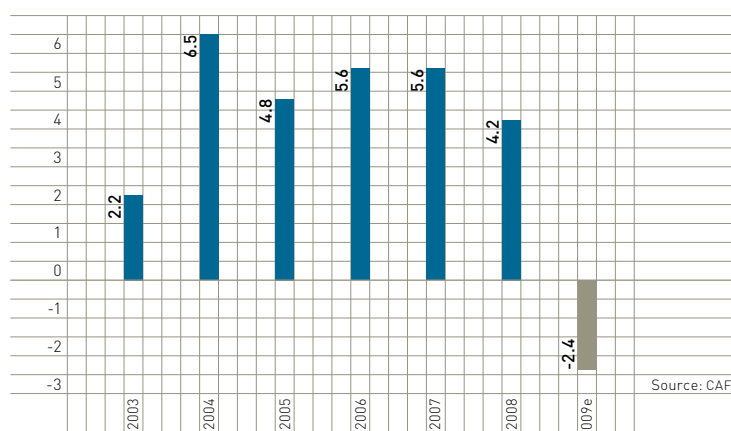
to the prompt recovery of China, which brought with it an increase in prices of raw materials, leading to moderately positive prospects for the region.

Real sector

The strong fall of international trade and the reduction of raw material prices during the early months of 2009 resulted in an important contraction in Latin American exports. This led to the weakening of industrial production and employment, adversely affecting internal demand. Nevertheless, both the recent recovery of global trade, as well as of the terms of trade is positively changing the output and employment trend. In fact, industrial production and sales started to expand again in some countries.

It should be noted that the change in the trend is led by Brazil, a country that has surprised the markets due to its prompt recovery. The role of Chinese demand has been essential as this country has turned into one of Brazil's main trading partners. Taking into account the size of the economic contraction and the projected slow recovery of the industrial economies, it is expected that the region will grow at average rates below those of the past five years.

Graph 3. GDP growth in Latin America



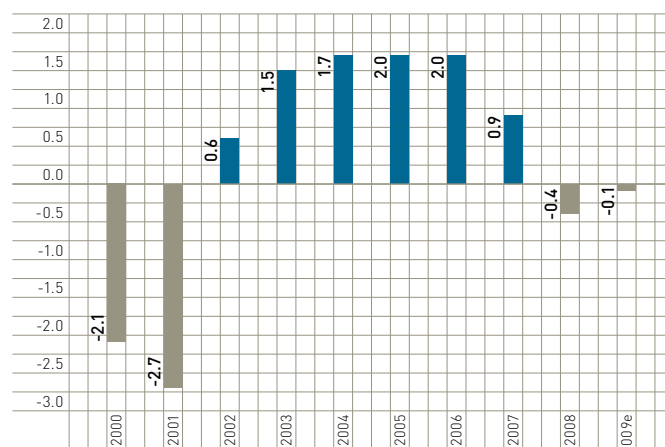
External sector

Due to the high degree of openness of the Latin American economies, one of the main impacts of the international crisis was the strong external shock which led to a reduction of the world demand, and which in turn, negatively affected the export volumes of the region. In addition, the terms of trade deteriorated leading to a strong fall in the value of exports. In most countries, the strong recession also resulted in a reduction of imports, so that the impact of the reduction of exports in the current account was partially mitigated.

At the same time, remittances, which in some cases have turned into an important source of external financing, fell as a result of the international recession. Something similar occurred with the flows of direct foreign investment, which in some countries have been a key element in financing the current account deficit. The beginning of the recovery of the world economy and the recent rebound of

raw material prices make it likely that export earnings will increase. It is also expected that flows of remittances and direct foreign investment will recover slowly, improving the external position of the region.

Graph 4. Latin America: current account/GDP



Source: CEPAL, CAF.

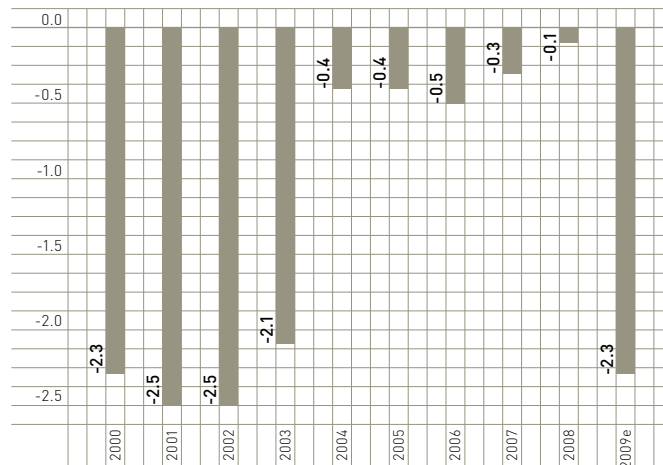
Fiscal accounts

In response to the crisis, most countries in the region adopted counter cyclical fiscal measures. The extent of the policies varied according to the soundness of the fiscal position prior to the crisis, and the savings generated during the prosperity of recent years. Countries where the fiscal improvements were mainly associated to cyclical factors, or did not save enough, had less room to maneuver.

As expected, the policies of fiscal stimulus are quickly leading to a deterioration of fiscal balances in the region. The consequences of the stimuli on the medium term sustainability of debt will depend on the soundness of the structural balance, as well as on the level of development of local credit markets. This is due to the fact that most of the countries turned to domestic debt markets to satisfy their financing needs as the international economic environment was characterized by a reduction of credit and high levels of external indebtedness by the industrialized economies.

One of the main challenges of the fiscal authorities will be to implement a sustainable medium and long term debt strategy, which will enable them to deal with the higher financing needs that come with the fiscal deterioration. In this sense, the role of official financing, specially from multilateral organizations, will be key to partially substitute for the flows of private financing which will continue to be limited due to the difficulties faced by the financial systems of the advanced economies.

Graph 5. **Latin America: fiscal outcome** (% of GDP)



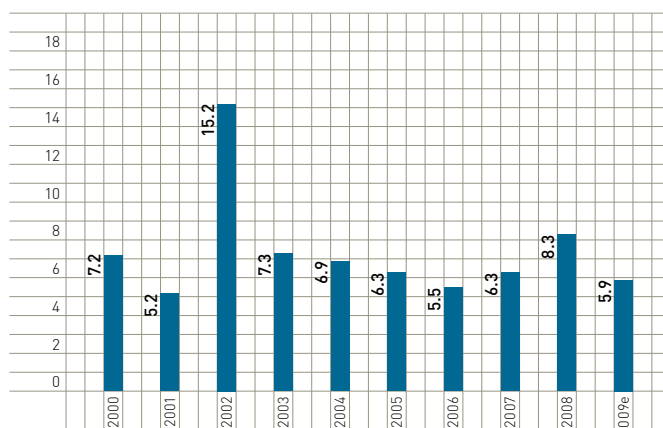
Source: CEPAL, WEO, CAF.

Monetary and exchange rate policies

The inflationary pressures registered before the crisis quickly eased in the economies of the region. Initially, the weakening of demand and the fall in the price of foods and basic goods compensated the effect of the strong currency depreciations. The recent loss of value of the dollar with respect to other currencies, together with below potential activity levels, contributed to the containment of prices.

It should be noted that during the crisis period, most central banks in the region enjoyed high levels of credibility in the management of monetary policy, enabling more price stability than in previous crisis. In addition, the flexibility of exchange rate regimes in Latin American contributed to mitigate the negative effects of external shocks, and the correct management of exchange rate policy facilitated the adoption of counter cyclical monetary policies.

Graph 6. **Inflation in Latin America** (%. end of period)



Fuente: FMI, WEO, CAF.

Competitiveness and business environment

According to the latest report on competitiveness of the World Economic Forum (WEF), Latin America on average ranks 82 in a sample of 134 countries. In 2009, the region moved up 1 place in the ranking where a number of elements that determine countries' competitiveness are compared. The elements that most notably distance the region from the most competitive countries are the deficit in in-

frastructure, the lack of technological preparation, the low capacity to innovate, and the quality of its institutions.

Table 1. **LATIN AMERICA IN THE WORLD ECONOMIC FORUM**

Pillars	2008-2009	2009-2010	Change
	Ranking out of 134 countries	Ranking out of 131 countries	
Global competitiveness index	83	82	△ -1
Institutions	92	94	▽ 2
Infrastructure	81	80	△ -1
Macroeconomic	81	77	△ -4
Health and Primary Education	72	75	▽ 3
Higher education and training	79	78	△ -1
Market efficiency	84	84	- 0
Technological readiness	79	75	△ -4
Business sophistication	75	75	- 0
Innovation	90	89	△ -1

Source: FEM.

The countries with the best performance are Chile (30), Puerto Rico (42), Costa Rica (55), Brazil (56), Panama (59), Mexico (60), and Uruguay (65), all of which are above the international average. Among the elements that differentiate the performance of these countries are the important advances to reduce the external vulnerability of their economies, specially the better macroeconomic fundamentals and the strengthening of the net external position, as well as the deepening of local financial markets. Other factors that explain the success in competitive areas in this group of countries are their intelligent international insertion process and some advances regarding innovation.

In addition, according to the World Bank, Latin America is one of the developing regions where companies face greater difficulties to conduct business. Other indicators, such as labor productivity and the degree of export diversification show that one of the greatest regional barriers to increase growth and development potential is to resolve the bottle necks that prevent strengthening local production.

In summary, early signs show that the global economy is in a phase of slow recovery after touching bottom. The emerging economies lead the recovery of the world economy due to their fast growth, where China's dynamism is especially note worthy. Nevertheless, it is expected that the recovery of the world economy will be slow and that it will probably not return to the dynamism observed before the crisis. The effect of the financial crisis on Latin America was much larger than anticipated. Nevertheless, the possibility that several countries in the region had of implementing counter cyclical fiscal policies and relax monetary policy, together with the prompt recovery of China, point to moderately positive prospects for the region.

REGIONAL INTEGRATION

Latin America is still committed to its goal of deepening regional integration and increasing its presence in international markets. Although the integration pro-

cesses in Latin America have not been immune to the economic crisis—which affected the levels of trade—, the countries continued to advance in the processes of trade liberalization and in the definition of new institutional arrangements to address a complementary integration agenda in sectors such as energy, infrastructure and connectivity, social and sustainable development, productive integration, and reduction of asymmetries.

From a more comprehensive perspective, the countries of Latin America and the Caribbean successfully promoted new institutional arrangements to complement and give greater convergence to the regional agenda. The consolidation of the Latin American and Caribbean Summit (CALC in Spanish) as an initiative that brings together the countries of the region and promotes cooperation between the existing sub-regional schemes, transcended toward a definition of an agenda aimed at promoting complementary projects in the areas of energy, finance, and physical infrastructure integration. In addition, it prioritized the implementation of social programs, food and nutritional security, as well as sustainable development.

In addition, the South American Union of Nations (UNASUR) advanced toward its consolidation as a multilateral space for policy cooperation, creating several South American Councils of Ministers in sectoral areas such as energy, infrastructure, defense, social policies, education and health, which have adopted action plans by consensus. In this same forum, there have been significant advances in the definition of new regional financial integration mechanisms and macroeconomic coordination, which complement the consolidation of the Bolivarian Alternative for the Americas (ALBA) agenda, which in 2009 reached an agreement for the creation of a virtual currency to administer the debts between member countries, known as the Sistema Único de Compensación Regional (Single Regional Compensation System, SUCRE in Spanish).

Other ongoing initiatives, such as the Road to Prosperity in the Americas Forum, called for a commitment from participating countries to implement specific mechanisms aimed at promoting inclusion and the financial facilities of small and medium enterprises in regional trade, as well as to promote the entrepreneurial capacity of highly vulnerable social groups. In addition, through the Latin American Pacific Basin Initiative (Foro ARCO in Spanish) important advances were made in intra-regional cooperation to take advantage of commercial, investment, innovation, and technological development opportunities between countries of the Asia-Pacific region. It should be noted that in matters of infrastructure and logistics, this initiative has enabled significant progress toward the complementarity between the strategic projects adopted by the countries in the framework of the Initiative for the Integration of Regional Infrastructure of South America (IIRSA), and the Mesoamerica Project.

The insertion process of Latin America in world trade was not immune to the global economic crisis. In fact, the fall of international trade was accompanied by protectionist trends both in developed countries and in developing countries. In

the multilateral arena, the negotiations of the Doha Round of the World Trade Organization (WTO) stagnated, although an agreement is expected in 2010. Nevertheless, Latin America continues committed to its goal of increasing its presence in international markets.

Several countries of the region continue to dedicate significant efforts to signing Free Trade Agreements (FTA). In 2009, a FTA came into force between the United States and Peru, while Colombia and Panama continue to wait for the ratification of their respective agreements by the United States Congress. The Andean Trade Promotion and Drug Eradication Act (ATPDEA) continue to be very important for some Andean countries. This regime of trade exemptions allows Colombia, Ecuador, and Peru to export a number of products to the United States duty free in exchange for a commitment to fight drug trafficking. In December 2009, these preferences were renewed for one year.

There have also been advances toward the objective of the Latin American countries of reaching commercial agreements with the European Union (EU). The negotiations between the EU and the countries of Central America for an Association Agreement started in 2007 and is expected that they will conclude soon. The negotiations between the EU and the countries of the CAN have been redirected toward bilateral agreements between Colombia and Peru, which are expected to be finalized in 2010. At the same time, the subjects that are pending for the Association Agreement include access of European automobiles to the Andean markets, the protection of the European guarantees of origin, and the sugar export quotas to Europe. One of the noteworthy achievements for trade between the Andean countries and Europe was the agreement on the preference regimes and taxes on banana imports. This agreement, achieved under the auspices of the WTO, overcomes an important obstacle in the negotiations of the Association Agreement by resolving a commercial dispute of more than 15 years.

The countries of the region continue their efforts to diversify their export markets with Asian countries and other non-traditional commercial partners. Costa Rica initiated negotiations for a FTA with China and another with Singapore, while Colombia and Peru began negotiations with Korea. The FTA between Chile and Australia came into force this year. In addition, Chile signed a FTA with Turkey, and continues negotiations with India, Malaysia, and Vietnam. Peru initiated conversations with Japan for a possible FTA and declared its intention to seek a FTA with India, Morocco, Russia and South Africa. Brazil, India, and South Africa have declared their intention of seeking a FTA, within the IBSA development cooperation initiative that links these three countries since 2003.

In the sphere of sub-regional integration processes, at the same time that countries seek to strengthen their social and policy cooperation agenda, they also promote increased intra-regional trade. Venezuela continued working to join MERCOSUR after the ratification of the agreement by the Brazilian Congress. Colombia and Peru advance in their pursuit to sign bilateral agreements with their

Latin American trade partners. In addition, for Colombia the FTAs with Chile and Guatemala entered into effect in 2009. In addition, the FTA between Peru and Chile also entered into effect. During the year, the FTA between Guatemala and Panama entered into effect, while Chile –which has bilateral agreements with several countries of the region– advanced its negotiations to achieve a FTA with Panama. Toward the end of 2009, the two largest economies of the region, Brazil and Mexico –which also maintains bilateral agreements with regional partners– announced their intention of reaching a commercial agreement.

In 2009, signs started to appear indicating that the global economy is in a slow recovery phase. The emerging economies lead the recovery of the world economy due to their fast growth, where China's dynamism is especially noteworthy. Although Latin America was better prepared to face the crisis than in the past, the effect of the international financial crisis was much larger than anticipated.

The possibility that several countries in the region had of implementing counter cyclical fiscal policies and relax monetary policy, together with the prompt recovery of China, point to moderately positive prospects for the region. One of the challenges for the fiscal authorities will be to implement a sustainable medium and long term debt strategy. In this regard, the role of multilateral official financing will be key to partially substitute for the flows of private financing which will continue to be limited during some time after the crisis.

■ **One of the highlights of the year was the important counter-cyclical role played by CAF in the context of the international crisis. The Institution achieved record approvals for USD 9.17 billion, a 15.4% increase over the previous year.**

4

OPERATIONS

Approvals
Disbursements
Portfolio
Cooperation funds
Shareholder countries

During 2009, Argentina, Brazil, Panama, Paraguay, and Uruguay continued capitalizing the shares subscribed in 2007 and 2008 to become Series A shareholders. In addition, the Executive Board strengthened its support of CAF by approving a capital increase of USD 2.5 billion. Both actions reflect the shareholders' decision to convert the Institution into a Latin American development bank.

One of the most noteworthy aspects during the year was the important counter cyclical role played by CAF in the context of the international crisis. In this regard, the Institution attained a record level of approvals of USD 9,171 million making available to shareholder countries rapid disbursement loans and contingent credit lines to stimulate the economic growth in the region and respond expeditiously to the financial crisis. In addition, CAF strengthened its commitment to the region's public and private financial systems by timely increasing the volume of financing to this sector, which represented almost 55% of total approvals during the year. CAF also provided support to investment programs framed within each government's own the anti-crisis strategy.

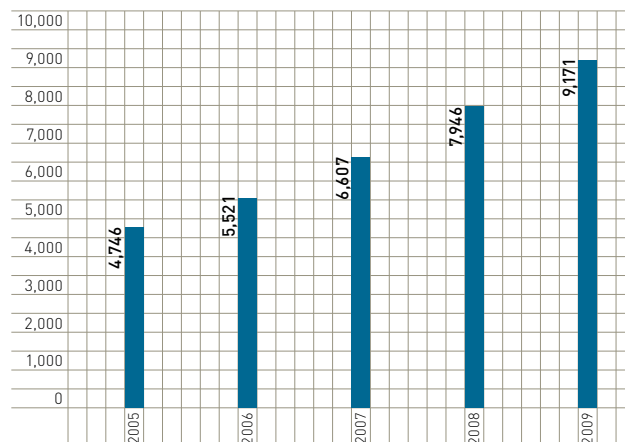
From a sectoral perspective, the Institution continued supporting areas of strategic interest, by financing mainly the implementation of infrastructure and social development projects. Allocations to these sectors represented more than 40% of total approvals during the year.

In addition, the cooperation funds granted by the Institution, mostly of a non-reimbursable nature, supported key initiatives related to pre-investment studies; development of micro-financing; increasing competitiveness; promoting democratic governance; community development; promoting sports, music, and the preservation of cultural heritage; and sustainable development in the broadest sense, as well as consolidating collaborative networks.

APPROVALS

During 2009, CAF approved operations for USD 9,171 million, a record figure which represents an increase of over 15.4% compared with the previous year. Thus, CAF consolidates the trend of growing financial support to shareholder countries as well as its counter cyclical role in a year of economic complexity.

Graph 1. **Approvals 2005-2009** (in millions of USD)



Approvals by country

CAF's growing presence in Latin America led to an increase in operations in most countries. In particular, it is worth highlighting the approvals to Argentina, Brazil, Panama, Paraguay, and Uruguay, which subscribed shares to become Series A shareholders. Together with approvals to the founding members, the amount of financing to these countries reaches USD 8,833 million and represent 96.3% of total approvals.

Specially noteworthy were the approvals in favor of Argentina, which increased by 58% compared to the amount approved in 2008, and Paraguay for which approvals reached USD 107 million compared to USD 6 million a year earlier.

Table 1. **APPROVALS BY COUNTRY** (in millions of USD)

Country	2005	2006	2007	2008	2009	2005-09
Argentina	257	580	204	411	649	2,100
Bolivia	523	397	275	560	511	2,266
Brazil	695	579	1,518	1,798	907	5,497
Colombia	1,237	1,001	1,213	1,483	2,050	6,984
Costa Rica	2	25	128	120	10	285
Dominican Republic	-	-	-	75	129	204
Ecuador	815	1,024	1,089	604	873	4,405
Mexico	5	10	-	10	65	91
Panama	80	53	-	635	232	1,000
Paraguay	11	3	-	6	107	127
Peru	417	941	1,180	1,458	2,287	6,283
Uruguay	70	20	115	601	590	1,396
Venezuela	627	842	816	72	627	2,984
Other countries	7	46	69	114	133	369
Total	4,746	5,521	6,607	7,946	9,171	33,991

In turn, approvals in favor of other shareholder countries totaled USD 38 million, representing an increase of 9% compared to 2008. CAF continued supporting initiatives in favor of the Dominican Republic, where approvals increased by 72% over 2008.

Approvals by strategic area

The Institution approved USD 2,916 million for infrastructure sectors, particularly for energy and roads, in line with the priorities established in the development agendas of shareholder countries. These approvals represented 32% of the total, of which 25.3% was directed to national economic infrastructure activities, and the remaining 6.5% targeted infrastructure integration projects between countries.

Some significant project approvals include the Federal Energy Transportation Plan in Argentina; the La Paz-Oruro Divided Highway; the Zudáñez-Padilla and the Monteagudo-Ipati Highways in Bolivia; the II Centenario-La Línea Tunnel in Colombia; the Program to Support Public Investment in the Electricity Sector in Ecuador; the Urban Electric Train Project for Lima, in Peru; the Public Investment Program for Road Infrastructure in Uruguay; and the Termozulia III Thermoelectric Project in Venezuela. These initiatives aim at developing the foundations for economic growth in order to improve the quality of life of the people, and promote competitiveness and sustainability in the region.

The Institution also participated in the creation of an infrastructure fund in Colombia to address the significant project deficit in this area, an innovative proposal supported by the government, the IDB, and CAF.

Infrastructure Fund for Colombia

During 2009, CAF and the IDB supported and participated in the structuring of an investment fund of up to USD 500 million that will include contributions from the Government of Colombia and the two multilateral organizations. The fund will be managed on the basis of profitability and economic value criteria, it will apply international best practices in this area, and will participate in the financing of public-private infrastructure through capital investments in the projects. It is expected that this initiative will have a catalytic effect in similar proposals to stimulate the participation of private capital and that it will contribute to reducing the country's infrastructure deficit. Part of the large pool of domestic savings currently managed by Colombian pension funds and other institutional investors will be channeled through this fund. CAF's contribution amounts to USD 40 million.

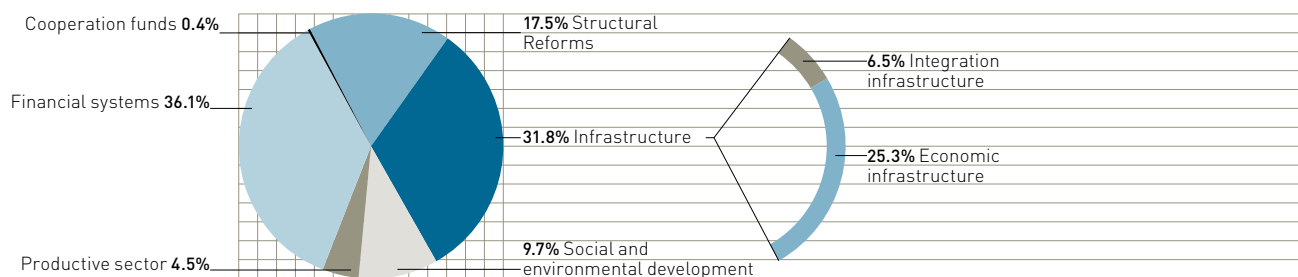
As regards other sectors, CAF supported financing operations aimed at social and environmental development by approving projects in the areas of basic services, human and social capital, and environmental preservation. Approvals in this area of strategic interest reached USD 887 million, representing 9.7% of total approvals during the year.

These resources supported operations such as the Public Investment Program in Potable Water and Sanitation Sector and the University Infrastructure Program in Argentina; the Wholesale Market Project in Santa Cruz, the Contingent Credit Line for Natural Emergencies in Bolivia, the Contingent Facility for Natural Disasters in Peru, the Program for Social and Infrastructure Investments (PAISI) in Paraguay, the Urban Development and Habitat Program in the Dominican Republic, and the Effluents' Collection, Treatment and Disposal Program of the Maldonado-Punta del Este System in Uruguay.

Additionally, the corporation allocated USD 3,314 million to the productive sector through the region's financial systems, equivalent to over 36% of total approvals for the year. These resources were channeled through short and medium-term credit lines, as well as through financing to development banks in the region, both with and without sovereign guarantees, to development banks in the region. Moreover, approvals allocated directly to the corporate sectors reached USD 417 million and represented 4.5% of the total. These resources aim at promoting competitiveness, strengthening public and private enterprises in the region, and supporting SMEs and micro-financial entities that provide services to sectors with limited access to financial services.

As regards structural reforms, CAF approved a contingent credit line to support the public debt management strategy in Peru, as well as a policy-based operation associated with the Decentralization Process in Colombia. Additionally, the Institution renewed contingent credit facilities in favor of Colombia and Uruguay, which had been approved in 2008. These types of approvals totaled USD 1,600 million at the close of 2009.

Graph 2. **Approvals by strategic area 2009**



Approvals by term

Long-term loans, with maturities of five years or more, concentrated 59% of approvals in 2009. In this manner, CAF provided financing services not covered by other sources, and was able to participate in public and private initiatives that have high-impact on sustainable development in its shareholder countries.

Short and medium-term operations concentrated 41% of approvals. The resources principally funded international trade and working capital operations through the financial systems to support the development of the productive sectors.

Table 2. **APPROVALS BY TERM** (in millions of USD)

	2005	2006	2007	2008	2009	2005-2009
Long-term loans	3,049	4,360	3,618	3,186	5,394	19,608
Medium-term loans	876	952	46	38	269	2,181
Short-term loans	822	209	2,943	4,722	3,507	12,202
Total	4,746	5,521	6,607	7,946	9,171	33,991

Approvals by type of risk

During 2009, CAF approvals to the sovereign sector reached USD 5,590 million, representing 61% of the total approvals and an increase of 67.2% compared to 2008. One of the most noteworthy initiatives of the period was the support provided to shareholder countries through contingent credit lines in the event of difficulties in accessing international financial markets. In addition, the Institution provided financial support to each governments' own anti-crisis strategy, as well as credit lines to national development banks.

Innovative operations for the development of the productive sector

CAF, and Banco de Crédito del Peru (BCP), structured a long-term financial lease for USD 162 million in favor of Cemento Andino, S.A. to increase productive capacity in its Junin cement factory. The Institution participated by issuing a partial credit guarantee for up to USD 50 million in favor of BCP. This operation constitutes the largest financial leasing operation structured in Peru, and the first to use the participative leasing scheme. The transaction represented an important boost for the development of private projects through co-financing between local and multilateral entities.

At the same time, CAF structured a facility to issue guarantees with American Home Assurance Company (AHAC) and Odebrecht S.A. for USD 100 million. In this context, the Institution partially guarantees up to 50% of the guarantees issued by AHAC for Odebrecht, to ensure the completion of its contractual obligations. Internationally, the amount of financial capacity of enterprises that issue guarantees is below the demand for guarantees in infrastructure investments. This situation constitutes a challenge for important projects undertaken by large traditional enterprises such as Odebrecht. This type of facility improves the capacity of such enterprises to obtain guarantees that enable them to comply with contractual obligations and expand their business potential in Brazil and abroad.

Non sovereign approvals represented 32% of the total (USD 3,580 million) and were mainly channeled to the productive and financial public and private sectors which required short-term resources as well as direct financing for working capital, foreign trade operations, and investment. It is worth mentioning the approval of USD 140 million to ISAGEN, without sovereign guarantee, to co-finance an important electric energy generation project in Colombia.

Table 3. **APPROVALS BY TYPE OF RISK** (in millions of USD)

	2005	2006	2007	2008	2009	2005-09
Sovereign	2,473	3,791	2,984	3,343	5,590	18,182
Non-sovereign	2,273	1,730	3,622	4,603	3,580	15,808
Total	4,746	5,521	6,607	7,946	9,171	33,991

CAF's support to financial systems in the region

In 2009, the financial systems of shareholder countries demonstrated a great capacity to resist the effects of the international financial crisis. The factors that explained this resilience include lower dependence on external sources of financing and the abundant liquidity available in local markets. Although credit growth was negatively affected, banks were able to maintain flows which were adequate to meet the needs of the business and consumption sectors. The role of the central banks of the region was essential in projecting the local financial systems from the effects of the crisis. The measures aimed at providing liquidity to the financial markets, and the credibility achieved by the central banks in recent years were instrumental in ensuring the soundness of the financial systems and limiting the contagion suffered by other regions in the world.

CAF demonstrated its commitment to the stability and soundness of the financial systems of its shareholder countries by making available significant resources to the public and private financial sectors to ensure the continued flow of foreign trade, mitigate the negative effects of the expected scarcity of international financing, and increase the flow of financing to the productive sector under favorable conditions. This was put into effect through foreign trade operations, medium and long-term credits to finance productive sector projects, subordinated loans to support the growth of the banking activity, and capital investments in share capital in specialized funds of financial institutions.

DISBURSEMENTS

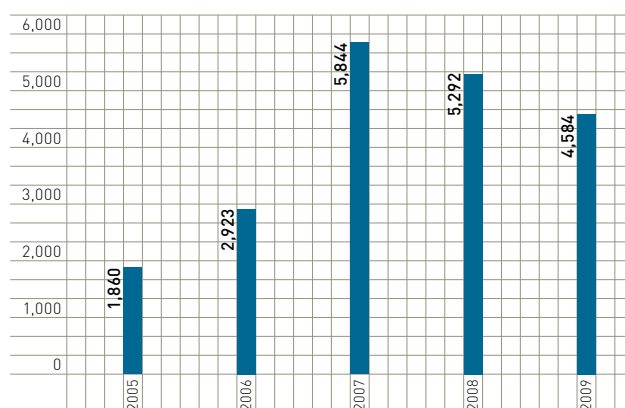
At the close of 2009, CAF's disbursements amounted to USD 4,584 million. These were partially aimed at integration and social development projects, as well as to investment projects to improve the competitiveness of productive sectors and support the least favored segments of the population, particularly through the provision of basic services.

In addition, an important part of the disbursed amount included rapid disbursement operations mainly for budget support, such as sector-wide loan programs and contingent lines of credit. With these types of operations, the Institution was able to play a counter cyclical role and mitigate the effects of the financial crisis in the region.

Table 4. **DISBURSEMENTS BY COUNTRY 2005-2009** (in millions of USD)

	2005	2006	2007	2008	2009	2005-09
Argentina	34	64	333	294	492	1,217
Bolivia	198	175	197	444	216	1,230
Brazil	105	132	879	951	1,022	3,089
Colombia	688	653	968	892	927	4,129
Costa Rica	12	19	8	86	24	148
Dominican Republic	-	-	-	55	20	75
Ecuador	340	504	1,416	443	290	2,993
Panama	1	23	38	16	6	84
Paraguay	5	1	8	8	4	25
Peru	255	483	1,730	1,531	650	4,650
Uruguay	4	11	62	170	377	623
Venezuela	208	845	127	260	412	1,852
Other countries	11	12	79	141	145	387
Total	1,860	2,923	5,844	5,292	4,584	20,502

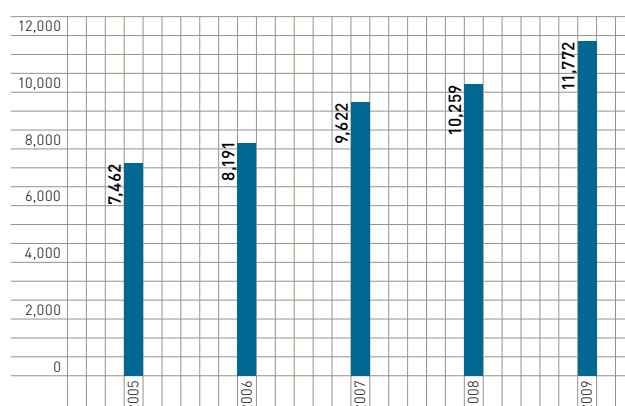
Graph 5. **Disbursements 2005-2009** (in millions of USD)



PORTFOLIO

At the end of 2009, CAF's portfolio reached USD 11,772 million, an increase of 15% over the amount registered in 2008. For the seventh consecutive year, the growth of the portfolio represented a new record for the Institution, maintaining the positive trend of recent years.

Graph 4. **Portfolio 2005-2009** (in millions of USD)



Portfolio by country

The growth of the portfolio in 2009 demonstrated the economic dynamism experienced by the Latin American countries and evidenced CAF's response to the increasing demand for resources from the economies of the region.

Table 5. **PORTFOLIO BY COUNTRY** (in millions of USD)

	2005	2006	2007	2008	2009
Argentina	34	98	421	693	1,157
Bolivia	989	1,031	1,048	1,110	1,166
Brazil	245	323	807	825	1,034
Colombia	1,901	1,620	1,633	1,707	1,695
Costa Rica	11	25	22	107	126
Dominican Republic	-	-	-	55	75
Ecuador	1,231	1,371	2,150	2,018	2,052
Panama	25	38	63	72	76
Paraguay	48	41	39	37	28
Peru	1,722	1,806	1,809	1,774	1,869
Uruguay	24	31	62	232	582
Venezuela	1,135	1,724	1,470	1,535	1,765
Other countries	96	84	98	94	148
Total	7,462	8,191	9,622	10,259	11,772

Portfolio by economic sector

Construction of infrastructure and social development projects constitute CAF's main strategic lines of activity. In this regard, loans approved for transportation, warehousing, and communications; electricity, gas, and water; and education, social services, and health totaled USD 8,326 million and represented over 70% of the year's portfolio.

Table 6. **PORTFOLIO BY ECONOMIC SECTOR** (in millions of USD)

	2005	2006	2007	2008	2009
Agricultural infrastructure	217	142	113	88	78
Mining and quarries	10	60	70	70	43
Manufacturing industry	169	193	279	416	261
Electricity, gas, and water	932	985	1,079	2,004	2,968
Transportation, warehousing, and communications	2,751	3,190	3,103	3,201	3,660
Commercial banking	493	431	1,512	1,457	1,500
Development institutions	275	312	249	210	225
Education, social and health services	1,702	1,671	1,945	1,740	1,698
Other activities	914	1,206	1,272	1,075	1,339
Total	7,462	8,191	9,622	10,259	11,772

The commercial banking and development institutions portfolio reached USD 1,725 million, representing 14.7% of the total. The size of this portfolio reflected CAF's counter cyclical activities in favor of the financial sector and the Institution's support for the growth of the productive sector, especially the SME segment, as a key mechanism for the economic development of the countries in the region.

Finally, the education, social services, and health sectors portfolio concentrated more than 14% of the total (USD 1,698 million) year-end-2009, in line with CAF's social development agenda aimed at reducing poverty levels, and improving the quality of life.

Portfolio by term

Most of CAF's loan portfolio is concentrated in long-term operations destined to economic and social development infrastructure projects. Thus, at the close of 2009, the long-term portfolio reached USD 10,101 million and represented 86% of the total. If the medium-term portfolio and capital investments are included, the amount reaches USD 10,618 million and represents 90% of the total. In this manner the Institution contributes to satisfying the region's financial needs which are not easily addressed through other sources of financing.

The short-term portfolio reached USD 1,154 million, representing 10% of the total at the end of 2009.

Table 7. **PORTFOLIO BY TERM** (in millions of USD)

	2005	2006	2007	2008	2009
Capital investments	115	93	74	75	85
Loans	7,347	8,097	9,548	10,184	11,687
<i>Long-term</i>	6,953	7,456	7,868	8,472	10,101
<i>Medium-term</i>	55	189	377	660	432
<i>Short-term</i>	339	452	1,303	1,052	1,154
Total	7,462	8,191	9,622	10,259	11,772

Portfolio by type of risk

One of CAF's priorities is to satisfy the credit requirements of the sovereign sector in order to support shareholder countries in financing public investment projects. In this respect, the sovereign portfolio reached USD 8,782 million at the close of 2009, representing 75% of the total. The amount reflects the cumulative result of the Institution's close relationship with shareholder clients, periodically renewed through programming missions, to identify the priorities of each country's development agenda.

Table 8. **PORTFOLIO BY TYPE OF RISK** (in millions of USD)

	2005	2006	2007	2008	2009
Sovereign	6,601	7,072	7,249	7,543	8,782
Non-sovereign	861	1,118	2,373	2,716	2,990
Total	7,462	8,191	9,622	10,259	11,772

Non-sovereign risk loans concentrated 25% of the portfolio, thereby reaffirming the Institution's commitment to support both public and private productive sectors in order to improve competitiveness. Worth of note are the loans approved to public enterprises and sub-national governments; this financing reflects the growing financial and managerial strength of some of these entities, as a result of the efforts to enhance decentralization and improve the quality of sub-national public administration.

COOPERATION FUNDS

Assistance through cooperation funds is a comprehensive part of the financial services provided by the Institution to its public and private sector clients. The approval of cooperation funds is an important tool to support and complement: i) the execution of investment projects; ii) institutional capacity building and promotion of self sustainability of communities; iii) competitiveness of productive chains; iv) the preservation of the environment; and v) increases in social capital, and improvements in the managerial capacity of SMEs.

Table 9. **MAIN COOPERATION FUNDS MANAGED BY CAF** (in millions of USD)

	2009
Technical Assistance Fund (FAT)	12.9
Human Development Fund (FONDESHU)	8.2
Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA)	9.5
Bolivia Special Fund (FEB)*	1.1
Ecuador Special Fund (FEE)	2.2
Cross Border Cooperation and Integration Fund (COPIF)	0.7
Other funds**	2.6
Total	37.1

* Includes funds assigned to the Highly Indebted Poor Countries Program (HIPC).

**Includes the Spanish Technical Cooperation Fund and the Andean Energy Conservation Fund (FACE).

Main cooperation funds

Technical Assistance Fund (FAT)

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

Approvals 2009: USD 12.9 million

Human Development Fund (FONDESHU)

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

Approvals 2009: USD 8.2 million

Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA)

Allocates resources to finance diagnostic studies of sectoral issues, appropriate technologies, and pre-investment studies of infrastructure integration projects, duly prioritized by the countries. Resources are assigned to projects that promote regional integration infrastructure and incorporate innovative financial mechanisms.

Approvals 2009: USD 9.5 million

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

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

Approvals 2009: USD 3.3 million

Canadian International Development Agency Fund (ACDI) and Spanish Technical Cooperation Fund (FECT)

Represent financing sources for the region's development through the use of Canadian and Spanish consulting firms. The Spanish Ministry of Economy is the entity in charge of monitoring on the operations of the Spanish contribution while the ACDI operates from the Canadian embassies in each of the requesting countries.

Approvals 2009: USD 1.8 million

Andean Energy Conservation Fund (FACE)

Provides consulting and training resources in the area of conservation of energy sources in the Andean countries.

German Fund or *Kreditanstalt für Wiederaufbau* (KfW)

Allocates resources for consulting on integration projects in the least favored regions of CAF member countries.

Approvals 2009: USD 0.2 million

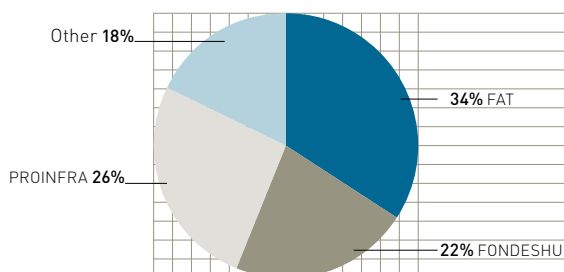
Cross-border Cooperation and Integration Fund (COPIF)

Supports the timely identification, preparation, and execution of high impact projects that promote sustainable human development in the border regions of member countries. Contributes to the strengthening of cooperation, dialogue, mutual trust, and cross-border integration both at a bilateral and multilateral level.

Approvals 2009: USD 0.7 million.

During 2009, approvals channeled through cooperation funds reached USD 37.1 million. With these resources, CAF promoted activities aimed at improving competitiveness, strengthening best practices in corporate governance, supporting the public policy agendas in the region, and contributing to the generation of knowledge to promote development. In addition, it supported pre-investment studies in the areas of economic and integration infrastructure.

Graph 5. Sources of the main cooperation funds 2009

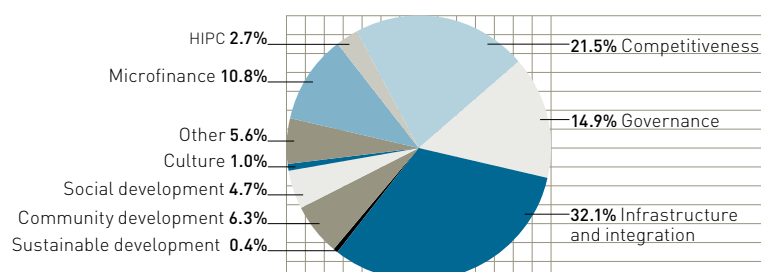


In providing institutional support in the region, CAF granted resources to strengthen democratic governance in the countries, and to increase social cohesion through dialogue and consensus building processes.

Likewise, it strengthened its activities in community development by supporting vocational training in music, sports, basic skills, and the preservation of culture for the least favored segments of the population.

In addition, the Institution allocated cooperation funds to support activities in the environmental and social development activities, aimed at supporting countries' efforts in potable water and sanitation, education, and health projects.

Graph 6. Utilization of the main cooperation funds 2009



Special funds

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

The FIDE supports the strengthening of the capital base of SMEs through capital, quasi-capital and credit operations. CAF conducts these activities through alliances with venture capital funds, banks, large enterprises, and guarantee funds which, in turn, make capital investments in the SMEs of the region.

In 2009, CAF allocated USD 3.4 million through FIDE to facilitate access to financing, establish guarantee funds, refinance credit portfolios, participate in co-financing schemes, and create innovative risk sharing instruments with financial institutions in several countries.

Another fund, the FFC promotes the development of projects aimed at mitigating regional asymmetries, favoring marginal populations, and promoting the integration of regional infrastructure. Through this fund, CAF allocates resources to reduce the financial cost of projects that meet certain eligibility criteria, without affecting the Institution's profitability.

During 2009, 16% of CAF's total approvals were eligible for the FFC subsidy. This was the case of projects such as the Wholesale Market of Santa Cruz; the construction of the Tarabuco-Zudáñez-Padilla and Monteagudo-Ipati sections of the Diagonal Jaime Mendoza national route in Bolivia; the II Centenario-La Línea Tunnel in Colombia; the Sector-Wide Program for the Development of the National Electricity and the Avenida de Las Americas Exchange, and Complementary Works System in Popular Sectors of the Municipality of Guayaquil in Ecuador; the Program in Support of Social and Infrastructure Investments (PAISI) in Paraguay; and the Urban Development and Habitat Program, in the Dominican Republic, among others. At the close of 2009, 22% of the portfolio had benefited from this fund, which contributed USD 15.5 million in interest subsidies during the year.

The PLAC⁺ is a self-sustainable initiative to support and strengthen national institutions and mechanisms to stimulate the use of the various Green House Gas markets, by identifying, developing, and financing Latin American projects related to clean and alternative energies, and energy efficiency.

During 2009, the PLAC⁺ signed seven new agreements to trade CO₂ certificates, which represent 2.2 million additional tons of carbon, in Argentina, Bolivia, Colombia, Honduras, and Mexico. These new projects are in the mass transportation, solid residues, and renewable energy generation sectors. It also signed two mandates for the development of additional projects. The operations in 2009 represent approximately USD 34.5 million in contracts.

The creation of the Special Financing Program for Clean Energy Projects (PROPEL) was a noteworthy initiative during 2009, to assist in structuring and financing clean energy projects which are energy efficient, small to medium size, and whose investment cost ranges between USD 3 million and USD 30 million. The program seeks to: i) contribute to the mitigation of the global climate change and promote the use of clean and alternative energies in Latin America, and ii) strengthen the leadership position of CAF and the PLAC⁺ in the Latin American market.

During 2009, CAF strengthened its commitment to the region's financial systems by expeditiously raising the volume of resources available to the public and private sectors, which accounted for 55% of the year's approvals.

**SHAREHOLDER
COUNTRIES**





ARGENTINA

The infrastructure integration program between Argentina and Paraguay is developed by the Yacyretá bi-national entity and includes the rehabilitation of roads to facilitate high volumes of transit to the International Bridge that joins both countries. The program also includes the construction of recreational spaces.

in USD million	2009	2005-2009
Approvals	649	2,100
Sovereign risk	532	1,852
Non sovereign risk	117	248
Disbursements	492	1,217
Sovereign risk	451	1,163
Non sovereign risk	41	54

in USD million	2009
Portfolio	1,157
Sovereign risk	1,107
Non sovereign risk	49

During 2009, CAF approved USD 649 million for operations in favor of Argentina, of which 82% (USD 532 million) correspond to sovereign risk operations and 18% (USD 117 million) to non sovereign risk operations.

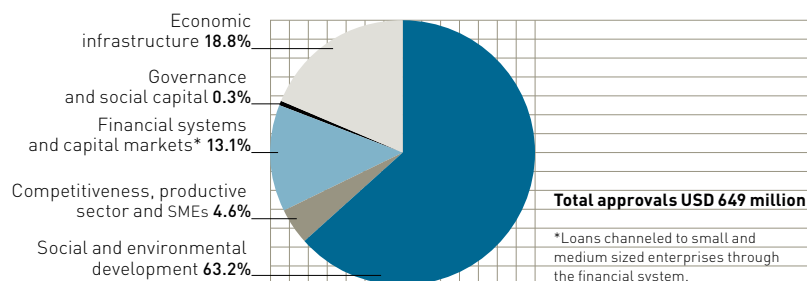
Social and environmental development operations that amounted to USD 410 million and represented 63.2% of the total had significant impact. This is the case of the Multiple Works in Municipalities Program, aimed at improving the quality of life and welfare in a number of municipalities in the country. In addition, the Institution approved the Potable Water and Sanitation Sector Program, to partially finance the Plan for the Expansion and Improvement of Potable Water and Sewage Network Services of the Argentinean Water and Sanitation Company (AYSA), to be executed through the year 2020. The objective of the Plan is to improve the coverage of the potable water system and increase the coverage of the sewage network. The region covered by the program includes the city of Buenos Aires and 17 municipalities of the Buenos Aires Province.

A significant part of the resources were approved for *economic and integration infrastructure* projects, especially in the energy and transportation sectors. In the power sector, CAF approved projects of significance, such as the Energy Transmission Program, to finance the expansion of the electric energy transportation system in a number of regions. These works include the construction, refurbishment, and expansion of transformation stations, and the construction of 132 kV high tension lines.

CAF also continued to support the *financial system* by providing short, medium, and long-term credit lines to the Banco de Inversión y Comercio Exterior (BICE) and the Banco de la Nación Argentina, for USD 35 million and USDS 50 million, respectively. This financing targets plant expansion and acquisition of fixed assets, working capital, and trade financing for corporations and SMEs.

As regards the *corporate private sector*, CAF approved USD 30 million to Pan American Energy, an oil and gas company that operates in Argentina, Bolivia, and Chile. The resources will finance the company's investment program in oil and gas drilling, rehabilitation of wells, and the expansion and construction of diverse facilities.

Approvals by strategic area 2009



APPROVALS TO ARGENTINA 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Republic of Argentina, Ministry of Energy, Ministry of Federal Planning, Public Investment and Services (MINPLAN)	Program to study the energy sector	Finance pre-investment studies to aid in the structure of future power projects, based on electrical service planning	38	15
Republic of Argentina, Ministry of Energy, Ministry of Federal Planning, Public Investment and Services (MINPLAN), through the Management Committee of the Transportation Trust Fund for Federal Electricity	Program on electricity supply in different regions of the country	Contribute to making the electricity supply more effective in different regions of the Argentine electricity system, through various works to mitigate the risks that face transmission and power supply.	84	15
Republic of Argentina, Ministry of Energy, Ministry of Federal Planning, Public Investment and Services (MINPLAN), through the Coordinating Unit for Programs and Projects with External Financing (UCPyPFE), a decentralized body attached to the ministry.	Municipal Programs	Improve quality of life and welfare of the inhabitants of the municipalities through state financing of infrastructure projects with high social impact, that create equity and aid regional development. Execution is concentrated in the far north region based on indicators of poverty, homelessness and lack of infrastructure.	100	12
Republic of Argentina, Ministry of Federal Planning, Public Investment and Services (MINPLAN), through the Coordinating Unit for Programs and Projects with External Financing (UCPyPFE)	Expansion and Improvement of University Infrastructure	Support the government of Argentina to finance infrastructure projects at national public universities in different provinces to improve the quality of the National University System.	35	12
Republic of Argentina, Ministry of Economy and Public Finance, through the company <i>Agua y Saneamientos Argentinos</i> (AySA).	Program to support public investment in the water supply and sanitation sectors	Partially finance the Expansion and Improvement Plan for Water Services and Sewage to improve service coverage.	275	12
Pan American Energy	Investment loan	Finance the investment plan of the company to drill oil and gas wells, as well as the construction of facilities.	30	Various
<i>Banco de la Nación Argentina</i>	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and provide working capital.	50	Various
BICE	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and provide working capital.	35	Various
Various clients	Other operation with cooperations with sources	Various	2	
Total			649	



Amado Boudou, Minister of Economy and Public Finance of Argentina, and Enrique García, Executive President of CAF, sign the agreement increasing Argentina's capital in the Institution, for USD 190 million. This amount is in addition to the USD 543 million subscribed in 2007.

Julio De Vido, Minister of Planning, participated as witness of honor. Buenos Aires, November 4.

Infrastructure

Financing the Study of a Bus Rapid Transit System (BRT) for Buenos Aires, and Implementation of a Main Corridor for USD 565,000, to provide technical support to the Government of the City of Buenos Aires in the development of conceptual implementation studies for a mass BRT transportation network.

Support the preparation of a Master Plan for the Development of the Barranqueras Port Complex and of its coastal area between 2010 and 2020, for USD 235,000.

Financing studies to evaluate the Project for Reinforcing the El Embalse Electricity Generation Plant, and improve the supply of potable water to the scattered rural population to the east of Tucuman that uses water with a high arsenic content.

Competitiveness

Execution of the Seminar on Economic Development and Competitiveness: Cities and Global Regions, in the city of Cordoba, to commemorate the X anniversary of PAC. The event was organized by CAF together with the Government of the Province of Cordoba, the COPEC, the Unit for Technological Links of Cordoba (UVITEC), and the Stock Exchange.

The seminar focused its attention on public policy instruments available to governors and mayors to promote institutional and entrepreneurial changes to improve the competitiveness of their regions and cities.

Social responsibility

Initiation of a project to strengthen the technical school of the Villa 21, in partnership with the Nuestra Señora de Caacupe Parish of the Archdiocese of Buenos Aires, where close to 500 youths are trained in technical skills each year as a tool for generating job opportunities for the inhabitants of this Villa who live in a situation of exclusion.

Development, together with the Province of Tucuman, of a rural connectivity project in the north of the province, where 14 schools with close to 1,500 children were provided with internet connections.

With this project to provide internet connection and a program to train teachers, CAF seeks to reduce the opportunity gap of children that live in rural areas.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ARGENTINA

During 2009, CAF approved
USD 1.9 million to Argentina
in cooperation funds.

Resources were granted
directly to the beneficiaries
or channeled through the
various special programs
developed by the Institution.

CAF's Executive President,
Enrique Garcia, in an official visit
to the President of Argentina,
Cristina Fernandez de Kirchner.
Buenos Aires, July 8.

Governance

Execution of the Governance and Policy Management Program with George Washington University, through a partnership with the San Andrés University and the National University of Rosario. This program graduated 154 participants in its first class.

SMEs and microfinance

Structured the capital risk fund PYMAR in order to promote capital investments in SMEs in the information technology, tourism, biotechnology, production of medical devices, outsourcing and multimedia contents sectors, and niches in the food industry sectors.

Approval of an investment through the Cap Venture in Bioscience Fund, a company dedicated to the production of medical devices.

Support and participation in the Annual Forum of the Argentinean Microfinance Network.

Environment

Signed an agreement to trade carbon emission reductions (CER) with the Energia del Sur (EdS) Company in the framework of a strategy to mitigate global warming. To this end, the Patagonia Thermal Plant, located in Comodoro Rivadavia, increased the efficiency of its operation by using residual gasses as a source of energy.

Began the evaluation of an environmental business that converts oil used in commercial kitchens into biodiesel. For the development of this enterprise, the Institution has a strategic partnership with the municipal government of Bahia Blanca, located to the south of the Buenos Aires province.







CAF approved financing for an investment program with Pan American Energy, the largest holder of certified oil reserves in the country. These resources will enable the oil and gas company to expand its operations.



BOLIVIA

The construction of a 374 kilometer Power Transmission Line between Caranavi-Trinidad and associated substations, connects the towns of Yucumo, San Borja, San Ignacio de Moxos and Trinidad to the National Interconnected System (SIN). This project will connect the isolated systems of northern Bolivia to the SIN, and will provide electricity to more than 22,840 families.

in USD million	2009	2005-2009
Approvals	511	2,266
Sovereign risk	455	1,615
Non sovereign risk	56	650
Disbursements	216	1,230
Sovereign risk	180	944
Non sovereign risk	36	286

in USD million	2009
Portfolio	1,166
Sovereign risk	1,020
Non sovereign risk	146

During 2009, CAF approved USD 511 million for operations in Bolivia, of which 89% corresponded to sovereign risk operations and 11% (USD 56 million) to non sovereign risk operations.

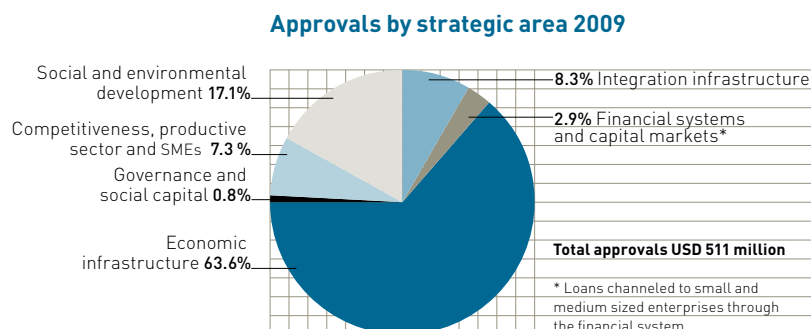
Especially noteworthy are USD 368 million in approvals for *economic and integration infrastructure* operations, which represented 71.9% of the total. CAF approved USD 250 million for the construction of the La Paz–Oruro Divided Highway: the largest single operation approved for an infrastructure project in Bolivia. This initiative will substantially improve the economic conditions and welfare of the population by facilitating the movement of peoples and merchandise between the main cities of the country.

The Institution also approved infrastructure loans for USD 75 million to finance the construction of two segments of the Tarabuco–Zudáñez and Monteagudo–Ipati segment. These are the Diagonal Jaime Mendoza Route that integrates Oruro with Santa Cruz, and passes through Chuquisaca and Potosí. In addition, the Institution approved a USD 43 million loan for the Special Program for Road Project Materials aimed at the completion of projects around the country.

17.1% of CAF’s total approvals targeted *social and environmental development projects*. To this end, USD 75 million were approved for contingent financing for Natural Disaster Relief, whose principal objective is to mitigate risks and rehabilitate affected infrastructures.

Additionally, the Institution approved financing for the construction of the new Wholesale Market in Santa Cruz; the objective is to modernize the marketing of agricultural products, under hygienic conditions, to improve access and the quality of basic foods stuffs.

Furthermore, 10.2% of total approvals (USD 52 million) were assigned to the *productive and financial sector*, of which USD 20 million supported corporate capital investments and market development. At the same time, USD 15 million were aimed at consolidating and strengthening SMEs through the financial system, and USD 17 million went to the micro-financial sector in the form of credit lines for marketing, working capital, and investment operations.



APPROVALS TO BOLIVIA 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Plurinational State of Bolivia, through the Bolivian Road Administrator (ABC).	Construction of the Tarabuco-Zudañez-Padilla and Monteagudo-Ipati National Route connected to Diagonal Jaime Mendoza highways	Support the Plan of the Administrator of Bolivian Road and Highway projects that are covered under the National Development Plan, Productive Bolivia, through the paving of two road segments that are part of the road Diagonal Jaime Mendoza.	75	18
Plurinational State of Bolivia, through the Bolivian Road Administrator (ABC).	Expand the road between Vía La Paz-Oruro	Build a road between the towns of La Paz and Oruro, which will add to an existing road and increase service capacity and focus on improving the internal and external connectivity of the country.	250	18
Plurinational State of Bolivia, through the Bolivian Road Administradora (ABC) and the Municipal Government of La Paz.	Special program for highway projects	Continue the implementation of major road works in the country that can aid in productivity.	43	12
Plurinational State of Bolivia, through the Ministry of Planning and Development	Contingent financing for integrated emergency response in cases of natural disasters	Provide immediate care to populations affected by natural disasters and restore critical services in affected areas.	75	18
Plurinational State of Bolivia, through the Ministry of Development Planning and the Municipal Government of Santa Cruz de la Sierra	New Wholesale Market in Santa Cruz	Modernize the system of agricultural marketing of food products and improving hygiene and cleanliness.	12	18
ADM, Sao	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and provide working capital.	20	Various
<i>Banco Unión</i>	Funding for trade and working capital	Finance foreign trade operations, working capital and investments in capital goods.	5	Various
<i>Banco Nacional de Bolivia</i>	Funding for trade and working capital	Finance foreign trade operations, working capital and investments in capital goods.	10	Various
<i>Banco Solidario</i> (BANCOSOL)	Funding for trade, working capital and investment projects of small and medium enterprises	Finance working capital operations and procurement of capital goods for microenterprise development.	7	Various
FIE FFP	Revolving committed credit line with a partial credit guarantee	Financing for small and micro enterprises.	5	Various
Prodem FFP	Funding for trade and working capital	Financing for small and micro enterprises.	3	Various
FFP Ecofuturo	Funding for trade and working capital	Financing for small and micro enterprises.	1	Various
<i>Crédito con Educación Rural</i> (CRECER)	Funding for trade and working capital	Financing for small and micro enterprises.	2	Various
Various beneficiaries	Other transactions using cooperative resources	Various	4	
Total			511	

Infrastructure

Financing the study for the project and final design of the Oruro Dry Port to be implemented by the Prefecture of that department. The project aims at designing a comprehensive development strategy for the productive, commercial, and service sectors for national and international trade, by establishing a collection, handling and distribution center of export and import goods, with all logistic and information services.

Humanitarian assistance and disaster management

Approve a donation to manage dengue epidemic at the beginning of the year. The assistance was supplied through social communication and community participation initiatives, epidemiological and entomological surveillance, and support for comprehensive patient care.

Social development

Approve the Educational Competence Program (PROCE) with support from Universidad Privada del Valle (UNIVALLE), in order to improve teaching abilities in primary education. Support for the promotion of culture, music, and art:

- Presentation of the Experimental Native Instrument Orchestra (OEIN) in the Klangspuren, Austria and Transart, Italy festivals.
- Baroque Concert Tours in Buenos Aires by the Choir and Orchestra System of Santa Cruz (SICOR).
- Publishing of the catalogue of the Bolivian artist Arturo Borda.
- Sixth International Art Biennial SIART 2009.
- First Ibero-American Meeting of Original Indigenous Textile Art.

Productive sector and competitiveness

Implementation of a number of export promotion fairs, among which the XVII International Agricultural and Similar Industries Fair (AGROEXPO 2009), the La Paz Bicentennial Expo Fair, the Bolivia is Tourism Expo, and the EXPOINDUSTRIA 2009 of Cochabamba stand out.

Competitiveness Program

Cluster development

- Second phase of the project to implement the Improving Competitiveness System in 30 Tourism Organizations of the Cities of Sucre and Potosí, to consolidate a culture of excellence, innovation management, and team work in the selected enterprises.

Business climate and development of local capacity

- Project for Tourism Development of the Uyuni Salt Flats and the Lagunas de Colores (Color Lagoons), to establish a strategy to take advantage of tourism opportunities, correct the disequilibria, and protect the resources.
- Program to improve infrastructure of basic services in the Uyuni Salt Flats Tourist Circuit, which seeks to strengthen the development of the Uyuni Salt Flats and its areas of influence by designing an investment plan to provide basic services to the communities and tourism enterprises in the area.

Entrepreneurial capacity

- Work closely with the Bolivia Entrepreneurial Network to strengthen entrepreneurship in Bolivia through the Third International Meeting of the Entrepreneurial Culture, in the framework of the International Entrepreneurial Week.

Governance

Organization of the Exchange of Successful Governance Experiences among Andean Capital Cities, whose aim was to provide support to the Municipal Government of La Paz in the framework of the Union of Ibero-American Capital Cities (UCCI).

Governance and Policy Management Program

With the signing of the agreement with the Universidad del Valle, training of more than 250 individuals on issues related to decentralization and municipal development.

Leadership for Change Program

In the fifth version of this program, 575 natural leaders were trained in country vision and civic and democratic values.

Social responsibility

Execution of the Comprehensive Plan for the Improvement of Basic Needs in the Hogar Villegas in order to construct a water tank to meet the basic needs of more than 100 abandoned children.

Continuation of the project Sembrando Gas en Bolivia (Sowing Gas in Bolivia), in the cities of Oruro, Camiri, and Sucre. The project seeks to provide natural gas to 100 educational units in these cities.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BOLIVIA

During 2009, CAF approved USD 3.8 million to Bolivia in cooperation funds.

Resources were granted directly to the beneficiaries or channeled through the various special programs developed by the Institution.

Environment

Project for Soil and Marsh Recovery and Increasing the Productivity of Llama and Alpaca Wool in the Municipality of Curahuara de Carangas, together with Strategies for International Development (SID Bolivia).

Execution of the Program Promoting Local and Regional Initiatives of Biodiversity Conservation *in situ*, together with Protection of the Environment (PROMETA) in Tarija, seeking to contribute to the protection and management of biodiversity by establishing a protected area and managing biodiversity in an indigenous territory.

Execution of the Programa Hormiga (Small Scale Program) in Rural Populations, with the Recycling Foundation (FUNDARE), aimed at generating quality dignified work and sustainable income for disadvantaged sectors.

Implementation of the Forestation and Biodiversity Restoration Plan in the Municipality of La Paz, with the Municipal Government of La Paz, which includes the identification of native species, the production of seedlings, soil improvement, and the management of a reforestation program.

Contribution to the project to Strengthen Technical Capacities for Environmental Inspectors and Prosecutors, together with the Vice-Minister for the Environment, Biodiversity, and Climate Change, aimed at strengthening environmental management on the country.

PLAC⁺e

Signature of the purchase agreement of carbon emission reductions between CAF and the Guaracachi Electric Company, as a result of the conversion of open cycle gas turbines to combined cycle.



With the participation of the President of the Plurinational State of Bolivia, Evo Morales, the Executive President of CAF, Enrique García, signed a loan contract for the execution of the Water, Sanitation, and Drainage Program. La Paz, July 28.





The Municipal Government of La Paz and CAF, in its effort to promote sports as a tool for social inclusion, organized the race La Paz 3600, which brought together over 4,000 participants. La Paz, 15 November.





BRAZIL

Through one of its major A/B loan transactions, CAF partially financed the investment plan of *Centrais Electricas Brasileiras, S.A.*, a company of strategic interest for the development of Brazil's electricity sector.

in USD million	2009	2005-2009
Approvals*	907	5,497
Sovereign risk	0	589
Riesgo no soberano	907	4,908
Disbursements	1,022	3,089
Sovereign risk	42	79
Non sovereign risk	980	3,010

in USD million	2009
Portfolio	1,034
Sovereign risk	128
Non sovereign risk	906

*Includes catalytic approvals.

Brazil represents Latin America in two main sports events

CAF's Support Program

Brazil's growing relevance in the world scenario has enabled it to become the host of two great sporting events. First, it will host the XX version of the Soccer World Cup in the year 2014. Second, it has been chosen to host the XXXI Olympic Games to be held in 2016. It should be noted that this will be the first time an Olympic event is held in South America and the second in a Latin American country. In these nominations, Brazil –one of the ten largest economies of the world– represents the developing countries of the region.

In this context, CAF announced its support for the Government of Brazil through the *Program in Support of Municipal and State Governments Hosting the Soccer World Cup (PRAME COPA)*. The initiative is part of CAF's Program in Support of Municipal Governments (PRAM). The amount of the program reaches USD 1,000 million and the resources will be used to partially finance urban transportation, economic and social infrastructure, basic services, environmental and sustainable tourism projects through loans to each host city or state.

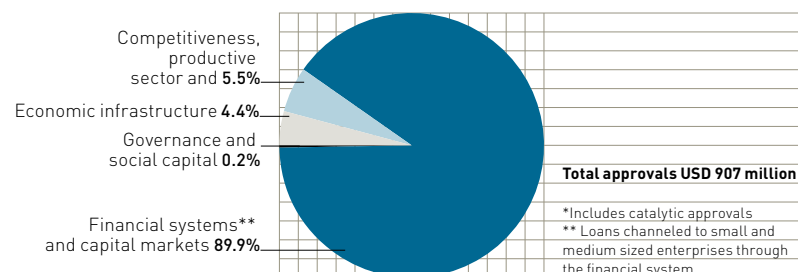


During 2009 CAF approved USD 907 million for operations in Brazil, all of which were non sovereign risk operations.

Especially noteworthy are operations for USD 815 million in the area of *financial systems and capital markets*, which represented 89.9% of the total. In fact, CAF provided significant support to this sector to finance investment, foreign trade operations, and working capital projects for the productive sector, thus responding in a timely manner to the financial crisis and stimulating economic growth.

In addition, the Institution approved USD 90 million in *corporate financing and investment banking activities*. Of this total, USD 40 million were allocated to ENERGYMP, S.A. for the development of aeolic energy generation in Brazil, and a USD 50 million credit line was approved for partial credit guarantees and short term working capital to Odebrecht, S.A. Through this facility, CAF plays a key role in meeting the needs of new guarantors for the continuation of relevant infrastructure projects in the region.

Approvals* by strategic area 2009



APPROVALS TO BRAZIL 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
ENERGIMP, S.A.	Long-term corporate loan	Finance aeolic generation energy projects.	40	15
Odebrecht, S.A.	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	50	Various
<i>Banco Itaú BBA</i>	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	200	Various
Bradesco	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	200	Various
<i>Banco Do Brasil</i>	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	200	Various
<i>Banco Santander Banespa, S.A.</i>	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	125	Various
HSBC Bank	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	50	Various
Banco Industrial y Comercial, S.A. (BIC)	Revolving credit line	Finance foreign trade operations, working capital and investments in capital goods.	40	Various
Various beneficiaries	Other operations with cooperation resources	Various	2	
Total			907	



Antônio de Andrade
Simões Viaduct,
under the Urban
and Environmental
Infrastructure
Program of the Manaus
Municipality.

Agreements and arrangements

Signature of an institutional framework arrangement with the Getulio Vargas Foundation (FGV), with the aim of coordinating actions on projects of mutual interest related to the generation of knowledge, disseminating information, and stimulating intellectual exchange among academics for the generation of public policies.

Signature of a Framework Cooperation Agreement with the Sao Paulo Development Agency (*Nosa Caixa Desenvolvimento*) for the purpose of carrying out joint initiatives, both with the private and public sectors, in the areas of basic sanitation, alternative energies, solid residuals, and biofuels.

Infrastructure

With PROINFRA resources, support for the *Feira de Santana Prefecture* in the preparation of the necessary technical studies to obtain financing for the Second Stage of the Urban Integration Project of *Feira de Santana*.

Support for the Porto Alegre Prefecture to conclude the studies for the implementation of the BRT mass transit system, *Portais da Cidade*.

Support and participation in the International Convention of Sustainable Mobility in Urban Renovation, held in Rio de Janeiro, where possible solutions for the urban transportation systems in large cities were discussed.

Environment

Support to the *Sorocaba Prefecture* in the preparation of an environmental regulatory plan for the Municipality.

Social Development

Provided resources to the Universidad de Campinas (UNICAMP), to support scientific research on the issue of rent transfers in municipalities, which includes a practical experience in the Municipality of Santo Antonio de Pinhal.

Social Responsibility

Provided resources to the Instituto Verdescola for the expansion of the social inclusion program of the Vila Sahy in Sao Sebastiao, Sao Paulo, and initiate a pilot program of community environmental education by distributing the teaching materials.

Regional Integration

Provided resources to the Technological Development Center for the Border Integration of MERCOSUR and Latin America: Sebrae Paraná-Paraguay to support productive border integration in MERCOSUR through the promotion of dialogue and the construction of partnerships for the generation of employment and income opportunities.

Support for the Amazon Local Authorities Forum, in which discussions focused on sustainable local development of the Andean-Amazon region, through the promotion of shared public policies, environmentally correct, culturally plural, and economically aimed at addressing the real demands of the Andean-Amazon population.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN BRAZIL

During 2009, CAF approved USD 2 million to Brazil in cooperation funds. Resources were granted directly to the beneficiaries or channeled through the various special programs developed by the Institution.

SMEs and microfinance

Provided cooperation resources for the Latin American and the Caribbean Rural Finance Forum, in which reflection and dialogue were focused on the recommended dimension of rural financial services for family agriculture and farming economies, in a context of globalized markets, financial and food crisis.

Support for the I Forum of the Central Bank on Financial Inclusion, where workshops with specialists dealt with technical microfinance issues to identify opportunities for the development of a sustainable and inclusive financial system.

Support for the Conference of the Venture Capital and Private Investment Brazilian Association (ABVCAP) 2009 Long Term Investments: New Times, New Ideas, Great Opportunities where national and international investors participated to share and disseminate information on the private capital and venture capital industry.

Support for the XIII Ibero-American Guarantee Forum, where Ibero-American experiences for strengthening the credit guarantee system were discussed and exchanged.

Corporate Governance

Participated in the IV Conference on Corporate Governance, with a presentation on Corporate Governance and the Role of Development Financial Institutions in the Financial Crisis.



In the presence of the President of the Federal Republic of Brazil, Luiz Inácio Lula da Silva, the Executive President of CAF, Enrique García signs the agreement of guarantee capital that Brazil will contribute to CAF as a Series A shareholder. Brazil, March 9.





The Program for Urban and Environmental Infrastructure in Manaus prevents irregular occupation along the banks of the Mindu River and provides new housing for the families that lived in the area. The program includes investments along approximately 17 kilometers of an ecologically sensitive corridor of the river, as well as micro drainage works and treatment of coastal risk areas. Among environmental compensation activities, there are sanitation conduits, street pavements, tree planting, and walkways in sections of the project.





COLOMBIA

The second Centennial Tunnel La Línea located at the junction of the Central Cordillera is 8.8 kilometers long, the longest tunnel in Colombia. Construction will integrate economic activity between the eastern and western regions of the country, and reduce the distance and travel time to the port of Buenaventura. It is estimated that this route carries 97% of the cargo each year delivered between these two major regions of the Andes.

in USD million	2009	2005-2009
Approvals	2,050	6,984
Sovereign risk	1,070	3,606
Non sovereign risk	980	3,378
Disbursements	927	4,129
Sovereign risk	108	937
Non sovereign risk	819	3,192

in USD million	2009
Portfolio	1,695
Sovereign risk	988
Non sovereign risk	707

During 2009, CAF approved USD 2,050 million for operations in Colombia, of which 52.2% (USD 1,070 million) correspond to sovereign risk operations, and 47.8% (USD 980 million) to non sovereign risk operations.

In activities selected to *macroeconomic stability and structural reforms*, the Institution approved USD 400 million for the Decentralization Support Program in Colombia, which helps the government's efforts to deepen the decentralization process. It also renewed a USD 400 million contingent credit line to facilitate financing in circumstances where international capital market conditions would hinder the implementation of the public financing strategy.

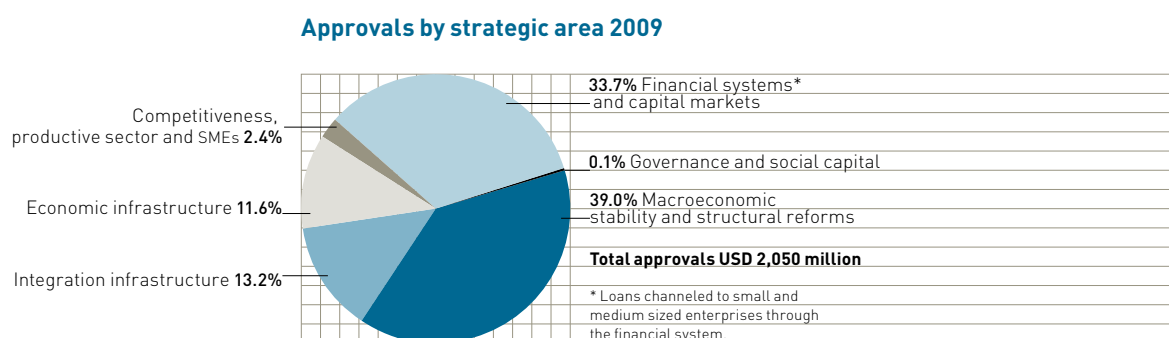
At the same time, CAF provided USD 508 million for the *economic and integration infrastructure projects*, which represented 24.8% of the total approved during the year. One of the most important operations was the financing of the project II Centenario-La Línea Tunnel. The project involves the construction of an 8,800 meters long tunnel and its corresponding access roads in the area known as Paso de la Línea. This is the highest geographic point in the Bogotá-Buenaventura Road Corridor, which connects the main productive centers of the country to the Buenaventura port on the Pacific Ocean. This Corridor moves 30% of the Colombia's foreign trade cargo.

Additionally, the Institution approved USD 690 million in activities related to *financial systems and capital markets*, which represented 33.7% of approvals during the year.

As regards *corporate financing*, CAF contributed to the government's strategy of strengthening the mining, energy, and hydrocarbon sector, by approving long term loans to Termoflores, Termorubiales, and ISAGEN.

One of the most innovative initiatives of the year was the creation of the Colombia Infrastructure Fund, which includes the participation of the Government of Colombia with support from the IDB and CAF for an initial amount of USD 500 million. CAF approved an investment of USD 40 million in favor of this Fund that promotes the participation of private capital.

Finally, the Institution allocated USD 9 million for the financing of SMEs and micro-financial institutions.



APPROVALS TO COLOMBIA 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Republic of Colombia, Ministry of Finance and Public Credit	Program to support the decentralization process	Contribute to the National Government's efforts in deepening the decentralization process in Colombia, through budgetary support for implementation of a series of actions and key reforms.	400	12
Republic of Colombia, Ministry of Finance and Public Credit	General revolving credit line	Support the efforts of the Government in implementing its public debt strategy through assuring contingent resources in circumstances where the capital market conditions do not meet the strategy objectives.	400	10
Republic of Colombia National Roads Institute (INVIAS)	IIRSA: Main Line Tunnel	Finance part of a proposed tunnel construction and associated access roads in Pass Line, the highest point of the Bogota-Buenaventura corridor, which will cross the central mountains.	270	18
ISAGEN S.A E.S.P.	Electrical Project Co-financing	Finance the company's investment projects.	140	13
<i>Termoflores</i>	Financing for investment projects	Fund the conversion of simple cycle to combined cycle at two plants, Flores II and III.	65	11
<i>Termo Rubiales, S.A.</i>	Financing for investment projects	Finance the construction of a thermoelectric plant.	33	6
Ashmore Colombia Infrastructure Fund I (FCP)	Financing for investment projects	Finance investment projects and working capital.	40	n/a
Bancoldex, <i>Bancolombia S.A., Banco de Bogotá, Banco de Occidente, Bancolombia Panamá, Banco Davivienda S.A., Findeter, BBVA Colombia, Banco Santander</i>	Lines of credit, subordinated loans, equity stakes and guarantees	Finance foreign trade operations, investment projects, letters of credit, working capital and investments in capital goods.	690	Various
FMM Bucaramanga, FMM Popayán, <i>Fundación WWB Cali</i>	Lines of credit, subordinated loans, equity stakes and guarantees	Finance investment projects and working capital for the development of small business and microenterprise.	9	Various
Various beneficiaries	Other operations with cooperation resources	Various	3	
Total			2,050	



With the presence of the President of the Republic, Álvaro Uribe Vélez, the closing session of the fifth version of the Leadership Program for the Transformation of Colombia took place in Cartagena. This program was developed by CAF and implemented in partnership with the Public Administration School (ESAP). Cartagena, November 20.

Infrastructure

Reached an agreement with the District Mobility Secretariat and the Urban Development Institute (IDU) to carry out technical, social, economic, financial, and legal studies to establish the viability of a system of urban highways.

Support for the definition of a program to optimize municipal investment decisions in the tertiary road network through sustainable schemes that incorporate criteria of planning, selection, and prioritization of works.

Held a workshop where lessons learned were shared regarding the underground construction of metros, road tunnels, and hydraulic works in various countries around the world.

Social development

Support for the preparation of the technical studies of the Housing Macro Project of Bucaramanga, which consists of the construction of ten thousand housing units for the low income population, based on a comprehensive habitat model that guarantees the provision of basic services to the inhabitants, adequate urbanism, and an environmentally sustainable surrounding.

Support for a medium-term evaluation of the technical and technological education program, to establish the basis for an impact evaluation of the program, the quality of the educational content, and the partnerships achieved with the private sector.

Support for the identification and execution of social development projects in indigenous communities of La Guajira in the education, health, potable water, and energy sectors, and the design of sustainable schemes for their administration, operation, and maintenance under the Social Development in Border Areas Program.

Competitiveness

Competitiveness Program

Signed an agreement with the Konrad Adenauer Foundation to support the implementation of the Emprender Paz (Peace Promotion) Prize

Signed an agreement with Incubar del Caribe (Incubate of the Caribbean) to develop a Project to strengthen the National Incubation and Entrepreneurship System, through the technological transfer of the Chilean model developed by the accelerator OCTANTIS.

Technical support for the Fourth Edition of the Great SME survey in Colombia and support for the VENTURES Competition.

Project Implementation

Development of the Auto Parts Suppliers Program: Management Model for Competitiveness, Development of a Sustainable Competition Strategy for the Poultry Industry in Santander.

Logistic Reinvention Methods for Agro Export Businesses of the MERLIN project, and execution of the last phase of the project through which the ENDEAVOR Entrepreneurship model is structured.

Corporate Governance Program

Signed an agreement with the Finance Ministry of Bogotá to support the implementation of transparency and good governance best practices to strengthen the entity's management.

Implementation of the project with the Colombia Stock Exchange to support the implementation of Good Governance Codes in 20 Colombian enterprises of the public and private sector.

Governance

Governance and Policy Management Program

Contribution to the development of managerial and leadership capacities both for public sector employees as well as the civil society, to support municipal development.

Leadership for Change Program

Held out the fifth version of this program in Colombia, implemented in partnership with the Escuela Superior de Administración Pública, ESAP, (Public Administration School). Graduated 970 individuals from 23 training centers.

Regional Program for Updating and Improving Local Management

Provided services to the Tabio Municipal Government, in the Department of Cundinamarca, for implementing a territorial information system (SIT) and the establishment of management tools to optimize municipal management.

Social responsibility

Local opportunities

Completion of the project Computers for Peace in Medellín, with the Fundación Atención para la Niñez (Attention to Children Foundation, FAN in Spanish) and the private

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN COLOMBIA

During 2009, CAF approved USD 5.4 million to Colombia in cooperation funds.

Resources were granted directly to the beneficiaries or channeled through the various special programs developed by the Institution.

sector of Antioquia, to strengthen the comprehensive development process of 800 children, using computers and other technology tools.

Skills training

Completion of the work with the Spanish Agency for International Development Cooperation (AECID), municipalities, and states, in the Workshop Schools of four municipalities to train 400 low income youths in skills and traditional construction techniques.

Alternative technical training for 1,100 low-income youths of Ciudad Bolivar and Cazuca in Bogotá, to facilitate their social and labor insertion through theoretical and practical courses in areas such as automobile mechanics, bread making, tailoring, and information technology.

SMEs and microfinance

Support for academic events:

First Latin American Congress on Access to Financial Services, Regional Micro Credit Summit, professional strengthening of the Colombian microfinance, and IV Latin American Forum on Community Banks.

Environment

Natural Disaster Risk Management Program

Support for the environmental management of natural disaster risks through the re-launching of the program.

BioCAF

Support for a meeting of social actors, border local governments, and the productive sector for the development of joint actions in the environmental and sustainable development area between Colombia and Ecuador

PLAC^e

Signature of two new trade contracts for the reduction of greenhouse gasses with the projects: i) BRT-Transmetro (Barranquilla), and ii) Biorgánicos del Otún (Pereira), an innovative project for the use of solid residuals. These projects represent approximately 400,000 tons of carbon dioxide that will not be issued into the atmosphere.



Signing of the Infrastructure Fund Colombia, a public-private initiative in which the Government of Colombia participates with support from IDB and CAF. Medellín, March 31.





In partnership with the Foundation *Juan Bosco Obrero*, CAF supports job training and human development of young adults in Cazucá and Ciudad Bolívar. The training process aims to incorporate the participants into the country's productive sector.





ECUADOR

The horticultural cluster project seeks to enhance the competitiveness of small farmers in the provinces of Pichincha and Santo Domingo de los Tsáchilas. Through training, technical assistance and the development of a supply model with a leading commercial enterprise; the initiative promotes the participation of local producers in the value added chain of processed and commercial foods.

in USD million	2009	2005-2009
Approvals	873	4,405
Sovereign risk	669	3,195
Non sovereign risk	204	1,210
Disbursements	290	2,993
Sovereign risk	137	1,984
Non sovereign risk	153	1,009

in USD million	2009
Portfolio	2,052
Sovereign risk	1,779
Non sovereign risk	274

During 2009, CAF approved USD 873 million for operations in Ecuador, of which 76.6% (USD 660 million) correspond to sovereign risk operations and 23.4% (USD 204 million) to non sovereign risk operations.

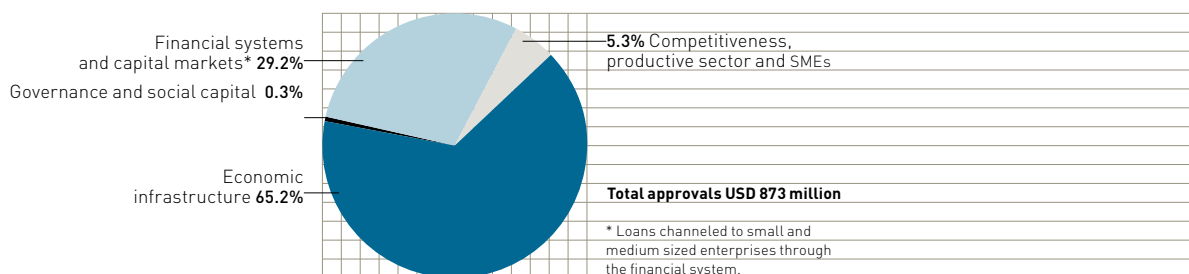
Especially noteworthy are operations for USD 569 million in the *economic infrastructure projects*, which represented 65.2% of the total. These resources will finance the Complementary Works Program for Road Projects, to be implemented by the Ministry of Transportation and Public Works. Its objective is to improve the flow of traffic and the movement of people and merchandise, both nationally and internationally, by undertaking certain complementary works in important highways, thereby contributing to the country's economic development.

In addition, CAF provided resources for the Public Investment Program in the Power Sector to strengthen this sector through the completion of ongoing projects in the areas of generation, transmission, and distribution. The program contemplates financing for six power projects: three in generation, one in transmission, and two in distribution of electricity.

CAF also approved financing for the Municipality of Guayaquil for the Avenida de las Americas Interchange Project and complementary Emerging Works in Popular Sectors of the Municipality; this project is framed within the Municipality's Plan to Improve Road Infrastructure, in order to improve traffic conditions in the city's road network. Thanks to the interchange, the Municipality expects to reduce travel times, vehicle operating costs, fuel consumption, and to generate other socioeconomic and environmental improvements which will benefit the city. The main objective of the complementary works is to improve the quality of life of the population by paving the streets in popular sectors.

Additionally, CAF approved USD 255 million in activities related to *financial systems and capital markets*; these aimed mainly at stimulating economic growth and responding in a timely manner to the financial crisis. Of this total approved during the year, USD 100 million supported credit operations for small and medium enterprises through the National Financial Corporation (CFN), and USD 8 million aimed at supporting the development of MSMEs in the country.

Approvals by strategic area 2009



APPROVALS TO ECUADOR 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Republic of Ecuador, through the Ministry of Transportation and Public Works	Additional works program for road projects	Improve road traffic through the implementation of additional work on major roads.	259	18
Republic of Ecuador, through the Ministry of Electricity and Renewable Energy	Program to support public investment in the electricity sector	Invest in the power sector to complete projects in generation, transfer and distribution.	250	12
Municipality of Guayaquil, Department of Public Works	<i>Avenida de las Americas</i> interchange and emerging works in central areas of the municipality of Guayaquil	Improve traffic conditions on roads in the city of Guayaquil through the construction of a road interchange.	60	12
<i>Procesadora Nacional de Alimentos, C.A., (PRONACA)</i>	Short-term line of credit and medium-term subordinated loan	Meet working capital requirements.	10	7
<i>Corporación La Favorita, C.A.</i>	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and working capital.	15	Various
Ecoeléctric	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and working capital.	7	Various
Nirsa	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and working capital.	3	Various
Novopan	Funding for trade, working capital and investment projects	Finance investment projects, foreign trade transactions and working capital.	3	Various
<i>Corporación Financiera Nacional (CFN)</i>	Credit line with sovereign guarantee	Finance foreign trade operations, working capital and investments in capital goods.	100	Various
<i>Produbanco, Banco del Pichincha, Banco de Guayaquil, Banco Bolivariano and Banco Internacional</i>	Funding for trade and working capital	Finance foreign trade operations, working capital and investments in capital goods.	155	Various
<i>Banco Procredit</i>	Revolving uncommitted credit line with a partial credit guarantee	Financing for small and micro enterprises.	8	Various
Various beneficiaries	Other operations with cooperation funds	Various	3	
Total			873	

Infrastructure

Approval of the Technical Assistance Program on Rigid Pavement and Mixtures with Hydraulic Additives which will support the design, control, and supervision of the road works built with rigid pavement. The objective of the program is to strengthen the capacities of the Ministry of Transportation and Public Works as a supervising entity of road policy at a national level.

Support the municipalities of Tena, Portoviejo and Loja, and the Prefecture of Chimborazo in strengthening municipal administration and management, creating a property and territorial registry, and in studying the execution of community roads and urban development.

Social development

Implementation of various studies and social development projects among which the following stand out:

- Studies for the Planning and Sustainable Development Plan of the inner city of Loja.
- Studies for the Potable Water, Sanitary Sewage, and Rain Water Drainage Master Plan for the city of Riobamba.
- Project of Integrated Telemedicine System in the provinces of Chimborazo and Cotopaxi, to provide access to specialized health services for the least favored indigenous sectors.

Competitiveness

Competitiveness Program

Signed an agreement with the Ecuadorean Software Association (AESOFT), to strengthen the export capacity of software enterprises in the country.

Initiation of the second phase of the project to implement a management model for competitiveness in the automotive sector in Ecuador, through the signature of an agreement with the Ecuadorean Chamber of the Automotive Industry (CINAE).

Support the strengthening of the country's SME productive sector and entrepreneurial groups by training and organizing meetings with international buyers, through the subscription and execution of an agreement with the Ecuadorean Federation of Exporters (FEDEXPO).

Execution of the project to promote best practices in the cooperative sector, which is framed within a regional initiative financed with resources from the Spanish Cooperation.

Corporate Governance Program

Initiation of the execution phase of the project to create the Corporate Governance Academic Unit, which brings together an important group of higher education institutions through an agreement subscribed with the Quito Stock Exchange.

Subscription of technical cooperation agreements with four municipal enterprises within the framework of the Program to Implement Corporate Governance Best Practices in Public Enterprises of the Andean region.

Governance

Governance and Policy Management Program

For the seventh consecutive year, signed agreements with the Catholic University of Ecuador and the Catholic University Santiago de Guayaquil, to train local government leaders and their support teams. Provided training to 220 participants in the cities of Guayaquil, Quito, and El Coca.

Leadership for Change Program

Execution of the program, in partnership with the Escuela Superior Politécnica del Litoral (ESPOL). Graduated the third class of the program, which included 541 new natural leaders committed to strengthening democratic governance. Fifty-seven municipalities participated in the cities of Azogues, Galápagos, Guayaquil, Manta, and Quito.

Regional Program to Update and Improve Local Management

Execution of the program in Manta and Ambato, to provide them with the tools necessary to become more efficient organizations.

Social responsibility

Execution of the Social Action for Music Program, by strengthening the orchestral and choral area with the Fey Alegría Organization.

Training in skills and heritage rescue in three workshop schools in Cuenca, San Andrés, and Quito, in alliance with the Spanish Agency for International Development Cooperation (AECID) and other institutions.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN ECUADOR

During 2009, CAF approved USD 3.2 million to Ecuador in cooperation funds. Resources were granted directly to the beneficiaries or channeled through the various special programs developed by the Institution.

Skills training for 380 youths by the Centro del Muchacho Trabajador (CMT) and improvement of the students' skills profile and labor insertion.

Environment

Cleaner Cities and Industries Program

Approved the Program to Strengthen the Institutional Capacity of the Ministry of the Environment for Environmental Quality Management, with emphasis on areas such as sustainable mining, climate change, and environmental sanitation.

Support the Ministry of the Environment in the design and planning of a project to improve socio-environmental management in the small and medium sized mining industry in the region of Ponce Enríquez, province of Azuay.

Studies for the strategic social and environmental evaluation of the areas of influence of the project Refinery and Petrochemical Complex of the Pacific, with the Ministry of Mining and Petroleum and the Ministry of the Environment.

Disaster Risk Management Program

Support the institutional strengthening of the Risk Management Technical Secretariat attached to the Presidency of the Republic, specifically in the design and implementation of public policy mechanisms and tools.

BioCAF Program

Support the development of an environmental and biodiversity agenda as a meeting point between social actors from Colombia and Ecuador, together with Fundación Natura Regional, financed through the Cooperation Fund for Border Integration (COPIF).

Microfinance

Support for the organization of the III CAF Forum on Microfinance, which took place in the city of Quito. The forum generated a space to discuss issues related to the development of microfinance in the region.



The Executive President of CAF, Enrique García, in an official visit to the President of Ecuador, Rafael Correa. During the visit, García reaffirmed his commitment to development in Ecuador. Quito, July 22.





The telemedicine system in the provinces of Chimborazo and Cotopaxi, trains women of rural areas as health promoters with support of information and communications technologies. The system expands access to health services for the indigenous population of the region, and has an impact on reducing mortality.



MIRAFLORES LOCKS
PANAMA CANAL
1913



PANAMA

CAF finances a feasibility study for a water tunnel laboratory in the Panama Canal, to evaluate the hydro-dynamic behavior of structures as they interact with fluids. In this manner, CAF promotes the research and development of new technologies, in Panama and the region.

in USD million	2009	2005-2009
Approvals	232	1,000
Sovereign risk	210	577
Non sovereign risk	22	423
Disbursements	6	84
Sovereign risk	6	83
Non sovereign risk	0	1

in USD million	2009
Portfolio	76
Sovereign risk	76
Non sovereign risk	0

CAF's action in Panama was mainly aimed at strengthening the financial system and contributing to the strategies to mitigate the risks of the international crisis.

Of the total amount approved, USD 210 million were destined for the Financial Stimulus Program (PEF) undertaken by Banco Nacional de Panamá, a credit line aimed at financing foreign trade operations.

In addition, the Institution assigned USD 20 million to Banco BBVA of Panama to finance trade and working capital operations.

APPROVALS TO PANAMA 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Banco Nacional de Panamá (BANCONAL)	Non-revolving credit line guaranteed by the Republic of Panama	Finance foreign trade operations through the confirmation of commercial letters of credit for importing goods.	210	7
BBVA Panama, S.A.	Revolving credit line	Finance trade and working capital operations.	20	
Various beneficiaries	Other operations through cooperation funds	Various	2	Various
Total			232	

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PANAMA

Infrastructure

Support the planning phase and the technical feasibility analysis of the establishment of a mass public transportation mechanism for the city of Panama. The executing organization is the Panama Metro Secretariat.

Support the Coordinating Unit of the Urban Mobility Program of the Transportation and Land Traffic Authority (ATTT).

Project to Modernize the Postal System, aims at making the country's postal service more competitive from the service, technological development, and administrative point of view, and develop its operational and financial capacity.

Support for the Civil Aeronautical Authority, in its first phase to conduct studies to locate an international airport in the central region of Panama. These studies will determine the initial feasibility from an economic, financial, and technical point of view.

Competitiveness

Support the organization of the IV Competitiveness Forum, which is organized annually by the National Competitiveness Center, a discussion, analysis, and consensus building forum of the public and private sectors in Panama to identify the obstacles that limit competitiveness in the country and propose actions and working plans to overcome them.

Corporate governance

In the framework of the Corporate Governance Workshops, implementation of three workshops to promote, build conscience, and pass on knowledge on best practices in corporate government that will enable enterprises in Panama to become more competitive and successful over time.

Governance

Initiation of the Governance and Policy Management Program by signing an agreement with the University of Panama. This program has operated since 2001 in partnership with the George Washington University and local universities in all of the region.

During 2009, CAF approved USD 2 million to Panama in cooperation funds.

Resources were granted directly to beneficiaries or channeled through various special programs developed by the Institution.





The President of the Republic of Panama, Ricardo Martinelli, the Executive President of CAF, Enrique García and the Minister of Economy and Finance, Alberto Vallarino, sign Panama's USD 55 million capital increase. Panama City, October 28.





PARAGUAY

Road improvements and recreational spaces near the International Bridge Encarnación-Posadas will alleviate transit problems resulting from the high degree of urbanization, and increase leisure spaces in the vicinity. These projects part of CAF's funding for Yacyreta's Bi-national Entity.

in USD million	2009	2005-2009
Approvals	107	127
Sovereign risk	85	95
Non sovereign risk	22	32
Disbursements	4	25
Sovereign risk	2	16
Non sovereign risk	2	9

in USD million	2009
Portfolio	28
Sovereign risk	24
Non sovereign risk	4

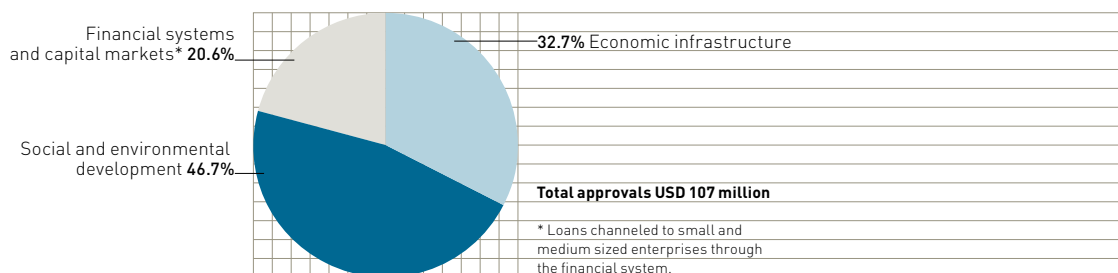
During 2009, CAF approved USD 107 million for operations in Paraguay, of which 79.4% (USD 85 million) correspond to sovereign risk operations and 20.6% (USD 22 million) to non-sovereign risk operations.

The Institution approved USD 85 million for the Social and Infrastructure Investments Program (PAISI), with a view to promote economic reactivation through a series of investment programs with high economic and social impact in the agricultural, housing, education, and infrastructure sectors. The operation is part of the Paraguayan Government's Anti-Crisis Plan to deal with the international financial situation.

CAF also continued to support the country's *financial sector*, by providing USD 22 million to finance investment projects, and foreign trade and working capital operations. The resources aim to stimulate economic growth and respond opportunistically to the financial crisis.

In the area of *SMEs and microfinance*, the Institution approved a capital investment of USD 500,000 in Visión Banco SAECA, a micro-financial institution which recently became a bank. In addition, it increased its credit line to this institution to USD 2 million to strengthen its participation in the country's micro-entrepreneurial sector, CAF also renewed a credit line for USD 5 million in favor of Banco Regional, a financial institution specialized in financing the small enterprises.

Approvals by strategic area 2009



APPROVALS TO PARAGUAY 2009 (in USD million)

Client/Executor	Operation	Objective	Amount	Term (years)
Republic of Paraguay, through the Ministry of Finance	Investment Support Program for Social and Infrastructure (PAISI)	Contribute to the management of government, specifically through the Anti-Crisis Plan, supporting the country's economic revival through the implementation of social programs and infrastructure investment with high social impact	85	12
<i>Banco Regional</i>	Funding for trade, working capital and investment projects	Finance investment projects and foreign trade transactions and working capital.	5	Various
BBVA Paraguay	Funding for trade, working capital and investment projects	Finance investment projects and foreign trade transactions and working capital.	15	
<i>Visión Banco, S.A.</i>	Funding for trade, working capital and investment projects	Partially finance the investment plan.	2	10
Total			107	





With the presence of President Fernando Lugo, the Executive President of CAF, Enrique García, and the Minister of Finance of Paraguay, Dionisio Borda, signed a loan agreement between CAF and the Republic of Paraguay for USD 85 million, to implement the Social and Infrastructure Investment Program. Asunción, July 23.





PERU

The Olmos Irrigation and Hydropower Project develops water resources from the Olmos, Huanca-bamba, Tabaconas and Manchara rivers on the Atlantic slope of the Andes to expand the agricultural frontier through the irrigation of uncultivated land along the Pacific slope.

in USD million	2009	2005-2009
Approvals	2,287	6,283
Sovereign risk	1,300	2,868
Non sovereign risk	987	3,415
Disbursements	650	4,650
Sovereign risk	280	1,111
Non sovereign risk	370	3,539

in USD million	2009
Portfolio	1,869
Sovereign risk	1,327
Non sovereign risk	542

During 2009, CAF approved USD 2,287 million for operations in Peru, of which 56.8% (USD 1,300 million) correspond to sovereign risk operations, and 43.2% (USD 987 million) to non-sovereign risk operations.

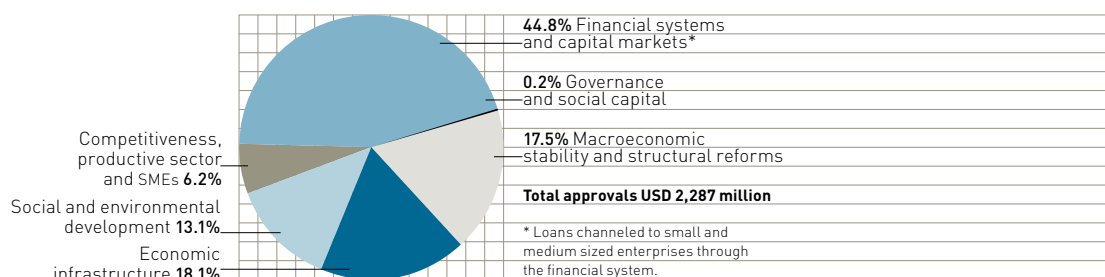
In the area of economic infrastructure, the Institution approved financing mainly for the transportation sector, in particular USD 300 million for the Lima Electric Train Project. It involves the rehabilitation of the existing infrastructure located between Villa El Salvador and the Atocongo Station, and the construction of a new section from Atocongo to the future Grau Station. The Project is a part of a long term plan, whose objective is to provide a mass urban transportation system to the cities of Lima and Callao.

In addition, CAF approved USD 300 million to social and environmental development projects, through a contingent financing facility for natural disaster relief, through the attention of natural emergencies and subsequent reconstruction processes. Upon declaring an emergency, this credit line support activities for the care of victims and the restitution of critical services due to the loss of physical, natural, and social capital resulting from the natural emergency.

The Institution also approved more than USD 1,200 million, for the corporate and financial sector, mainly through credit lines for the development bank (COFIDE), commercial banks, and micro-financial institutions. In the corporate sector, two operations stand out: i) USD 50 million co-financing for 356 kilometer highway concession (Road Network N° 4) which will link the departments of Lima, An-cash, and La Libertad ii) USD 65 million long-term financing approved to Maple Etanol for the development of an agro-industrial complex for producing ethanol from sugar cane.

Finally, in the area of macroeconomic stability, the Institution approved a contin-gent credit line for USD 400 million to support the National Government’s public debt strategy. This credit line is a preventive instrument that provides financial resources to the country in case of difficulty in accessing capital markets, under conditions consistent with the government’s strategy.

Approvals by strategic area 2009



APPROVALS TO PERU 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Republic of Peru, through the Ministry of Economy and Finance (MEF)	Contingent Credit Line	Support the efforts of the government to implement its debt strategy as part of a contingency plan to mitigate the risks arising from the financial crisis.	400	10
Republic of Peru, Ministry of Transport and Communications and the Self-Governing Authority Electric System Mass Transportation in Lima and Callao	Urban electric train, stretching from Villa <i>El Salvador</i> to <i>Avenida Grau</i>	Implement the first stage of Transit Plan for the city of Lima. This work will reduce transportation costs for the population by reducing travel time and increase the efficiency of urban transportation.	300	18
Republic of Peru, through the Ministry of Economy and Finance (MEF)	Contingent financing for integrated care of emergencies caused by natural disaster	Funding for comprehensive care in emergencies caused by natural disaster.	300	18
<i>Refinería La Pampilla</i>	Working capital and foreign trade	Finance investment projects, foreign trade transactions and working capital.	50	Various
<i>Sociedad Concesionaria Autopista del Norte, S.A.C.</i>	Financing grant for Road Network Number 4 (Pativilca-Casma-Chimbote-Trujillo)	Build, maintain and operate the Number 4 Road Network.	50	10
<i>Maple Etanol</i>	Short-term loan	Develop an agro-industrial complex for the production of sugarcane, in order to produce ethanol (an alternative energy source).	65	12.5
<i>Cemento Andino</i>	Partial credit guarantee	Acquire and install machinery and mechanical equipment for the expansion of plant capacity.	50	8
<i>Banco de Crédito de Perú, BBVA Banco Continental, COFIDE, COFIDE/MEF Garantía Soberana, ScotiaBank Peru and Banco Internacional del Perú</i> (Interbank)	Funding for trade, working capital and investment projects	Finance investment projects and foreign trade transactions and working capital.	1,000	Various
<i>Banco Interamericano de Finanzas (BIF), Microempresa S.A.-Mibanco Caja Municipal de Ahorro y Crédito de Arequipa, Caja Municipal de Ahorro y Crédito de Cusco; Financiera Edificar, Financiera Crear Arequipa, Caja Municipal de Ahorro y Crédito de Tacna and Financiera Confianza</i>	Funding for trade and working capital and investment in small and micro enterprises	Financing for small and micro enterprises.	68	Various
Various beneficiaries	Other transactions using cooperative resources	Various	5	
Total			2,287	



CAF's Executive President, Enrique García, and the regional director of the International Labor Organization for Latin America and the Caribbean, Jean Maninat signed an agreement to mitigate the effects of the crisis on the labor market. Lima, August 20.



XXVI CAF Friendship Cup, organized by the Cantolao Sports Academy and CAF. Lima and El Callao, January 26 to February 1st.

Infrastructure

Partial financing to the consultancies and studies needed for the implementation of an aeolic energy project in the city of Piura and the Port of Paita, in Peru's north-eastern region.

Support for the Ministry of Transportation and Communications to hire a consulting company to carry out an Evaluation Study of the Environmental Impact of the Electric Mass Transportation System Project of Lima-Callao.

Support the Ministry of Economy and Finance for the follow up and evaluation of the II Social and Infrastructure Investment Program against Poverty.

Social development

Support the Ministry of Housing, Construction, and Sanitation, to expand the reach of the information systems and train the human resources of the General Office of Statistics and Information Technology in specialized topics regarding information technology.

Execution of the Right to Play Project in 20 schools in rural areas of Cusco and Lambayeque as community support in the areas where CAF finances infrastructure works.

Competitiveness

Implementation of an assistance program for the modernization of the State's fiscal management and fiscal policy in the decentralization process with the Ministry of Economy and Finance.

Optimization of the State's management of services and processes for foreign trade: Port One Stop Window with the Ministry of Trade and Tourism.

Support for the Inclusive Rural Entrepreneurial Development Program that the Development Financial Corporation (COFIDE) develops for the establishment of Savings and Credit Unions.

Development of the Aquiculture Sector in the Southern Coast of Peru, which includes diagnostic studies and development of productive chains, with the Vice Ministry of Fishing.

Contribution to the Supplier Development Project of the Agro-Food Chain in the region of Junín.

Development of Productive and Management Capacities of the Alpaca Producers of Quispicanchis, Cuzco, with Fondo de las Américas (Americas Fund).

Corporate Governance Program

Startup of the diagnostic program and implementation of best practices in corporate governance for state owned oil companies of Peru, ELECTROPERU, Banco de la Nación, and SEDAPAL.

Governance

Governance and Policy Management

Program

Execution of the VII Governance and Policy Management Program with the Catholic University of Peru.

Leadership for Change Program

Training of representatives from social, cultural, indigenous, farming, labor unions, and associations of micro and small entrepreneurs.

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

Participation of the Jesús María Municipality in the North of Lima, following the pilots conducted the previous year.

Social responsibility

Social Action for Music Program

Support for the National Culture Institute in launching the National System of Children and Youth Orchestras of Peru.

Local Opportunities

Approval of the Energy for Life Project, framed within the cooperation agreement between CAF and Ashmore Energy International AEI/ Calidda Distributor of Natural Gas.

Local Productive Vocations

Provided training for 3,280 local men and women in sewing, computers, gastronomy, agricultural product trade, raising and slaughtering of cattle; make operational 21 local productive enterprises in the area of influence of the Southern Inter-Oceanic Road Corridor.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN PERU

During 2009, CAF approved USD 5 million to Peru in cooperation funds. Resources were directly granted to beneficiaries, or channeled through the various special programs developed by the Institution.

Provided training to 418 men and women in sewing, computers, gastronomy, baking, and made operational nine local productive enterprises.

Trained 988 local workers in heavy machinery operations and in specialized construction skills.

Environment

Support the Ministry of Economy and Finance and the Ministry of the Environment for the preparation of the Second Stage of the Social and Environmental Management Program of the Indirect Impacts of the Southern Inter-Oceanic Road Corridor.

Support for the preparation of the Comprehensive Water Availability Study for the Management of Water in the Huancabamba River System, its tributaries and decanters, water source for the Olmos Project.

Strengthening of the El Niño Phenomenon Prevention Program of the Government of Peru.

PLAC**

First CAF program to buy carbon emissions in Peru. Consists in the reduction of green house gases by managing animal residues in the feeding operations of animals kept in the La Calera farm, located in Chincha.

Support for the project to reduce methane gas emissions in the residual water treatment plant of Carapongo, in Lima.

Signature of an agreement to develop the Clean Development Mechanism Project with SEDAPAL in Lima. It is estimated that the project has the potential to produce 115,000 carbon certificates, which will be sold in the international market.



During the meeting with the President of Peru, Alan García, the President of CAF, Enrique García, ratified the Institution's commitment to continue its support in financing the country's development. Lima, June.





The Alliance for Native Arts of Cusco is a project that involves ten women's associations of artisan weavers along the southern Inter-Oceanic Corridor. The aim is to strengthen their productive capacity and integrate them with the markets.





URUGUAY

Uruguay's Public Investment in Road Infrastructure Program consists in the reconstruction and rehabilitation of roads in the primary and secondary networks in the country, as well as maintenance activities according to level of service and road safety criteria. One of the main projects is the expansion of the ring perimeter around Montevideo.

in USD million	2009	2005-2009
Approvals	590	1,396
Sovereign risk	590	1,395
Non sovereign risk	0	1
Disbursements	377	623
Sovereign risk	377	623
Non sovereign risk	0	0

in USD million	2009
Portfolio	582
Sovereign risk	582
Non sovereign risk	0

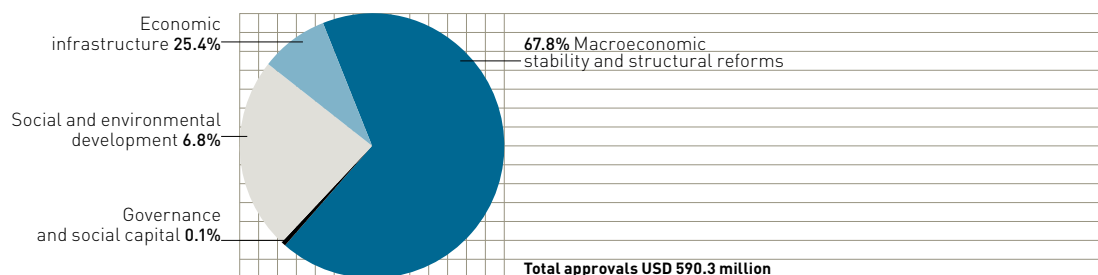
During 2009, CAF continued supporting the development of *economic infrastructure* in the country by approving USD 100 million the National Development Corporation (CND) for the IV Public Investment Road Infrastructure Program; the operation counts with the guarantee of the Republic. The executing agency is the Road Corporation of Uruguay (CVU) and represents the fourth in a series of operations financed by the Institution. In addition, the loan forms part of the priority public investment program under anti-cyclical policies implemented by the government to mitigate the effects of the international economic crisis. The program has three components: reconstruction and rehabilitation projects, maintenance activities based on service and road security criteria, and construction works at the national level.

In addition, CAF continued supporting the National Power System Program with the renewal of a credit line of up to USD 50 million for the National Administration of Electricity Generation and Transmissions (UTE); the objective is to increase the electricity generation capacity in the country. The program seeks to minimize the probability of rationing in the medium and long-term as well as reducing the cost of energy.

Furthermore, in the area of *social development*, CAF granted a USD 40 million loan to the National Administration of Sanitary Works (OSE), for the Treatment and Disposal of Effluents in the Maldonado-Punta del Este System. The objective is to promote social, economic, and tourism development of the Maldonado Department, by improving the sanitary and environmental conditions of the capital city and the tourist areas of Punta del Este. The Project consists in the construction, expansion, and optimization of the collection, treatment, and disposal of sewage.

In the area of *macroeconomic stability and structural reforms*, CAF approved the renewal of a contingent credit line whose aim is to support the efforts of the Ministry of Economic and Finance in its public debt management strategy. In this manner, the Institution ensures the availability of resources in circumstances in which capital market conditions do not meet the financing objectives of the Republic.

Approvals by strategic area 2009



APPROVALS TO URUGUAY 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Oriental Republic of Uruguay, through the National Corporation for Development (CND) and the Corporación Vial del Uruguay (CVU) as executor	Program of public investment in road infrastructure	Improve the national road service quality and contribute to the socio-economic development and integration, through rehabilitation and expansion of the highway network in the country.	100	10
Oriental Republic of Uruguay, through the Ministry of Finance and Administration of the State Sanitation Works (OSE) as executor	Proposed treatment and effluent disposal system in Maldonado-Punta del Este	Improve quality of life and promote social, economic and tourism in the department of Maldonado, by improving the sanitary and environmental conditions.	40	9
Oriental Republic of Uruguay, through the National Electric Power Generation and Transmission (UTE)	General revolving credit line	Support Program for Strengthening the National Electric System, with the renewal of a credit line of working capital.	50	15
Oriental Republic of Uruguay, through the Ministry of Economy and Finance	Contingent credit line	Support the efforts of the government in implementing its strategy for managing public debt through a preventive tool that provides financing funds in case there is no access to international capital markets.	400	18
Various beneficiaries	Other operations with cooperation funds	Various	0.3	
Total			590.3	

The President of the Republic of Uruguay, Tabaré Vasquez, and Enrique García, Executive President of CAF.



OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN URUGUAY

Infrastructure and social development

Incorporation of the socio-productive development component through the project Sustainable Production System for Producer Families in Rural Montevideo, in the framework of the Road Infrastructure Public Investment Program, which includes the construction of the Montevideo beltway.

The initiative will enable the characterization of the most important agro systems and their critical points, to design and implement actions to improve the sustainability of the resources and increase the production of certain horticultural products, forage, and goat milk.

Competitiveness

Approval of a local productive development initiative in the department of Canelones, to generate a local production model, to identify and prioritize actions to attract investment and to promote the installation of industrial enterprises that will use the labor available in the area.

During 2009, CAF approved USD 300,000 to Uruguay in cooperation funds. Resources were directly channeled to beneficiaries or through the various special programs developed by the Institution.





With the approval of resources for the Public Investment in Road Infrastructure Program in Uruguay, CAF supports public investment plans established by the government to improve the quality of service in the national road system.





VENEZUELA

The Rafael Urdaneta Thermoelectric Complex will generate electricity in three thermal plants in order to meet growing demand in the in the state of Zulia, in western Venezuela. The project uses combined cycle technology that can generate increased quality of electricity without using additional fossil fuels.

in USD million	2009	2005-2009
Approvals	627	2,984
Sovereign risk	600	2,346
Non sovereign risk	27	638
Disbursements	412	1,852
Sovereign risk	410	1,815
Non sovereign risk	2	37

in USD million	2009
Portfolio	1,765
Sovereign risk	1,765
Non sovereign risk	0

During 2009, CAF approved USD 627 million for operations in Venezuela, of which 95.7% (USD 600 million) correspond to sovereign risk operations, and 4.3% (USD 27 million) to non sovereign risk operations.

The approval of USD 600 million for the construction of the Termozulia Thermo-electric Plant is especially noteworthy. This is considered a strategic project which will generate an additional 470MW that will provide energy to an estimated 90,000 homes in the state of Zulia, and cover the projected increase in demand. The combined cycle technology allows the plant to use natural gas, thus saving liquid fuels which can be exported. The construction of the plant will generate close to 1,500 jobs.

The project is a part of the National Government's investment plans to improve the country's electricity generation capacity, and meet the projected growth in demand of the national interconnected system with improved security conditions, while new hydroelectric projects such as the Manuel Piar-Tocoma Hydroelectric Plant on the Caroni River, also partially financed by CAF, come on line.

In addition, the Institution continued supporting other projects of importance to the country, both in the *infrastructure* and *social development* sectors. An example is the construction of the Manuel Piar Hydroelectric Plant, which seeks to maximize the efficient use of the resources of the Caroni River in Bolivar State; the Potable Water and Sanitation Investment Program, whose aim is to ensure the availability, quality, continuity, and sustainability of the potable water and sanitation services in diverse urban areas; the National Environmental Management and Preservation Project (PRONGECA), to improve environmental conditions through regional laboratories that analyze environmental quality and facilitate local environmental management; and the Operational Investment Program of the Caracas Metro, among others.

The financial support to the Yacambú-Quíbor System is also noteworthy. It includes: Infrastructure, Preservation of the Yacambú River Basin, and development of the Quíbor Valley, a project in which CAF has been participating since 1998 with more than USD 200 million of the approximately USD 600 million invested by the Government of Venezuela. The objective is to promote the agricultural development in the State of Lara by taking advantage of the waters of the Yacambú River. It involves the construction of a reservoir, and the transfer of the water through a tunnel that crosses the mountains to the Quíbor Valley. The project will also contribute to the provision of potable water to the city of Barquisimeto.

CAF also provided resources to the Venezuelan *financial sector*, through a credit line in favor of Banco Mercantil for USD 25 million, aimed mainly at financing working capital through short-term operations.

APPROVALS TO VENEZUELA 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Bolivarian Republic of Venezuela, through the C.A. Power of Venezuela (ENELVEN), a subsidiary of Corpoelec	Thermoelectric Project Termozulia III	Increase the reliability and autonomy of the Western Electric System through the generation of 470 MW in western Zulia state, and leverage the use of combined cycle technology, which allows the generation of additional electricity without using fossil fuels for the turbo steam cycle.	600	18
Banco Mercantil	Funding for trade, working capital and investment projects	Finance investment projects and foreign trade transactions and working capital.	25	Various
Various beneficiaries	Other operations with cooperation resources	Various	1.6	
Total			626.6	



Promotion of the country of origin denomination of the Venezuelan Premium Rum.

Infrastructure

Support the Biological Environmental Study of the Termozulia III Thermoelectric Project, for USD 45,000. The objective is to determine the impact of the cooling waters of the thermoelectric complex on its area of influence in Lake Maracaibo, so as to determine the most adequate cooling system for the Termozulia II project.

Social Development

New technical support for MPPAT to complete the preparation of the Census results. These will include using the data for the design of a continuous agricultural statistical system, and the publication of a technical report to be presented in a regional workshop.

Support the Fundación Vivienda Popular (Popular Housing Foundation) in the implementing the Housing Improvement Program in *barrios* of Caracas and Miranda to promote community organization schemes and facilitate financing through seed capital for improving the houses of more than 200 families.

Implementation, with Universidad Central de Venezuela, of a workshop on the achievements, best practices, and lessons learned in the implementation of the Community Service Law for Tertiary Students.

Social responsibility

Social Action for Music Program

Support for the European and United States concert tour by the Simon Bolivar Venezuelan Youth Symphony Orchestra. This activity included the organization of 11 concerts under the direction of Maestro Gustavo Dudamel in the cities of Houston, Washington, Chicago, London, Madrid, Valencia, San Sebastián, Barcelona, and Lisbon.

Jointly with the State Foundation for the System of National Youth and Child Orchestras of Venezuela (FESNOGIV), CAF approved a call for proposals to participate in a national architectural contest for the development of the Social Action for Music International Complex, Simon Bolivar, in Caracas. The contest seeks to attract the architectural proposal for a future music center which will complement the Social Action for Music Center, the current headquarters of the Youth Orchestras.

Skills training and heritage rescue

Continued skills training for youths, in alliance with the Spanish Agency for International Cooperation (AECID). This project trains youths at social risk in basic skills and heritage rescue. Specifically, support has been provided to train youths in the La Guaira Workshop School, through an agreement with the municipality of Vargas and the Coro Workshop School.

Support for the Arturo Usler Pietri Ibero-American Literature Prize which will award a prize to the best literary work in the region in 2010.

Environment

Support for the Diagnosis of Solutions for the Comprehensive Management of Solid Wastes in the Municipalities of Guacaipuro, Los Salias, Carrizal, Sucre, Plaza, and Zamora in the state of Miranda. The objective of the project is to propose alternatives to diminish the generation of solid residues, the risks to health, and its environmental impacts, while contributing to the implementation of the State Plan for the Comprehensive and Sustainable Management of Solid Residues and Wastes.

Support for the Restoration of Forests of the North and West Basins of the Gulf of Paria, in the state of Sucre, with the aim of establishing an ecological restoration program in strategic areas of the North and West Basins of the Gulf of Paria, contributing to improve its socio-environmental conditions.

Competitiveness

Competitiveness Program

Support for the Workshop to Simplify Administrative Paperwork and Create One Stop Windows: Tools for the Municipal Management of Potential SMEs, to strengthen the technical capacities of local governments.

Support the execution of the XV Annual Competitiveness Meeting in Venezuela, aimed at strengthening entrepreneurial capacities and disseminating successful cases, and contribute to the publication of the book *Éxito Venezolano* (Venezuelan Success).



Support for three events in the framework of Tourism, SMEs, and Social Inclusion in the Peninsula of Paraguaná, related to strengthening of the management model of the socio-community networks of tourism service providers, promoted by CORPOTULIPA, to contribute with the sustainability of these networks through the transfer of knowledge to the sector's relevant actors.

Contribute to the Construction of Regional Capacities for the Identification and Promotion of Investment Projects through institutional strengthening and decentralization of investment promotion in Venezuela.

Announcing the results of the third edition of the Regional Program for Updating and Improving Local Management (PRAMEG). Caracas, Venezuela, August 28.

Governance Governance and Policy Management Program

Signed an agreement with the Universidad Católica Andrés Bello (UCAB), for the seventh consecutive year, to train local government leaders and their support teams. Trained 188 participants.

Leadership for Change Program

Graduation of more than 500 individuals from different states in the third generation of the program, carried out in partnership with the Instituto Universitario de Gerencia y Tecnología (IUGT).

Regional Program for Updating and Improving Local Management

Execution of the Program with the Municipalities of Girardot, El Hatillo, Lechería, Sucre, and Naguanagua to provide them with the tools that will enable them to become more efficient organizations.

OTHER CONTRIBUTIONS TO SUSTAINABLE DEVELOPMENT IN VENEZUELA

During 2009, CAF approved USD 1.6 million to Venezuela in cooperation funds. Resources were granted directly to beneficiaries or channeled through the various special programs developed by the Institution.



Hugo Chavez Frías, President of the Bolivarian Republic of Venezuela, visits one of the electric generation projects in the country.





CAF promotes the international positioning of the Venezuelan Premium Rum brand through an improved promotion of its denomination of origin and better integration of participants in the supply chain. In this manner, it contributes to product promotion while generating synergies within the Venezuelan industry.

During 2009, CAF approvals for Costa Rica, Dominican Republic and Mexico reached USD 338 million. The portfolio closed at USD 349 million, an increase of 36.3% compared to the end of 2008. The Institution approved financing primarily to enhance the productivity and competitiveness of these countries, through operations aimed at both the productive and financial sectors. Likewise, CAF approved grants for USD 15.5 million, aimed at financing studies, consultancies, technical training and support for events. Portugal became CAF's second shareholder country from the European Union.

COSTA RICA

During 2009, CAF approved USD 11 million in favor of Costa Rica to assist the financial and productive sectors. Specifically, the Institution continued supporting the MSME sector granting a USD 10 million credit line to Banco Improsa, USD 1 million to Financiera DESIFYN, as well as a capital investment in the CIC Trust Fund that promotes entrepreneurial activity in the country.

In addition, cooperation resources were assigned to promote the Regional Entrepreneurial and Innovation Forum, which addressed issues such as strategies and policies for innovation, promotion of entrepreneurship, and the creation of new enterprises in the region.

Likewise, CAF supported the Project for the Simplification and Digitalization of Information of Key Procedures in Governmental Institutions, which is a part of the National Competitiveness and Regulatory Improvement Program. The objective is to optimize the services and processes of the State institutions related with foreign trade and business activities.

SPAIN

During 2009, CAF strengthened its agenda in Europe by including institutional and financial activities, interaction with the media and with producer associations, both at the national and sub-national level. These activities have also been extended to other countries of special interest in the European Union, due to their relationship with Latin America.

CAF had a permanent presence in the participation and organization of events as well as by generating agreements with institutions. The Institution participated in presentations and comments in meetings of the European Investment Bank in Luxemburg; meetings of the European Commission in Brussels; the Assembly of the Organization for Economic Cooperation and Development (OECD) in Paris; the Steering Committee of the G-Nexid (Global Network of Ex-Im Banks and Development Institutions) in Kiev, Ukraine; the Euro-Latin American Parliamentary Assembly (EUROLAT) in Madrid; the forum organized by the Institute for Promotion and Development in Latin America (IPDAL) in Lisbon; the IV Annual Meeting of the Global Network of Ex-Im Banks and Development Finance Institutions (G-NEXID) in Geneva; the Latin American Economists Meeting in Santander, Spain, on the analysis of the crisis organized by CAF and the Ibero-American General Secretariat (SEGIB); the FAO Assembly on Food Security in Rome; the Annual Lati-bex Forum; and the Annual Conference of the Madrid Club. In addition, CAF signed important agreements with CEDET, the Carolina Foundation, Metropolis Global, and promoted the signature of MOU with the European Commission for 2010.

Meeting of the Executive President of CAF, Enrique Garcia, and the Minister of Economy of Spain, Elena Salgado. Madrid, October 16.



Additionally, CAF continued promoting and originating businesses and projects, especially in the areas of infrastructure and alternative energies, aimed at shareholder countries; as well as deepening in the design of new products and strengthening partnerships with European financial institutions.

MEXICO

During 2009, CAF approved USD 65 million in favor of Mexico. Of this amount, USD 50 million were aimed at a partial credit guarantee for the securitization of revenues of the Instituto de la Función Registral, which forms part of the government of the State of Mexico. The objective was to support the placement of securities with CAF's guarantee, so they could achieve investment grade.

In the infrastructure area, PROINFRA resources were used for the development of the Public Transportation Systems of the Cities of Chihuahua and Leon, by supporting the creation of a public organization to supervise transportation in Chihuahua and conduct studies to conceptualize the school transportation system in Leon.

PORTUGAL

On November 30, Portugal became a CAF shareholder after signing an agreement to subscribe EUR 15 million to the ordinary capital of the institution and EUR 60 million of callable capital. The signing ceremony was held within the framework of the XIX Ibero-American Summit of Chiefs of States and Governments, in Estoril.

DOMINICAN REPUBLIC

During 2009, CAF approved USD 129 million in favor of the Dominican Republic. Of this amount, 62% was aimed at the social development area, through the Human Development and Habitat Project that aims at reducing the housing deficit confronted by the country; this is a comprehensive initiative to improve the quality of life of 7,800 low-income families, and the development of complementary social infrastructure.

In addition, the Institution allocated USD 48 million to the private sector, through two operations. The first was directed to finance partially the investment plan of the Atlantic Tourism Boulevard, which consists on the rehabilitation of 99 kms of roads and the construction of 24 kms of new roads between the city of Nagua and the Peninsula of Samana, together with a new toll station. The second operation is aimed at the development of a Network Access Point in the Santo Domingo Cybernetic Park, by Network Access Point of the Caribbean S.A.

With cooperation funds, CAF supported initiatives to improve competitiveness. Specifically USD 88,000 were granted to the San Cristobal Enterprise Accelerator, to strengthen the management capacities of the country's first enterprise accelerator. In addition, it continued supporting the ADOPEM Foundation to train youths at risk of social exclusion by offering training and development opportunities in technical professions.



In the presence of the guest of honor, the President of the Republic of Chile, Michele Bachelet, Enrique Garcia, Executive President of CAF signed an important agreement that facilitates the development of CAF's activities in Chile. Santiago, July 15.



Signature of the agreement between CAF and Portugal by the Executive President Enrique Garcia, and the Minister of State and Finance of Portugal, Fernando Teixeira Dos Santos. Estoril, Portugal, November 30.



The Dominican Republic subscribes a capital increase in CAF. At the signing ceremony, the Representative Director of the Institution in Panama, Ruben Ramirez, and the Minister of Finance, Vicente Bengoa Albizu. November 26.

APPROVALS TO OTHER SHAREHOLDER COUNTRIES 2009 (in USD million)

Client/Executing Agency	Operation	Objective	Amount	Term (years)
Costa Rica			10.3	
<i>Banco Improsa</i>	Funding for trade and working capital	Finance foreign trade operations, working capital and investments in real capital.	10	Up to 3 years
Various beneficiaries	Other transactions using cooperative resources	Various	0.3	
Dominican Republic			129.1	
Dominican Republic, through the Secretary of State for Finance, National Housing Institute	Program for Urban Development and Housing	Improving the quality of housing and reduce vulnerability to natural hazards in a population of over 18,500 low-income residents.	80	15
<i>Boulevard Turístico del Atlántico</i>	Long-term corporate loan	Partially finance the investment plan of the company.	41.5	10
Network Access Point del Caribe, S.A.	Caribbean National Access Point	Funding the development of a Network Access Point in the Cybernetic Park of Santo Domingo.	6	9
Various beneficiaries	Other transactions using cooperative resources	Various	1.6	
Mexico			65.3	
<i>Promotora de Infraestructura Registral, S.A.</i>	Partial credit guarantee for the securitization of revenues from the Institute of the Civil Registry of the State of Mexico	Support the issuing of securities.	50	Up to 20 years
<i>Banco Compartamos</i>	Funding for trade and working capital	Finance foreign trade operations, working capital and investments in capital goods	10	Up to 3 years
Ignia Fund I, LP	Shareholding	Provide funding to small and medium enterprises.	5	
Various beneficiaries	Other transactions using cooperative resources	Various	0.3	
Multinacional			133.3	
<i>Banco Latinoamericano de Comercio Exterior, S.A. (BLADEX)</i>	Committed revolving line of credit	Foreign trade financing and working capital.	100	Various
<i>Corporación Interamericana para el Financiamiento de Infraestructura, S.A. (CIFI)</i>	Revolving line of credit and medium-term loans	Finance infrastructure projects in Latin America and the Caribbean.	20	Various
Various beneficiaries	Other operations with cooperation resources	Various	13.3	
Total			338	

Infrastructure Agenda

- Sustainable Energy Program
- GeoSUR Program
- Information Technology Program (TICAF)
- Urban Mobility Observatory (OMU)
- First-Class Ports Program
- Cross-Border Integration and Development Program (PADIF)

Social Development Agenda

- Comprehensive Water Program
- Comprehensive Urban Development Program
- Program to Improve the Quality of Education
- Social Investment Program
- Governance Program

Social Sustainability Agenda

- Comprehensive Community Development Program
- Program for Social Inclusion through Music
- Program for Social Inclusion through Sports

5

CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT AND SPECIAL PROGRAMS IN SUPPORT OF ITS MISSION

Environmental Development Agenda

- Biodiversity Program (BioCAF)
- Latin American Carbon and, Clean Energies Program (PLAC^{+e})
- Natural Disaster Risk Management Program
- Program for Sustainable Development in Financial Institutions

Agenda for Competitiveness, International Insertion and Public Policies

- Competitiveness Program (PAC)
- Access to Financing for Micro, Small, and Medium-Sized Enterprises (MSME)
- Corporate Governance Program
- Economic and Public Policy Research Program
- International Insertion Program

CAF'S AGENDA FOR COMPREHENSIVE DEVELOPMENT

The Agenda for Comprehensive Development proposed by CAF seeks high, sustained, sustainable, and quality growth: *high* to start bridging the development gap in relation to high-income countries and to compensate for population growth; *sustained* to prevent growth from being erratic and volatile as it has been in the last decades, and to ensure the continuity of economic progress and social welfare; *sustainable* in its environmental and social dimensions, to ensure the inter-generational viability of the natural character, respect cultural diversity, and support democratic governance in the region; and *quality*, in the sense that growth should be inclusive, thereby benefiting the largest possible percentage of the population in an asymmetrically equitable manner in favor of the least favored segments, so as to reduce inequality and poverty in the region.

In order to achieve these objectives, growth should be based on the preservation of the progress made in macroeconomic stability, the improvement of microeconomic efficiency, and a definite impulse to initiatives that promote social equity, inclusion, and the reduction of poverty. These conditions are essential to address the challenges and collective problems of the region in a clear and coherent fashion.

Moreover, sustained economic growth must be increasingly less dependent on the changing conditions of the international economic environment, and must be supported by a transformation of the economies, improving productivity and adding value to the national comparative advantages. Improvements in productivity require increases in all forms of capital investments: human, social, natural, physical, productive, and financial, since the only way to increase productivity is through greater availability and quality of the different forms of capital. In addition, investment increases competitiveness and enables a more effective and better quality international insertion.

This comprehensive vision is the result of an important research and knowledge dissemination program on subjects related to development and public policies, built both on the intellectual efforts of the Institution and the dialogue with public, private, and academic sectors of Latin America. These efforts have generated a set of activities that are complementary to CAF's financial and business management, aligned with its strategic objectives, and aimed at providing institutional support to its shareholders.

The special programs that follow gather the different initiatives of CAF's Agenda for Comprehensive Development, organized in four components of strategic interest: infrastructure; social development; environment; and competitiveness, international insertion, and public policies.

During 2009, CAF reaffirmed its commitment to sustainable development and regional integration, updating the strategic framework upon which its Agenda for Comprehensive Development is based. One of the main inputs for updating this framework is the evolution of the integration processes in the region, which inspired the amendment of the Agreement establishing CAF to enable other Latin American countries to become shareholders in the A Series.



Southern Inter-Oceanic Road Corridor, Peru.

CAF has consolidated its position as provider of specialized technical support for the planning, preparation, evaluation, supervision, and technical advice in complex infrastructure investment projects.

INFRASTRUCTURE AGENDA

CAF's actions in infrastructure have been aimed mainly at improving access conditions, as well as integrating and articulating the territories at a regional level in shareholder countries. A second dimension, emerging strongly, is the development of the basic infrastructure platform in the cities of the region. Through both of these dimensions, CAF's Infrastructure Agenda is a part of the agenda for economic growth and international insertion of the countries, as well as of the social development and reduction of poverty agenda.

In this sense, the Institution has sought new financing mechanisms for public and private investment programs, providing support through specialized advisory and technical cooperation resources for the design, preparation, and structuring of new projects. This task includes the coordination with other financial institutions in favor of co-financing actions.

In addition, CAF has implemented a set of actions to strengthen organizations and public entities related to planning, implementing, and maintaining infrastructure. To do this, CAF has consolidated its position as an organization that provides specialized technical support for the planning, preparation, evaluation, supervision, and technical assistance in complex infrastructure investment projects. This is especially true in road engineering, contracting processes, urban transportation projects, and energy generation and transmission. In 2009, CAF widened the coverage of sectoral programs in some of its shareholder countries, positioning itself as the principal support institution for the formulation and preparation of infrastructure investment projects in the region. In this task, the Fund for the Promotion of Sustainable Infrastructure Projects (PROINFRA) plays a key role with USD 50 million assigned for the concessional financing of pre-investment studies.

To respond to the shortcomings detected in the availability of quality, reliable, and updated information in the transportation and mobility sector in the region, the Corporation initiated an Urban Mobility Observatory for Latin America and the Caribbean. One of the initial activities of the Program was the analysis of 15 metropolitan areas of nine countries in the region. The establishment of the Data Bank 2007-2008 concluded in 2009 and the results of this initiative are being disseminated in the relevant fora.

At the same time, CAF developed a new line of work around the application of information and communication technologies. Thus, the program that supports the Information and Communication Technologies (TICAF) is aimed at helping the countries of the region to face the challenges of the information society and sustainable development in the XXI century, through the use of new information and

Physical integration projects financed by CAF in Latin America (in USD million)

	CAF contribution	Total investment	
ANDEAN AXIS			
1	Colombia: Buenaventura-Bogota Corridor	447.0	1,116.6
2	Ecuador: Amazonic connection with Colombia and Peru (Troncal del Oriente Road)	93.8	152.7
3	Ecuador: Segmented Bridge Project over the Babahoyo River	123.0	133.9
4	Peru: Rehabilitation of the Huancallo-Huancavelica Railroad	14.9	18.8
5	Venezuela: Railroad connection between Caracas and the National Network	360.0	1,932.0
6	Venezuela: Support for commercial navigation in the Orinoco-Apure River Axis	10.0	14.3
GUYANA SHIELD AXIS			
7	Brazil: Venezuela-Brazil Road Interconnection	86.0	168.0
8	Brazil: Venezuela-Brazil Electric Interconnection	86.0	210.9
9	Venezuela: Railroad Studies Guyana City-Maturin-State of Sucre	2.6	2.6
10	Venezuela: Road Studies Guyana City (Venezuela)-Georgetown (Guyana)	0.8	0.8
AMAZON AXIS			
11	Ecuador: Central Trans-Andean Connection	33.7	54.5
12	Ecuador: South Trans-Andean Corridor	70.0	110.2
13	Ecuador: International Cargo Transfer Port in the Port of Manta	35.0	525.0
14	Peru: Northern Amazon Road Corridor	110.0	328.0
15	Peru: Pre-investment border region with Ecuador	5.3	8.7
16	Peru: Central Amazon Corridor (Tingo Maria-Aguaytia-Pucallpa)	3.5	13.6
PERU-BRAZIL-BOLIVIA AXIS			
17	Bolivia: Guayaramerin-Riberalta Highway	42.0	45.5
18	Brazil: Road Integration Program in the State of Rondônia	56.4	134.2
19	Peru: Southern Inter-Oceanic Road Corridor (tranches 2, 3, and 4) and guarantees for private structuring	804.5	1,615.0
CENTRAL INTER-OCEANIC AXIS			
20	Bolivia: Bolivia-Chile Road Integration Corridor	138.9	246.0
21	Bolivia: Double Lane La Paz-Oruro	250.0	265.1
22	Bolivia: Santa Cruz-Puerto Suarez Road Integration Corridor (tranches 3, 4, and 5)	280.0	585.5
23	Bolivia: Bolivia-Argentina Road Integration Corridor	314.0	642.0
24	Bolivia: Bolivia-Paraguay Road Integration Corridor	135.0	285.6
25	Bolivia: Integration "Y" Road Program	70.0	102.4
26	Bolivia: La Guardia-Comarapa Road Rehabilitation	21.0	34.7
27	Bolivia/Brazil: Bolivia-Brazil Gas Pipeline	215.0	2,055.0
28	Bolivia: Support Program for the Transportation Sector PAST IV	22.4	32.3
29	Bolivia: Transredes Gas Pipeline	88.0	262.8
30	Peru: Bolivia-Peru Road Integration Corridor	48.9	176.6
MERCOSUR-CHILE AXIS			
31	Argentina / Brazil: Paso los Libres-Uruguaiana Border Center	10.0	10.0
32	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa Alternate Route)	10.0	10.0
33	Argentina: Buenos Aires-Santiago Corridor (Laguna La Picasa Alternate Railroad Route)	35.0	50.0
34	Argentina: Buenos Aires-Santiago Corridor (access to Paso Pehuenche, RN40 and RN145)	106.7	188.1
35	Argentina: Electrical Interconnection Rincón Santa María Rodríguez	400.0	635.0
36	Argentina: Electrical Interconnection Comahue-Cuyo	200.0	414.0
37	Argentina: Road Integration Program between Argentina and Paraguay	110.0	182.0
38	Brazil: Regional Integration Program-Phase I. State of Santa Catarina	32.6	65.5
39	Uruguay: Mega-lease of the Main Road Connections with Argentina and Brazil	25.0	136.5
40	Uruguay: Road Infrastructure Program Phase II and III	140.0	615.4
41	Uruguay: Public Investment in Road Infrastructure Program	100.0	141.7
42	Uruguay: Program to Strengthen the National Electrical System	150.0	621.0
43	Uruguay: Thermal Plant Project Punta del Tigre	28.0	165.4
CAPRICORN AXIS			
44	Argentina: RN81 Pavement	90.2	126.2
45	Argentina: Access to the Jama Pass (Argentina-Chile)	54.0	54.0
46	Argentina: Studies for the Rehabilitation of the Jujuy-La Quiaca Railroad	1.0	1.0
47	Bolivia: Tarija-Bermejo Highway Program	74.8	200.0
48	Paraguay: Rehabilitation and pavement of the RN10 and RN11 Integration Corridors and complementary works	19.5	41.9
PARAGUAY-PARANA WATERWAY AXIS			
49	Studies to improve navigation, institutional management, and financial schemes for the operation of the Argentina, Bolivia, Brazil, Paraguay, and Uruguay Waterway	0.9	1.1
50	Argentina: Railroad works Program for the Integration of Argentina and Paraguay	100.0	166.0
MESOAMERICA			
51	Costa Rica: Investment Program in the Atlantic Corridor	60.0	80.2
52	Panama: Highway rehabilitation and improvements program	80.0	125.6
53	Panama: Binational Bridge over the Sixaola River	5.5	13.4
54	Panama: Panama Canal Authority, expansion program	300.0	5,250.0
	Others	210.0	812.0
	Total	6,310.9	21,379.3



communication technologies. TICAF's actions are developed in synergy with those of transportation and energy infrastructure, by introducing the notion of *highways with fibers*. This generates savings in construction and operation costs by including optic fiber ducts or electrical lines along the highways, financed by CAF. In this way, it offers the most distant settlements not only the resources of roads and electricity, but also the connectivity capable of providing *universal access* to digital information.

Through TICAF, the Institution has also initiated pilot projects in telemedicine and distance education in rural areas of Bolivia and Ecuador, with very encouraging results that contribute to improve the quality of life of thousands of low income families in the Andean Sierra and Highlands.

Sustainable Energy Program

This program, initiated in 2009, seeks to maintain a dialogue on energy problems of shareholder countries, to identify barriers and opportunities to promote the development of sustainable energy systems, including the use of renewable energies.

The areas in which it provides support are:

- Comprehensive analysis and evaluation of regulatory, economic, and technical issues associated with the development and implementation of national or binational energy projects.
- Studies of the long-term energy matrix and workshops with the relevant actors in the country to discuss the proposals.
- Formulation and preparation of integration energy policies.
- Analysis and evaluation of the inclusion of new sources of energy.
- Identification and preparation of investment projects to develop the sector.
- Development of programs to expand electricity coverage through mechanisms that incorporate pragmatic solutions for isolated communities.
- Institutional strengthening for the sectoral management.
- Preparation of documents of sectoral analysis.
- Studies and evaluations for the addition of clean and alternative energies to the energy systems.

In 2009 CAF completed the systematic information gathering on the state of the energy sector in shareholder countries, which enables comparative analysis on opportunities and challenges for the development of the sector in each country.

GeoSUR Program

The planning of physical infrastructure for the integration and development of Latin America requires adequate access to integrated, geo-referenced, and standardized spatial information. CAF has developed the geographic information system CONDOR, launched in the year 2000, as the first computer based tool aimed at identifying and preventing the main environmental and social impacts associated with large infrastructure projects in the Andean Region.

Starting in 2007, within the framework of the IIRSA Initiative, CAF has been developing the GeoSUR program, establishing a decentralized network of institutions responsible for generating and maintaining geographic information for the adoption of strategic decisions in the region. This network brings together the national geographic institutes; ministries of infrastructure, planning, and environment; and universities and regional research institutions. GeoSUR includes a Regional South American Map Service which makes available to the public over forty interactive regional maps that contain geographic information on all the projects of the IIRSA Portfolio. Developed in partnership with the Pan-American Institute of Geography and History (IPGH in Spanish) and with support from the US Geological Survey (USGS), GeoSUR is already providing basic information services, ahead of its official launching in early 2010.

Information Technology Program (TICAF)

The TICAF Program supports countries in the region to face the challenges of information society and sustainable development in the XXI century, making the greatest possible use of the new information and communication technologies (ICT). These technologies have an exceptional capacity for transforming the perception of distance and time, bringing closer distant communities and markets and facilitating the coordination of diverse actors and regional integration.

To this end, TICAF is carrying out a systematic collection of information on the available ICT infrastructures, as well as the software industries and applications produced in the region so as to contribute to their development and internationalization.

The TICAF Program enables the identification of new business areas in leading technologies in the telecommunications sector, developed by developing countries such as the satellite technology design and operation and radar technologies, providing them with financial and technical assistance to confront the entry barriers in regional markets.

In synergy with the transportation and energy infrastructures, TICAF introduces the concept of highways with fiber, which consists in taking advantage of savings in the costs of construction and operation by including fiber optic ducts in all highways and electrical lines, thus reducing the cost of providing ICT services (voice, internet, and digital television) to the most isolated communities.

To reach the goal of providing universal access, TICAF has initiated pilot projects in telemedicine and distance education in rural areas of Bolivia and Ecuador, with positive results that have improved the quality of life of thousands of families of the Andean Highlands. The program meets the challenge of supporting shareholder countries in successfully confronting the XXI century by making strategic use of the new information and communication technologies.

Urban Mobility Observatory (OMU)

To respond to the shortcomings detected in the availability of quality, reliable, and up-to-date information in the transportation and mobility sector in the region, CAF has made available an Urban Mobility Observatory (OMU) for Latin America and the Caribbean, which began with the analysis of 15 metropolitan areas in nine countries of the region.

In 2008, the technical indicators to be used in the observatory were established, and progress was made in data gathering and screening for the first 14 cities selected. In 2009, the Data Bank 2007-2008 was completed and work began on developing the means to disseminate it. In addition, the first OMU report was issued and the book *Urban Mobility in Latin America and the Caribbean* is under preparation. These publications will offer a wide ranging view of the mobility characteristics and conditions of the metropolitan areas analyzed. In 2010, the Institution expects to publish and disseminate the available results and analysis, carry out studies on key issues, evaluate and consolidate the activities carried out, and analyze the incorporation of new cities and indicators.

These efforts are aimed at making available to the region a more wide-ranging view of urban mobility in the areas studied, and improve the quality of the dialogue on sectoral policy with governments. This will help improve decision making regarding the organization of transportation services and new investments.

To carry out this program, CAF has established strategic partnerships with institutions linked to research on urban transportation in the region, such as the Latin American Public Transportation Association (ALATPU), the Center for Sustainable Transportation (CTS) of Mexico, and the National Association of Public Transportation (ANTP) of Brazil.

The Urban Mobility Observatory constitutes an analytical instrument that will:

- Improve the management, formulation, and follow-up capacity urban transportation policies on the part of local decision, investment, production, and social control institutions.
- Promote the exchange of information and best practices among systems and cities.
- Guide debates and enable the active participation of relevant actors.

First Class Ports Program

The First Class Ports Program is aimed at improving the quality of port services as a strategic element to support regional integration and the development of competitiveness within export sectors. The program is built on three basic pillars:

- Previous CAF studies on logistics, competitiveness, and transportation.
- Territorial planning studies carried out under the IIRSA Initiative.
- The port management model of the *Marca de Garantía* successfully implemented in the port of Valencia.

In its first phase, the program worked with the five Andean ports with the highest container traffic: Cartagena and Buenaventura in Colombia, Guayaquil in Ecuador, El Callao in Peru, and Puerto Cabello in Venezuela.

Diagnostic studies were carried out in each port, and Quality Councils were established with representatives of the trade unions and all the groups that comprise the port community to guide the reengineering of critical processes. This phase was completed in 2007, and without precedent in the region, the following phase started with the creation of the Latin American Association of Port Quality (ALCP), a non-profit organization which holds the Marca de Garantía in the region, and provides the institutional framework for the sustained functioning of this port management scheme.

Under the coordination and technical assistance of the ALCP, the port offers specific guarantees of service quality to its clients in each certified port. These guarantees create incentives for continued improvement of the handling of goods and management of ships that use these ports. The Association works through national chapters in each country, which serve as support to the operations in the affiliated ports. The benefits of this process are evidenced by improvements in the critical procedures in each port. Through the ALCP, the program is now expanding to incorporate other ports in the region.

Cross-Border Integration and Development Program (PADIF)

CAF promotes a strategic vision of border integration, allowing shareholder countries to adequately plan and articulate programs and projects to take advantage of the shared potential, opportunities for cooperation, and strengthen the bilateral and multilateral dialogue in border areas.

Through the PADIF, the Corporation sponsors more than 25 initiatives to support the design and implementation of Bi-national Cross-Border development and Integration Plans and the creation of Border Integration Zones (ZIF), as well as sub-regional policies in the countries of UNASUR, CAN, and MERCOSUR, aimed at supporting territorial management, planning, and prioritizing projects dealing with physical, economic, and productive integration, promotion of sustainable human development, and institutional and community strengthening so as to encourage dialogue and cooperation in border regions.

These initiatives are undertaken with non-reimbursable technical cooperation resources of the Cooperation and Border Integration Fund (COPIF) created by CAF in 2008.

CAF incorporates the social and environmental dimensions as cross-cutting issues that promote the supply of basic sustainable social services, mainly to the poorest and marginal sectors of society.



Financing educational infrastructure, Colombia.

CAF incorporates the social and environmental dimensions as cross-cutting issues that promote the supply of basic sustainable social services, mainly to the poorest and marginal sectors of society.

SOCIAL DEVELOPMENT AGENDA

Seeking to promote the sustainable development of the region, CAF has established the social and environmental sustainability of its interventions as a strategic priority. This is the reason why, in addition to contributing to the financing of projects, programs, and initiatives of high social impact, its interventions emphasize the need to work on the institutional strengthening of the social sectors, in the generation of partnerships and agreements among the different actors, and in deepening the analysis and solutions of the regional social and environmental problems.

This strategy of comprehensive and sustainable development seeks to:

- Incorporate the social and environmental dimensions as cross-cutting issues to promote the supply of sustainable basic social services, mainly for the poorest and marginalized sectors of society.
- Contribute to the development of human capital by promoting equitable access to quality education and health.
- Preserve and promote community and cultural development in the region.
- Promote the creation of opportunities for productive and quality employment for the most vulnerable groups of society.

The actions to support countries are structured through the following programs of comprehensive social content.

Comprehensive Water Program

CAF supports the efforts made by countries of the region to ensure access to adequate potable water and sanitation to all of their populations. To attain this objective, it is important to develop a comprehensive view of the management of water resources, improve the quality and efficiency of investment plans, promote the institutional strengthening of the sector, and accompany the political leadership of the governments.

Following these principles, CAF's strategy for the water and sanitation sector is centered on helping its shareholder countries in structuring and financing sustainable investment programs and projects with a high social and environmental impact, aimed at three main objectives: i) promote an adequate management of water resources, from their generation and conservation through its use and return to the water bodies; ii) facilitate the expansion of coverage of potable water, sanitary sewage, and residual water treatment services, with emphasis on the most vulnerable populations; iii) promote the institutional and regulatory strengthening of the sector and improve management, transparency, and performance of the companies or entities that operate these services.

As part of the Comprehensive Water Program, the Institution promotes irrigation and rural development projects that enable small producers and rural inhabitants

to improve their living conditions under a comprehensive territorial development approach.

To achieve a catalytic effect of the expected benefits of these interventions, CAF values the strategic partnerships with other international organizations that operate in the region, and works with them in close coordination, cooperation, and complementarity.

Comprehensive Urban Development Program

With the objective of improving the quality and living conditions of the populations in marginal urban areas, CAF supports its shareholder countries through a comprehensive urban development program that includes urban designs consistent with the zoning plan for the selected areas, and includes investments related with housing construction, basic sanitary installations (water and sewage), rain water pipes, installation of energy and telephone services, pavement of access roads, design and construction of public areas such as parks or sport facilities, establishment of health clinics, and improvement and construction of educational facilities.

Program to Improve the Quality of Education

Under the premise that quality education is one of the most effective instruments for the development of human capital, while at the same time it increases workers' competitiveness and social equity, CAF emphasizes programs and projects that center on alternatives to higher education such as technological technical education and on programs to improve social infrastructure.

Thus, the Institution offers shareholder countries a program that seeks to strengthen technological and technical higher education by improving its supply, quality, and relevance to respond to the new demands of the productive sector, in line with technological changes and globalization. At the same time, CAF promotes the generation and recovery of educational infrastructure that responds to the new educational requirements and allows the full development of the capacities of the educational actors, by financing technical feasibility studies and supporting different financing schemes for social infrastructure.

Social Investment Program

CAF contributes the Development Plans of its shareholder countries by providing their governments long-term loans aimed at guaranteeing the implementation of public investment projects in different social and economic areas, contributing to the reduction of poverty and to the improvement in the quality of life of the population.

GOVERNANCE

CAF promotes governance through different initiatives whose objective is to generate space to strengthen democracy and improve peaceful co-existence among the citizens.

Governance and Political Management Program

The objective of this program is to offer a comprehensive view of the economic

and social development problems, and the ability to transform this vision in an articulated framework for action that takes into account technical, negotiation, political viability, economic, and social technical elements. The initiative is carried out in partnership with the George Washington University and local universities since 2001. In 2009, the cumulative number of graduates in Argentina, Bolivia, Colombia, Ecuador, Mexico, Peru, and Venezuela, reached 8700. Panama joined the program in partnership with the University of Panama.

The program is considered unique as it takes knowledge and experience to the work place, and is focused on satisfying the demands of municipal and provincial governments, combining theory and academic work with the practical realities of local governments. The training lasts for six months and at a distance. The opening and closing of the program is carried out simultaneously in the eight countries.

Leadership for Change Program

CAF continued implementing this program, pioneer in its formula and innovative as far as the entity financing it. Activities began in 2003, seeking to enhance the natural leader as a true instrument to promote the modern and sustained development of the peoples of the region.

The training of natural leaders covers a range of issues from general training aimed at strengthening democratic values through issues related to the public and private spheres, thus effectively mobilizing resources that will steadily allow facing up to challenging situations. At the close of 2009, 15,900 natural leaders had been trained in Bolivia, Colombia, Ecuador, Peru, and Venezuela.

The program is a demonstration of social investment with obvious impact. The comprehensive training of leaders, which includes teaching values, lasts for six months.

Regional Updating and Improvement of Local Management Program (PRAMEG)

PRAMEG's objective is to continue the modernization process of land registries in municipalities of the Andean countries, to create more efficient organizations, with the capacity to plan, manage, increase their revenues, and coordinate their actions to obtain resources that ensure greater efficacy in the provision of services and in addressing the needs of citizens. At the close of 2009, the Institution had covered a total of 30 municipalities in five Andean countries.

At the end of the diagnostic studies, a workshop is organized with the mayors of each municipality at CAF Headquarters, and in the context of this meeting, the proposals for modernizing the land registries are formally delivered.

Until 2009, the municipalities served through this program were: Tiquipaya, El Torno, Tarija, Warnes, Trinidad, Sucre, and Oruro in Bolivia; Tabio, Cundinamarca, Floridablanca, Barrancabermeja, Armenia, and Manizales in Colombia; Santa Rosa, Loja, Portoviejo, Machala, Ambato, and Manta in Ecuador; Tacna, Jesus Maria, Lince, Breña, Trujillo, and Piura in Peru; and Girardot, El Hatillo, Lecheria, Sucre, and Naguanagua in Venezuela.



CAF's Social Action for Music Program.

CAF contributes to the consolidation and implementation of a comprehensive development agenda through the strengthening of socio-productive capacities, the deepening of the social fabric and the strengthening and promotion of culture as a vehicle for social inclusion.

SOCIAL SUSTAINABILITY AGENDA

Comprehensive Community Development Program

CAF stimulates the development of projects that contribute to improve the beneficiaries' quality of life, creating opportunities for development by the productive inclusion and comprehensive development of the individual, with a view to create social capital and promote Corporate Social Responsibility. These projects must harmonize the socio-productive components with other human development pillars, such as culture, education, health, and sports. The main beneficiaries of this program are the communities and producers excluded from the formal socio-economic model, found at the bottom of the social pyramid. Special emphasis is placed on populations found in areas neighboring CAF financed projects.

Productive Component. Support is provided to the communities to generate sustainable income through training and technical assistance, the supply of productive resources (inputs and equipment, among others), and the strengthening of productive organizations.

Social Component. Promotes the development of health initiatives (disease prevention and family planning) and the rescue of children and youth at risk through sports, education, and skills training. At the same time, elements to strengthen the community organizations are provided to help them improve their self management regarding strategic planning, resource management, project design and implementation, among other initiatives.

Cultural Component. Focuses on providing support for strengthening, rescuing, and developing the cultural and physical heritage of the region.

Program for Social Inclusion through Music

The Social Action for Music Program has been one of CAF's most important Social Responsibility investments in the last ten years. Music, due to its capacity to enhance intellectual, physical, emotional, spiritual, and expressive abilities of individuals, is universally recognized as an ideal educational tool. Aimed mainly at low income children and youth, the program is an excellent social rescue tool accompanied by a human training that praises the individual's most noble values and helps strengthen family and community bonds.

The activities that integrate the program are: the Andean Itinerant Conservatory (instrumental training), Voces Andinas a Coro (choral training), the Luthier Itinerant Workshop, and Formacion de Formadores (Teaching the Teachers), aimed at training future local teachers that generate a multiplier and sustainable effect.

Program for Social Inclusion through Sports

This program seeks to steer and develop sports as a tool for the prevention and rescue of children and youth at social risk. Through sports training programs for children, youth, coaches, and local referees, values such as solidarity, discipline, responsibility, respect, ethics, and team work are promoted, contributing to the creation of citizen awareness and comprehensive education.

CAF is committed to the reduction of poverty and to diminishing inequities in the region, and especially in its shareholder countries. In this sense, it contributes to the consolidation and implementation of the comprehensive development agenda by strengthening the socio-productive capacities, the deepening of the social fabric, and the preservation and promotion of culture as a vehicle for social inclusion, especially in excluded communities, in alliance with partners and operators, so as to strengthen the existing social capital networks.



Aeolic Energy Project, Costa Rica

CAF's environmental strategy supports shareholder countries in the conservation and sustainable use of their biodiversity, their natural resources, and their ecosystems.

ENVIRONMENTAL DEVELOPMENT AGENDA

Throughout its history, CAF has been developing a clear environmental strategy with two main objectives: i) permanently generate and improve the frameworks, spaces and processes that guarantee a responsible environmental and social management to the Institution; and ii) support shareholder countries in the conservation and sustainable use of their biodiversity, their natural resources, and their ecosystems.

In this context, CAF has continued to strengthen the Environmental and Social Management System for Operations which, through the continuous development and improvement of its criteria, methodologies, and instruments, guarantees the environmental sustainability and social responsibility of the operations financed by the Institution.

Among the environmental and social responsibility commitments, CAF finalized its Environmental Management Institutional Plan (PIGA) and carried out its first measurement in the carbon trail in order to compensate the emissions generated by its activity, CAF-CERO.

In addition, CAF has provided financial support to strengthen and promote the environmental sector in the countries of the region through: new financial products to address emergencies resulting from natural phenomena; significant investments in control, relief, and environmental and social compensation in the area of influence of the operations financed; financial support to a great number of technical cooperation projects. Through its strategic environmental programs, CAF works for and supports its countries in the areas of biodiversity, climate change (mitigation and adaptation), disaster risk management, and promotion of sustainable development in financial institutions.

Biodiversity Program (BioCAF)

Through the Biodiversity Program (BioCAF), the Institution promotes the conservation and sustainable use of ecosystems, natural and genetic resources, and biodiversity. CAF focuses on three strategic lines of work:

- Promote initiatives to conserve ecosystems and species in the region.
- Promote mechanisms to compensate and pay for environmental services for the conservation of ecosystems that generate such services.
- Promote the development of the biodiversity and genetic resources markets through biocommerce and biotechnology.

Latin American Carbon and, Clean Energies Program (PLAC+e)

In the Latin American Carbon, Clean and Alternative Energies Program (PLAC+e), of the new Financing Program for Small Clean Energy Projects (PROPEL) and the

CAF-KfW Financing Line, CAF contributes to mitigate the global problem of climate change and promotes the use of clean and alternative energies in Latin America as a contribution to sustainable development in the region.

Through these programs, CAF has established the following objectives to carry out its mission:

Promote and actively participate in the development of emission reduction markets and the capture of Greenhouse Gases (GHG).

- Support the identification, development, and financing of projects dealing with GHG, and clean, alternative, and efficient energies in Latin America.
- Strengthen the national institutions and mechanisms to stimulate and consolidate the different GHG and clean and alternative energies markets.

During 2009, through the PLAC+e, CAF signed seven new purchase-sale agreements, representing 2.2 million additional tons of CO₂, and five countries in the region are selected (Argentina, Bolivia, Colombia, Mexico, and Honduras). These new projects take place in the mass transportation, solid residue, and generation of renewable energy sectors. In addition, CAF signed two mandates for the development of projects. In total, the results for 2009 represent approximately USD 34.5 million in future incomes for the projects due to the carbon emission reductions, presented in the following table.

Buyer	Tons	USD*
Spain	2,183,078	28,984,290
Holland	292,212	3,787,068
Development of projects by CAF	115,000	1,738,800
Total	2,590,290	34,510,158

Source. PLAC+e, January 2010 * USD estimates by CAF.

Natural Disaster Risk Management Program

The objective of the Natural Disaster Risk Management Program is to support the prevention, mitigation, and attention to the socio-economic and environmental impacts associated with natural disasters and changes in natural systems.

This program supports projects and activities related to:

- Risk management and reduction of vulnerabilities associated to El Niño Phenomenon.
- Contingent services in case of disasters.
- Risk prevention from a municipal perspective.

Program for Sustainable Development in Financial Institutions

Through this program, CAF seeks to promote the internalization of the principles and practices of environmental management in the financial sectors of the region. In its long term objectives, the program aims at incorporating changes in the financial systems of the countries to promote the adoption of environmental management in financial practices and the development of a training and dis-

semination strategy so that entities can reduce risks and operational costs, and create new business opportunities by incorporating the concept of sustainable development in their management practices. The program is based on a joint working agenda with local actors and financial institutions that are CAF partners and clients.

In 2009, CAF conducted the Evaluation and Environmental and Social Risk Management Workshop in the Credit Processes in Panama, as well as the first version of the E- Learning Program in Entrepreneurial Ecoefficiency.



Management for competitiveness model in the automotive sector, Ecuador.

CAF contributes to strengthen productivity and competitiveness in the region, seeking to consolidate sustainable development in Latin America.

AGENDA FOR COMPETITIVENESS, INTERNATIONAL INSERTION AND PUBLIC POLICIES

CAF develops activities to promote the development of productive and human capital, strengthen the competitiveness of nations, promote the development of micro enterprises and other sectors with limited access to financial capital, support the strengthening of governmental institutions, contribute to the achievement of consensus regarding public policies, and support processes of economic integration and insertion in the international economy.

Competitiveness Program (PAC)

During 2009, through its Competitiveness Program (PAC), CAF contributed to strengthening productivity and competitiveness in the region, aiming at the consolidation of sustainable development in the economies of Latin America. Seeking to create competitive advantages, the PAC promotes entrepreneurial capacity, collaborates to improve the business environment, and strengthen the development of productive and trade clusters. This is done through technical and non reimbursable financial assistance to specific projects in Latin America. The program promotes joint work between governments, the private sector, and the academic community, and identifies the factors that support and limit competitiveness in each country, selecting and supporting projects with a high impact on welfare and development.

In addition, the PAC continued to expand its geographic reach in the region, identifying new opportunities and promoting high impact projects in Argentina, Costa Rica, Panama, Dominican Republic, and Uruguay.

Regarding cluster development and strengthening of productive and trade capacities, the PAC in Bolivia focused on promoting the implementation of a system to improve quality in thirty tourism enterprises located in the cities of Sucre and Potosi, by developing the second phase of a structured process to change the management systems. In addition, the PAC focused its attention in the definition and implementation of a Sustainable Tourism Development Plan for the area of the Salar de Uyuni and the Lagunas de Colores as a tourism landmark for the international and national market. During 2009, the strengthening of competitive capacities in Bolivian productive lines was also a priority for the program, which conducted the Program for Inclusive Businesses for Micro and Small producers, incorporating lower income population segments as suppliers for large enterprises in the selected sectors.

PAC also supported the strategy for productive transformations in Colombia through the development of a public-private working methodology to develop world class sectors with a high potential for the creation of jobs.

To contribute to the strengthening of productive capacities in Ecuador, the PAC signed an agreement with the Ecuadorean Software Association (AESOFT) to promote the development of the exporting potential of the software sector in the country by strengthening the business relations between enterprises in Ecuador and Uruguay, seeking to facilitate the exchange of experiences between institutions and agents that support the sector related to technology and innovation. The program's role was also essential to strengthen the competitive advantages and sustainability of the Ecuadorean automotive sector, by signing a second agreement with the Ecuadorean Chamber of the Automotive Industry (CINAE) for the implementation of a Competitiveness Management Model which integrates the tools of General Motors' Global Manufacturing System and enables selected suppliers in the country to become members of the world panel of suppliers of the automotive sector.

In addition, the program focused on the promotion of an international insertion strategy for the wooden furniture sector and derivatives, by supporting the Ecuadorean SME's export sector in its insertion to the European market. This was done by implementing an inclusive business scheme in carpenter microenterprises in Guayaquil with the leading enterprise in the wood market in Latin America.

As a part of its contribution to reach the productive transformation in Peru, the PAC promotes regional competitiveness by identifying, selecting, and training 50 SME's in the region of Junin, to promote the development of quality standards as suppliers at a sub-national and national level. In addition, the program seeks to support the Peruvian tourism sector by promoting sustainable tourism and territorial economic development. Thus, it also promotes the development of the Peruvian textile cluster by implementing Fair Trade practices.

In Venezuela, the PAC promoted the development of the national tourism sector by conducting the Tourism, SME's and Social Inclusion event in the Paraguana Peninsula, to strengthen the management model of the social and community networks of the tourism service providers.

In addition, it promoted the strengthening of technological innovation centers in Bolivia, Colombia, Ecuador, Peru, and Venezuela as a contribution to improve the research and development systems and strengthen the relationship between academy and industry in Latin America. At the same time, the promotion and dissemination of the event The Cooperative Movement in Bolivia, Ecuador, and Venezuela, is a reflection of PAC's efforts to develop knowledge in the cooperative sector, by promoting the creation of new conceptual contributions and the diagnosis of the situation of cooperatives in the region, while promoting the adoption of best international practices.

As far as the improvement of the business environment, PAC concentrated its efforts on the promotion and implementation of administrative simplification to achieve better levels of competitiveness and promote investment in the region. In

this regard, it implemented reforms in Ecuador and carried out the seminar Reaching Competitiveness: Learning, Innovating, Associating, with the aim of consolidating efforts for the dissemination of knowledge and the promotion of best practices in a business environment.

At the same time, PAC promoted initiatives to improve the business environment in Peru through the optimization of state services and processes management for key administrative procedures related to foreign trade.

In addition, the PAC in Colombia focused on promoting the transfer of technical know-how through a specialized and comprehensive training program for law professionals on issues related to international arbitration. In Venezuela, it supported the institutional strengthening and decentralization of investment promotion, while providing support to the small and medium-sized industries in improving the technical capacity of local governments. Through the Workshop on Simplification of Administrative Procedures and One-Stop Center: Tools of Municipal Management, PAC promoted the adoption of best national and international practices on the simplification of administrative procedures and project management.

Regarding entrepreneurial capacity, in recent years PAC has promoted the strengthening of incubators and pre-incubators, the creation of innovative ideas and business plans competitions, the establishment of university networks to support entrepreneurs, as well as the design of e-learning and classroom courses on entrepreneurship. An activity that exemplifies these efforts was the contest on business plans called Business in Development Peru, for the identification of entrepreneurs with high potential initiatives, who would be offered technical assistance and incorporation into investment angel networks and financing organizations. PAC also carried out a pilot project to establish the basis for an incubation ecosystem in Colombia, through the technological transfer of the Chilean best practices in entrepreneurial acceleration. It also promoted the V Annual Competitiveness Meeting in Venezuela for the dissemination of successful cases, by co-financing the edition of the book *Exito Venezolano* (Venezuelan Success).

The publication of PACompetir –the program’s quarterly bulletin- has played an important role in disseminating PAC’s work, as well as the creation and regular updating of the web page. In addition, in November the Xth anniversary of PAC was celebrated in the city of Cordoba, Argentina, with the Regional Economic Development and Competitiveness meeting and the publication of the e-book that collects the efforts and the program’s impact on Latin America during the past ten years.

Other events in which PAC participated were the Third Forum on Competitiveness in the Americas, the Latin American Cities Conferences, International Cooperation in Latin America and the Caribbean events, the IV National Forum on Competitiveness in Panama, the XI Ordinary Meeting of the Andean Consultative Business Council, and the World Entrepreneurial Week: Third International Meeting of the Entrepreneurial Culture.

Access to Financing for Micro, Small, and Medium Enterprises

Micro, small and medium enterprises (MSMEs) are a very important part of our economies. Most of the Latin American private enterprises are MSMEs and generate, on average, more than half of the employment and close to half of the product in the region. Nevertheless, in spite of its relevance, they have access limitations to financing.

CAF's actions are guided by its Comprehensive Development Agenda, which promotes equitable economic development which preserves equilibrium between the social- environmental dimensions, and the economic-financial dimensions of progress. Supporting the growth of the MSMEs is precisely a way to achieve the desired quality economic growth. This is why one of CAF's strategic objectives is to promote access to financing for the sectors with limited access to capital. This objective is achieved through a wide range of credit, investment, guarantee, and technical cooperation operations, designed to meet the specific needs of clients and the special circumstances in each country, geared to satisfy the market's deficiencies.

CAF finances the MSMEs indirectly, through alliances with different entities such as development banks, financial institutions, microfinancing entities, credit guarantee systems, risk capital funds, and official organizations.

The financing operations to this sector are grouped under a number of actions:

- Comprehensive financing to microfinance institutions.
- Investment in risk capital funds for SME's.
- Guarantee and co-financing of credit guarantee systems.
- Co-financing and risk sharing mechanisms with financial institutions.
- Financing through public institutions.
- Development of alternative financing mechanisms (such as factoring and financing of productive chains, among others).

Corporate Governance Program

During 2009, CAF's Corporate Governance Program concentrated its efforts on promoting the adoption of Good Corporate Governance Practices and in making policy and action recommendations, through the development of new concepts and tools. In addition, the program focused on the dissemination and implementation of pilots to introduce these practices in a number of business organizations, establishing precedence in coordinated work and the adoption of best practices in state-owned enterprises (SOEs) and SMEs in the region.

At the same time, the program managed projects for implementing the Good Corporate Governance Practices in Bolivia, Ecuador, and Peru, with financing from the Spanish Technical Cooperation.

Working together with ECLAC, the program prepared a study on the relationship between good corporate governance and economic development, in which the factors that stimulate financing and investment in Latin America are analyzed.

The Corporate Governance Program has carried out the following specific in shareholder countries: i) In Colombia, it reached an agreement with the District Finance Secretariat of Bogota to promote the institutional strengthening of public management through the implementation of the Good Governance and Transparency Best Practices; ii) in Peru, it promoted the development of pilot projects in the aquiculture sector of the southern coast and carried out diagnosis and implementation programs of best corporate governance practices in the financial system and companies of the basic sectors; iii) in Panama, it carried out three workshops on corporate governance to promote, create conscience, and transfer knowledge relative to Good Corporate Governance Practices that promote the sustainability of the business park in that country and improve the positioning of the program in the region; and iv) in Venezuela, together with the Venezuelan Executives Association (AVE), it carried out the National Program on Corporate Governance with the aim of strengthening methodology, training, and technical development to generate networks of experts in corporate governance (specialized consultants and independent directors). The dissemination of the results and the establishment of guidelines on good corporate governance for the SME sector and Venezuelan family businesses was a central project of the program during 2009, and its publication is expected for early 2010.

It is important to note that CAF belongs to the working group of Development Financial Institutions (DFI), whose goal is to continue implementing the Joint Declaration on Corporate Governance, signed in 2007 by thirty-one DFI. As part of these activities, the Institution coordinated the IV Annual Conference of development Financial Institutions on Corporate Governance, in Rio de Janeiro, Brazil, with the aim of defining the role of development financial institutions in the global crisis, through the promotion of good corporate practices as a vehicle to address the international situation.

Economic and Public Policy Research Program

CAF's Research Support Program (PAI), supports researchers in the region in their work as well as in the dissemination of their initiatives. The Institution benefits from the development of subjects of interest for its agenda and participates in the debate of relevant issues related with the economic and social development of Latin America. The research documents are discussed in workshops organized during the year, and are used as inputs in the Reporte de Economía y Desarrollo (Economic and Development Report, RED, in Spanish) which is issued annually. Moreover, some of them are published in the technical journal *Perspectivas* (Perspectives), edited by CAF.

As part of these activities on May 25 and 26, 2009, the program carried out a seminar in Lima, on local development, where a number of papers commissioned for the Economic and Development Report 2010 were presented.

During 2009, the Institution distributed the main conclusions and lessons of the Economic and Development Report 2009: "Roads to the future: Managing infra-

structure in Latin America”, in presentations made in La Paz, Bogota, Quito, Lima, and Caracas. The report was also presented in special seminars at the Inter-American Development Bank and the Brookings Institute in Washington, D.C., at the Forty-Fifth Annual Dialogue of the Argentinean Institute for Business Development (IDEA, in Spanish) at Mar del Plata, at the VII Economic International Convention sponsored by the Peruvian University of Applied Sciences in Lima, and at the Finance and Trade Crisis Forum: Toward a Comprehensive Latin American and Caribbean Regional Response, sponsored by SELA and UNCTAD in Caracas.

During 2009, CAF continued its work on disseminating the Economic and Development Report 2007-2008: “Opportunities in Latin America: Toward a Better Social Policy”, with presentations at the Catholic University of Ecuador, in Quito, and at a seminar organized by Inter-American Conference on Social Security in San Salvador.

Another instrument to support research is the public call made annually to researchers in the region for the presentation of papers related to subjects of interest to CAF. In the eighth edition of this call, four proposals on natural resources and development were selected. The papers examined the role of natural resources on fiscal performance, the formation of the state, and in general, on the economic development of the countries. These issues are important to improve understanding of the economic development of countries with abundant natural resources.

Two of the papers of this group were presented in a session on natural resources and development organized by CAF during the XIV Annual Meeting of LACEA, carried out in Buenos Aires during October 2009, and organized by the Torcuato Di Tella University. In this forum, in which CAF participates actively, the principle researchers and academics of the region meet annually. During the 2009 meeting, in addition to organizing the panel on natural resources, CAF presented some of the issues from the Economic and Development Report 2010 on local development.

Other seminars and research activities promoted by CAF through the PAI, include the meeting of the International Trade and Growth Network (ITGN) carried out in Mexico City on December 4 and 5. The conference was organized by the Colegio de Mexico, and four papers were presented on international trade and integration, by Latin American professors and researchers.

Another research activity carried out by CAF during 2009, was the survey on access, quality, and satisfaction with infrastructure services in Latin America implemented by IPSOS. The survey was applied to a representative sample of individuals in 23 cities of the region, and its results were used as inputs in the production of the RED 2010 on local development.

International Insertion Program

CAF is committed to support its shareholder countries in their processes of increasing international insertion. In carrying out this role, the Institution has actively supported its countries by providing strategic advice in recent trade negotiations including FTAs with the United States and Association Agreements with the EU.

In the case of negotiations with the EU and the Andean countries, in 2009 CAF received requests from local negotiators to provide support in specific areas, including geographical indicators, sanitary and phytosanitary measures, and sustainable development. Support was provided through the organization of small informal seminars with negotiators and experts to promote the discussion of subjects of special interest for the negotiators.





During 2009, CAF reaffirmed its commitment and support to ongoing regional integration processes, and contributed to the strengthening of recent integration initiatives.

6

REGIONAL PROMOTION AND DISSEMINATION OF KNOWLEDGE

**CAF presence in the
main regional meetings**

Seminars and events

**Dissemination of
knowledge**



V Summit of the Americas
and II Private Sector
Hemispheric Forum.
Puerto España, Trinidad
and Tobago, April 15-19.



XXXVII MERCOSUR
Presidential Summit
Asunción, Paraguay
July 23-24



Extraordinary Summit
of the Council of Chiefs
of State and Governments
of UNASUR. San Carlos
de Bariloche, Argentina,
July 28.



III UNASUR Summit,
Quito, Ecuador, August 10.

CAF PRESENCE IN THE MAIN REGIONAL MEETINGS

During 2009, CAF reaffirmed its commitment and support to ongoing regional integration processes and contributed to strengthen recent integration initiatives. Throughout the definition and implementation of working programs with various organizations and forums, the Institution decisively contributed to the implementation of integration and consensus agendas at the sub-regional, regional, and hemispheric levels. In addition, throughout the year CAF consolidated its position as an important bridge to strengthen the integration between Latin America and Europe.

The permanent presence at the highest level in the main regional meetings has enhanced the Institution's active participation in the consolidation of priority projects in the agendas of its shareholder countries. In this regard, CAF promoted specific actions mainly in the areas of physical infrastructure integration and energy markets, financial integration, productive diversification and integration, and strengthening of MSMEs, while supporting specific regional projects to reduce asymmetries and promote environmental, social, educational, and cultural development as well as diverse border integration programs.

It is worth noting that CAF actively participated in the Summit of the Americas in Trinidad and Tobago, in the Joint Working Group for the Summit of the Americas, and in the framework of the General Assembly of the OAS in Honduras; the working meetings of the CAN; the meetings of MERCOSUR Chiefs of State Summit in Asuncion, Paraguay, and Montevideo, Uruguay; the Mesoamerica Project Summit in Guanacaste, Costa Rica; the Ministerial Meetings of the Union of South American Nations and the UNASUR Summit in Quito, Ecuador; the Summit of Ministers of Foreign Relations and Foreign Trade Roads to Prosperity in the Americas, in San Salvador; the Ibero-American Summit of Chiefs of State and Government in Estoril, Portugal; and the Ministerial Summits of the Rio and Latin America Group on Integration and Development in Montego Bay, Jamaica.

From a multi-dimensional, comprehensive, and convergence perspective, during 2009 CAF developed work and cooperation programs agreed with different regional integration organizations and secretariats, including ongoing projects with the OAS; the General Secretariat of CAN; the Andean Parliament; the Andean Health Organization Hipolito Unanue; the MERCOSUR Permanent Representatives Commission; the Municipalities' Consultative Forum; Federal States, Provinces and Departments of MERCOSUR, of UNASUR, of the Arco Countries Forum and the Mesoamerican Initiative; the ALADI; the Amazon Cooperation Treaty; the Association of Caribbean States; and the General Ibero-American Secretariat.

SEMINARS AND EVENTS

The organization of seminars, forums, and events is aimed at positioning CAF regionally and internationally. In this line of action, the Institution organized and participated in the following events:

Europe-Latin America-United States Forum. Madrid, Spain, January 14-15. Organized by SEGIB, the Inter-American Dialogue, and the Elcano Royal Institute. This Forum addressed the challenges faced by Latin America and the Caribbean, the responses of governments to the international economic environment, and the United States and European policies toward the Latin American region.

International Economic Forum on Latin America and the Caribbean. Paris, France, January 26. Organized by the OECD, the Ministry of Economy, Industry, and Development, the IDB, and UBIFRANCE. This Forum brought together representatives of the public and private sectors to evaluate the macroeconomic prospects, the role of fiscal policies in development, the transatlantic business relations, and the growth of multinational companies in Latin America.

Seminar on Latin America in the Global Crisis. London, United Kingdom, January 29. CAF participated in this seminar organized jointly by the City of London, Latin Finance, and Canning House to discuss relevant issues in Latin America today.

V International ABC Conference on Europe and Latin America. Madrid, Spain, February 23-24. Organized by the Euroamerica Foundation, the ABC newspaper, and BBVA. This Conference brought together American and European personalities to analyze and debate economic, political, and social issues that are relevant for the development of their relationships.

Extraordinary Meeting of Ibero-American Finance Ministers. Oporto, Portugal, March 2. This meeting agreed on measures against the current global economic situation and analyzed the main discussion topics for the G-20 Summit from an Ibero-American perspective.

IV Meeting on the Social Agenda for Democracy in Latin America. Sao Paulo, Brazil, March 6-7. Organized by the Fernando Henrique Cardoso Institute and the Global Center for Development and Democracy, with the participation of former Chiefs of State of the Region. The purpose was to create a social agenda that incorporates strategies and actions to benefit the poorest groups, with specific goals to be met in the next twenty years, according to the Millennium Development Goals.

Latin America Debate: economic and political challenges. Medellin, Colombia, March 31. Jointly organized by CAF, Latin Finance, and BBVA, in the framework of the 50th Annual Assembly of IDB Governors. A breakfast-debate was held on the main economic and political challenges of the region. The meeting has become a platform for discussion about the environment and its prospects.



Latin American
Debate: Economic and
Political Challenges.
Medellin, Colombia,
March 31.

Emerging Markets Forum. Bogota, Colombia, April 2-3. Organized by Emerging Markets Forum and the Colombian Ministry of Commerce, Industry, and Tourism. The Forum addressed priority issues for emerging markets and possible responses regarding economic, political and social matters.

V Summit of the Americas and II Hemispheric Private Sector Forum. Puerto España, Trinidad and Tobago, April 15-19. This forum highlighted the importance of a greater regional integration, the challenges involving energy and climate change, and the need for greater investment in infrastructure in Latin America.

First National Forum for Competitiveness and Productive Development. Santo Domingo, Dominican Republic, April 28-29. Organized by the National Council for Competitiveness of the Dominican Republic Government. This forum evaluated the goals achieved in the framework of the Systematic Competitiveness National Plan, as well as new proposals to promote competitiveness.

XXXIX Annual Assembly of the Caribbean Development Bank. Turks and Caicos Islands, May 27-28. CAF participated in this Assembly with governmental leaders and entrepreneurs of the Caribbean financial environment.

Carbon Expo 2009. Barcelona, Spain, May 27-29. Sixth meeting that brought together close to 3,000 visitors from 111 countries to learn about market trends and international negotiations of the actors that operate in the carbon industry.

15th edition of the Montreal Conference. Montreal, Canada, June 8-11. Organized by the International Economic Forum of the Americas/Montreal Conference. This Conference promoted the exchange of information and open discussion between world leaders of the political and financial sectors on how to adapt to the new world order more efficiently.

Symposium of the Americas on Energy and Climate. Lima, Peru, June 15-16. Organized by the Institute of the Americas. This symposium brought together public policy makers, representatives of international organizations, and private entrepreneurs, to discuss the possible areas of cooperation in critical matters of the energy sector. In addition, it analyzed the great challenges that the continent faces regarding climate change, especially in view of the agreements of the Summit of the Americas held in Trinidad and Tobago.

IV Latin American Carbon Forum. Panama, June 24-26. Brought together actors of the carbon market in Latin America. Owners and project developers, (CDM Clean Development Mechanisms) national offices, investment promotion agencies, governmental CDM agencies, as well as intermediaries and service providers had the opportunity to update their knowledge on important aspects of climate change, the CDMs, and the carbon market.



Emerging Markets Forum. Bogota, Colombia, April 1st through 3rd.

Round Table: The Political Dimensions of the World Economic Crisis: A Latin American Perspective. Santiago de Chile, July 13. Organized by the Madrid Club to reflect on the consequences of the world crisis and the political impact in Latin America.

III CAF Microfinance Forum. Quito, Ecuador, July 20-21. This forum brought together representatives of the Latin American microfinance sector and national and international experts to debate about the challenges that microfinancing institutions face due to the world crisis.

XI Summit of the Chiefs of State and Government of the Dialogue and Consensus Mechanisms of Tuxtla. Guanacaste, Costa Rica, July 27-29. Important Meso-american leaders participated in this Summit to promote regional integration, dialogue, and political consensus.

XIII Annual Conference on Trade and Investment in the Americas. Washington, D.C., September, 9-10. Organized by CAF, the OAS, and the Inter-American Dialogue to debate on the most important issues related to hemispheric relationships. The event achieved a valuable exchange of ideas at the highest level, on the vision of the hemispheric economic and political process and the challenges that Latin American countries face in the current global situation.

Latin America-China Investment Forum. Beijing, China, September 23 and 24. A significant number of entrepreneurs, bankers, investors, government representatives, academics, and communications media participated in this event. CAF's participation had a special meaning because of China's important role in the economic and financial international scenario and its contribution to the mitigation of the effects of the global crisis.

Third Forum on the Competitiveness of the Americas. Santiago, Chile, September 27-29. This Forum sought to strengthen the dialogue between representatives of the public and private sectors of the region, promote debate on current issues, and share successful experiences in the implementation of best practices.

X Biarritz Forum. Quito, Ecuador, September 30 to October 2. Within the framework of the strengthening process of the relations between Europe and Latin America, the Forum analyzed the social impact of the crisis, the new economic and financial architecture, the new technologies and social development, universal access to water, and energy challenges, among others.

Toward a Hemispheric Partnership: The United States, Latin America and Climate Change on the Road to Copenhagen. The Brookings Institution. Washington, D.C., United States, October 14-15. Based on the strategic alliance between CAF and Brookings, a round table was organized with the participation of environmental ministers of the region, United States' leaders, and experts on the subject among which were representatives of the Institution. The meeting pro-

XIII Annual Conference
on Trade and Investment
in the Americas.
Washington, D.C.,
September 9-10.



Latin America China
Investment Forum.
Beijing, China,
September 23-24.

Conference of the Executive
President of CAF, Enrique
Garcia, in which he underlined
the importance of the
partnership between both
institutions. The Brookings
Institutions. Washington, D.C.,
United States, October 14-15.



moted the discussion on the impact of climate change and the key development issues faced by the nations of Latin America and the Caribbean in preparation for the UN Conference on Climate Change in Copenhagen. The meeting also addressed issues such as the role of the United States in climate change negotiations, the relevance of Latin America in mitigating adverse environmental effects, and the trade and non-trade mechanisms on subjects related to adaptation.

X Anniversary of the Competitiveness Program. Cordoba, Argentina, November 5. CAF commemorated the Tenth Anniversary of its Competitiveness Program with the event Local Economic Development and Competitiveness: Global Cities and Regions.

V Ministerial Meeting of the Latin American Pacific Arch Forum. Puerto Vallarta, Mexico, November 23-24. The event has become a very useful instrument to expand cooperation among these Latin American nations and the Asia Pacific. It included the participation of the ministers of Pacific Arch member countries, as well as representatives from multilateral institutions such as CAF.

XIX Ibero-American Summit. Estoril, Portugal, November 30-December 1. CAF was present in this summit that gathered the chiefs of state and governments of Latin America, Spain, and Portugal, which had as its theme *Innovation and Knowledge*.

IV National Conference Italy-Latin America and the Caribbean. Milan, Italy, December 2-3. Main Italian forum for reflecting on relations with Latin America and the Caribbean. Organized by the Italian Ministry of Foreign Relations, the Lombardy region, the Italian Latin American Institute, the Italian Latin American Network, the Milan Chamber of Commerce, and the International Political Studies Center. The main themes of the conference were integration and the instruments necessary to deal with the challenges of globalization.



Fourth National Conference Italy-Latin America and the Caribbean. Milan, Italy, December 2-3.



**Memorandum of Understanding
with the European Investment Bank.
Luxemburg. January 13th.**

CAF and the European Investment Bank (EIB) signed a Memorandum of Understanding with the aim of finding joint opportunities for supporting economic, financial, and commercial development, promoting European investment in CAF shareholder countries, as well as the exchange of information between both institutions.



**Agreement with the French
Development Agency. Paris, France.
January 27.**

Through a Memorandum of Understanding signed between CAF and the French Development Agency (AFD), both institutions committed to work jointly in favor of sustainable development, bi-regional integration, the protection of world public goods, in particular climate change, biodiversity, and pandemics. In the photograph, signature of the agreement with the International Union of Lawyers.



**Memorandum of Understanding
with the Businessmen Association of
Saint Petersburg. Russian Federation.
October 14.**

With the aim of promoting investment, trade, and bi-regional cooperation, CAF and the National Development Bank (*Vnesheconombank*) subscribed a Memorandum of Understanding to exchange information, evaluate, and prepare investment and trade projects between Saint Petersburg and Latin America. The tour through the Russian Federation involves the establishment of a new economic and financial international scenario, the key role played by the BRICS in the world economy, and CAF's commitment to support countries in opening new horizons in Russia.

Agreement with the Lombardy Region. Milan, Italy. December 2.

CAF and the Lombardy region signed a coordination and cooperation agreement on matters of mutual interest to strengthen the relation between Latin American shareholder countries and Europe.



Strategic Cooperation Agreement with the Woodrow Wilson International Center. Washington, D.C., United States. December 10.

With the commitment to develop joint actions to generate and disseminate new knowledge as a fundamental tool for the economic and social development of Latin America, CAF and the Woodrow Wilson International Center signed a cooperation agreement.

The signing ceremony underlined the importance of this agreement for ensuring an active CAF presence in the generation and dissemination of knowledge, as a fundamental tool for the design of strategies on development.



DISSEMINATION OF KNOWLEDGE

CAF publications support the implementation of its Agenda for Comprehensive Development. The titles listed below were published during 2009.

Microfinance Challenges in Times of Crisis. III CAF Microfinance Forum

Present the minutes of the Third Microfinance Meeting organized by CAF, which was held in Quito, Ecuador, with focus on understanding the international and Latin American panorama anticipating possible financial conflicts that limit the normal flow of money to the productive system.

The Great Challenges of Journalism.

Journalists of the XXI Century Collection

Reports the challenges faced in the exercise of journalism at the beginning of the XXI Century. The publication gathers the opinions of important journalism figures in Latin American, who address the situations and transformations of their trade and present the challenges, consequences, and dilemmas inherent to the practice of journalism. The book addresses the new paradigms of investigative journalism in the digital era, the future of paper newspapers, the role of journalism during times of political and social crisis, and the challenges presented by the globalization of information.

Urban Planning and Management and its Influence on Potable Water and Sanitation Services. Cases: Peru and Venezuela

Addresses the contribution that urban planning and management have made to overcome the challenge of increasing the coverage and quality of potable water and sanitation, and improve the life conditions of people living in poverty in informal areas.

Paraguay. Analysis of the Transportation Sector

Contains a brief description and analysis of the transportation sector in Paraguay, presenting its strengths and weaknesses, identify short and medium-term management policies, examine the sector's institutional framework, and learn about the main logistic chains. In addition, it refers to the country's participation in the South American Regional Integration Initiative (IIRSA).

Public Infrastructure and Private Participation: Concepts and Experiences in America and Spain

States the importance of infrastructure as a tool for economic and social cohesion, to articulate the territory, for spatial integration, and to improve accessibility. It describes the effects of the construction phases and the already existing infrastructure networks in Europe and South America, the challenges of financing for this sector, and its models. It also presents infrastructure projects under concession in Spain and some experiences in America.



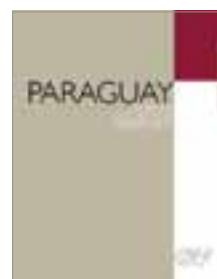
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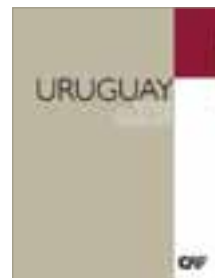
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Published:
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Uruguay. Analysis of the Transportation Sector

Examines the transportation sector in Uruguay, both for cargo and passengers in its different modes: highways, railroads, water transportation, and air transportation. For each modes, it analyzes the infrastructure, operations, institutional and regulatory framework, and the sources of financing.



Publication date:
December 2009
ISBN:
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Format: 27x 21cm.
Bounded and digital
Number of pages: 54

Gold Grain Coffee from Biscucuy.

A Local Development Program of International Stature

Describes a project in Venezuela to prioritize the cultivation of coffee, emphasizing all the aspects involved to improve its quality. Explains the practices of other coffee producing countries in the region, such as Colombia, Costa Rica, Mexico, and Brazil.



Published:
December 2009
ISBN: 978-980-6810-52-5
Format: 27.5 x 25 cm.
Bounded and digital
Number of pages: 120

Competitiveness Program: a Contribution to Productive Transformation in Latin America

Reports the program achievement by the CAF's Competitiveness Program during ten years in Bolivia, Colombia, Ecuador, Peru, and Venezuela. During this decade, the Institution has worked with more than 470 public and private institutions and has implemented more than 150 projects in the continent, promoting public-private association agreements to design and undertake reforms based on shared diagnosis. In addition, it presents a diagnosis of the areas that should be the focus of attention for countries in the coming decade.



Published:
November 2009
ISBN: 978-980-6810-50-1
Format: 21 x 21cm.
Digital
Number of pages: 120

Global Microscope on the Business Environment for Microfinance

Presents the pilot study on the business environment for the microfinancing sector in 55 countries of the world, elaborated by The Economist Intelligence Unit. The report compares countries and regions according to three categories: regulatory framework, investment environment, and institutional development. This year's edition includes countries from Asia, Africa, Europe, and the Middle East.



Published:
October 2009
Format: 27x21cm.
Digital
Number of pages: 72
Co-edited by IDB
and IFC

Perspectives. Analysis of critical issues for sustainable development. Vol. 7 N° 1

Introduces topics that will be presented in the 2010 Economy and Development Report on local development and the role of decentralization. The subjects addressed in this number focus on the role of fiscal decentralization to improve the provision of public services, and the analysis of two specific cases in Colombia and Peru.



Published:
June 2009
ISBN: 1690-6268
Format: 23x16cm.
Bounded and digital
Number of pages: 116

Perspectives. Analysis of critical issues for sustainable development.

Vol. 7 N° 2

The subjects addressed in this number focus on decentralization and local and regional development; trade liberalization, economic integration, and regional disparities; local services, infrastructure, and transportation: dimension, scale, network, and governance institutions; and the inter-jurisdictional coordination to manage natural resources in Brazil.



Published:
December 2009
ISBN: 1690-6268
Format: 23x16cm.
Bounded and digital
Number of pages: 116

Urban Mobility Observatory for Latin America.

Information for Better Policies and Better Cities

Presents the first Latin American Urban Mobility Observatory (OMU) for 15 main cities in the region. Provides relevant information for the design of effective public policies and management of the public transportation systems of these cities. The publication complements the technical and financial support that CAF offers the governments of the region to conceptualize, design, and implement investment projects for the development of urban transportation systems.



Published:
November 2009
ISBN: 1690-6268
Format: 27x21cm.
Bounded
Number of pages: 24

International Trade of Electricity. Allocation of Congestion Rates in International Transactions of Electricity. Energy Technical Notes N° 1

First edition of energy working documents published by CAF. Presents regulatory policy recommendations for the management and distribution of congestion rates originated in the international trade of electricity between Colombia and Ecuador. In addition, states the need to design a program of international interconnections for Andean countries, as well as the need to conduct feasibility studies and discuss and approve new models to regulate international transactions of electricity.



Published:
August 2009
Format: 27x21cm.
Digital
Number of pages: 70

Environmental Risk Management Systems. A Practical Approach.

Contains the experiences of the virtual training course on Environmental and Social Risk Analysis. The publication seeks to become a tool to address the management of the most relevant environmental risks associated to the undertakings that financial institutions support in the region through a systematic approach.



Published:
June 2009
ISBN:
978-980-6810-43-3
Format: 27x21cm.
Bounded and digital
Number of pages: 44

Guide of the Sumaco Eco-route

Compiles relevant facts for travelers in one of the regions with the highest biodiversity of the world, the Sumaco Napo Galeras National Park and the Sumaco Biosphere Reserve, both of which have natural and cultural attractions of exceptional value in the final destination as well as along the route that starts in Quito. Nevertheless, both places are threatened by internal and external pressures that include oil exploitation, the expansion of the agricultural and livestock frontier, deforestation, hunting, and the traffic of species.



Published:
September 2009
ISBN: 978-9942-02-552-4
Format: 27x21cm.
Bounded and digital
Number of pages: 72
Language: Spanish/
English
Co-Edited with the
Geology, Vulcanology
and Geodynamic center of
the Universidad San Fran-
cisco of Quito and Green
Consulting.

Poverty and Urban Precariousness in Latin America and the Caribbean. Current Situation and Financing for Policies and Programs.

Analyzes the current situation of poverty and urban precariousness in a series of countries in Latin America and the Caribbean. Identifies the advances achieved in this subject and the pending challenges. This study, conducted by CEPAL and CAF, systematizes a series of policy proposals, investment instruments, and sustainable financing for projects and interventions to overcome these regional problems.



Published:
January 2009
Format: 27.5x21.5cm.
Bounded and digital
Number of pages: 132
Co-Edited with CEPAL.



Within the framework of the CXXXVI Board of Directors Meeting and the XII Extraordinary Shareholders' Assembly, CAF inaugurates the Plaza de las Banderas on December 8.

INTERNAL ORGANIZATIONAL MANAGEMENT

During 2009, the Institution underwent a series of organizational adjustments such as the creation of the Vice-presidency for Development and Policy Strategies (VEDPP), due to the redistribution of functions and processes in the former Vice-presidency of Financial Systems (VSF) and the Public Policies and Competitiveness Office (OPPC). At the same time, the private sector was consolidated under a single coordination with the creation of the Corporate and Financial Sector Vice-presidency (VSCF), former Vice-presidency for Corporate Financing and Investment Banking (VFCBI).

In addition, the regional expansion process continued with the opening of the offices in Buenos Aires and Panama City, the incorporation of the Republic of Paraguay as Series A shareholder, and of the Republic of Portugal as Series C shareholder.

Human capital management was particularly focused on an initiative to strengthen the culture of service through the corporate program *Las Personas Primero* (People First), where more than 85% of the staff attended a workshop which lasted 16 hours. In addition, a special session was conducted with the executive staff and the participation of the Executive President.

Other efforts were aimed at reformulating the Junior Development Program (PRODES), recruiting a third generation of talent and successfully inserting the first generation in business areas, expanding the training offer through the CAF Virtual Learning University (UVCAF), increasing the diversity of nationalities of the professional and executive team due to new hiring, and updating the socio-economic benefits in response to market trends.

Regarding information technology, the Institution continued to develop a series of initiatives including: the optimization of trading processes and Treasury compliance through the Portfolio Management System, the implementation of the Wireless platform at Headquarters, and strengthening of the technological platform to support the Business Continuity Plan (PCCN) and the Disaster Recovery Plan (PRD).

Regarding internal communications, several campaigns were designed and implemented, mainly associated to human resources and technology, and two new media services were launched. With respect to external communications, the content and presentation of various sections of the corporate Web page were improved.

The headquarters of the Institution were also modernized and improved with the construction of multimedia facilities in Training Room II, the reforms to the Antonio Jose de Sucre auditorium, and the works to built the *Plaza de Banderas* of the shareholder countries.

CAF continued the regional expansion process with the opening of its offices in Buenos Aires and Panama City, and the incorporation of the Republic of Portugal as a shareholder.

7

**SPECIAL
REPORT:**
REGIONAL
DISPARITIES AND
LOCAL ECONOMIC
DEVELOPMENT:
TOWARD A NEW
LEADING ROLE
FOR CITIES
AND REGIONS

**SPECIAL REPORT:
REGIONAL
DISPARITIES
AND LOCAL
ECONOMIC
DEVELOPMENT:
TOWARD A NEW
LEADING ROLE
FOR CITIES AND
REGIONS**

The sixth edition of the Economy and Development Report (RED, in Spanish), denominated Regional Disparities and Local Economic Development: Toward a New Leading Role for Cities and Regions, seeks to contribute to the analysis of the factors that affect local and regional development, as well as to identify public policy options which, with a strong participation of sub-national governments and institutions, both in the design and implementation, enable compatibility between economic growth and a balanced development of the interior territories of countries. This special report contains a brief discussion of the main topics addressed in the publication.

The object of this report is to highlight the role of local and regional governments in shaping institutions and policies to favor the development of their territories. Being closer to the actors involved in the productive process and to the families that directly benefit from local public services, allows local governments to obtain information and generate agreements and consensus that may enable a more efficient decision-making process and boost the response of the private sectors involved. In this sense, the deepening of the decentralization processes that took place in Latin America in the past 20 years has expanded the ability of sub-national governments to structure this type of local and regional development strategies.

The evidence on territorial development patterns shows the existence of important disparities in production, income, and welfare levels within countries. Except in the case of some basic welfare indicators (for example, illiteracy or infant mortality), these gaps do not show a definite trend toward reduction over time. On the other hand, there are cases of territories and city-regions that have been quite successful in promoting both the productivity of their firms and industries and the quality of life of its inhabitants. In general, this success has been less associated with factors that are exogenous to the locality and region (climate, natural resources, closeness to navigable waterways, among others), while endogenous factors have been more relevant. In particular there has been an effort at the local level to improve the quality of the labor force and the education of the population (accumulation of human capital) to attract investments from firms and industries by promoting clusters and productive chains. This process has been supported by the development of institutions, and the adoption of public policies that not only provide economic and social infrastructure but also facilitate the exchange of ideas, citizen participation, and transparency in collective decision-making.

The analysis of the experiences presented in the book suggests that a successful local development strategy must be comprehensive, that is, it needs to act on all the determinants while at the same time focusing on the territory. This is the rea-

son why sub-national governments have an essential role in the design and management of such strategies. This role is not necessarily limited by formal powers in matters of expenditure, taxes, and regulation that the decentralization regime has established, although clearly it can condition some of its results. In this sense, management of local development involves the implementation of quantitative and qualitative diagnostic studies on the current and future potential of a locality or region. Managing local development demands strong leadership and a capacity to interact with different members of the community.

EVIDENCE ON THE DISPARITIES IN PRODUCTION, INCOME, AND QUALITY OF LIFE IN SUB-NATIONAL TERRITORIES.

It is an empirically documented fact that per capita income growth in countries is accompanied by a process of concentration of economic activity in the territory (World Bank 2009). In fact, one of the first stages in the development process is migration from rural areas towards cities, leading to a greater degree of urbanization of the economies. In Latin America, this urbanization process is already consolidated in a number of countries and, at the same time, has resulted in high levels of concentration in a few cities (see Table 1). In this sense, in most nations with a high degree of urbanization, the most important city has a share of close to over 30% of total urban population.

Table 1. **URBAN CONCENTRATION IN LATIN AMERICA**

Countries(millions)	Urban population		Urban population/ population in the city		Largest total population (%) *	
	1990	2006	1990	2006	1990	2005
Argentina	28.3	35.3	87	90	37	36
Bolivia	3.7	6.0	56	65	29	26
Brazil	111.8	160.3	75	85	13	12
Chile	11.0	14.4	83	88	42	40
Colombia	24.0	33.3	69	73	20	24
Costa Rica	1.6	2.7	21	62	47	46
Ecuador	5.7	8.4	55	63	28	29
El Salvador	2.5	4.1	49	60	39	38
Guatemala	3.7	6.2	41	48	22	16
Haiti	2.1	3.7	30	39	54	59
Honduras	2.0	3.3	40	47	29	29
Jamaica	1.2	1.4	49	53	n.d.	n.d.
Mexico	60.3	79.5	73	76	25	25
Nicaragua	2.2	3.3	53	59	33	36
Panama	1.3	2.4	54	72	65	53
Paraguay	2.1	3.6	49	59	45	54
Peru	15.0	20.1	69	73	39	36
Trinidad and Tobago	0.1	0.2	9	13	100	100
Uruguay	2.8	3.1	89	92	46	42
Venezuela, RB	16.6	25.3	84	94	17	12

*as percentage of the total urban population

Source: World Bank (2008).

This pattern of population concentration in a limited number of regions is correlated with the concentration observed in the generation of employment and economic activity. Figure 1 (see pages 176-179) shows maps with the share of GDP (darker areas represent larger shares) and of total population (the larger the size of the square, the greater the share in total population) by regions (states or provinces) in 8 selected countries of Latin America. Clearly, the economic geography of these nations does not show much territorial homogeneity. In any one country, there are scarcely populated areas with a very limited share of total wealth together with regions which produce over 40% of the goods and services in the economy and concentrate between 1/3 and 1/2 of the country's total population. This is the case, for example, of the province of Buenos Aires in Argentina, with 43% of the national GDP and 41% of the population, and also the Metropolitan Region of Santiago in Chile, with 46% and 41% of GDP and population, respectively.

Something similar occurs in Peru, where the region of Lima has a share of 50% of the production of goods and services and 30% of the total population. As shown in Figure 1, there is a certain degree of spatial correlation in these concentration indicators. For example, in the case of Brazil and Peru, the concentration of economic activity and population occurs, respectively, in the coastal strip of the Atlantic and Pacific Oceans. In Colombia, this concentration occurs in the departments of Cundinamarca, Antioquia, and other neighboring departments in the central and northern part of the country. This suggests that there are geographic factors (climate, geological and soil characteristics, access to navigable waterways, among others) that explain the better or worse luck of these territories in terms of their relative development. In any case, it is also clear that, under the same exogenous conditions, certain territories show much more development than others, suggesting that there are also endogenous factors (human capital and institutions, among others) that are very relevant in explaining sub-national development.

An interesting aspect to analyze is if these disparities in the economic size of regions and localities are correlated with income and welfare indicators of the populations located in the different regions. Figure 1 also shows the value of the regional per capita GDP (in USD corrected for purchasing power parity) for some of the territorial entities in the different countries. Strong differences may be observed. For example, in the case of Argentina, the average per capita GDP of the province of Buenos Aires (close to USD 10,000 in 2000) is four times larger than that of Santiago del Estero (USD 2,500 for the same year), one of the poorest provinces located in the north-eastern part of the country. The same relationship may be observed in Brazil between the states of Sao Paulo (approximately USD 13,700 in 2005) and Maranhão (USD 3,200), located in the Brazilian North-East. In Peru, the region of Lima in the Pacific Coast (approximately USD 10,600 in 2005) in the Pacific Coast has a per capita GDP over five times greater than that of Apurimac (approximately USD 1,700) in the southern part of the Sierra area.

The disparities in economic activity and income levels are partly reflected in other indicators that affect households' welfare and quality of life, such as illiteracy, in-

Figure 1.

**REGIONAL DISPARITIES
IN THE SIZE OF SUB-NATIONAL
ECONOMIES**

Numbers: GDP per capita (USD PPP)

Size of square: Regional population/total population

Background colors: Regional GDP/total GDP (in percentage)

(15,55]

(10,15]

(5,10]

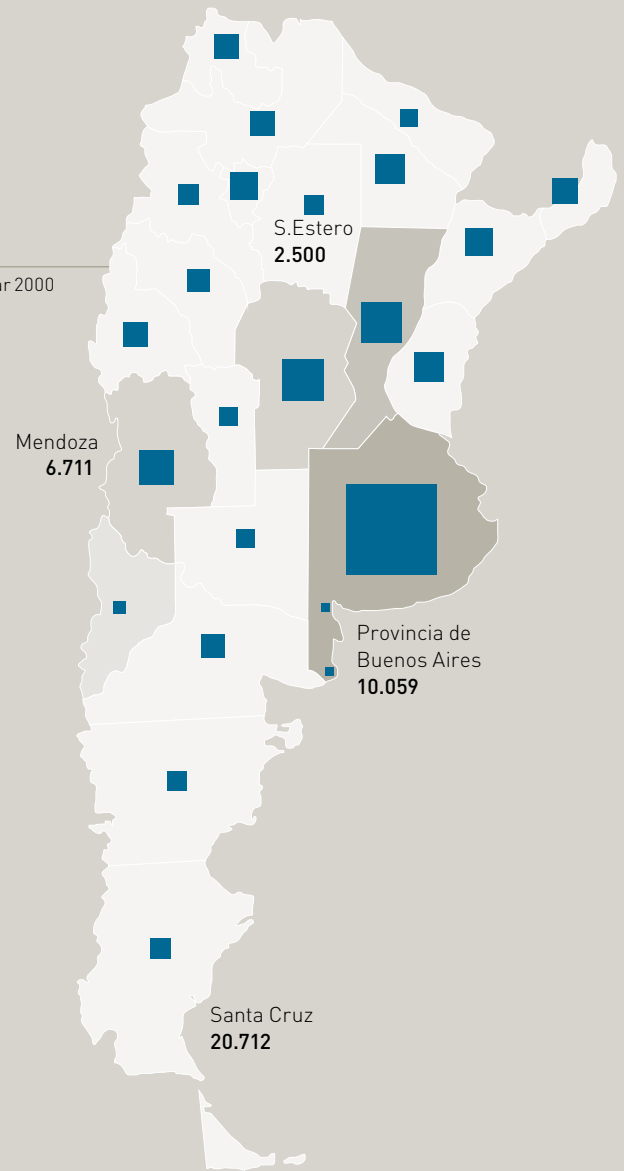
(3,5]

[0,3]

Source: Official organizations, own calculations.

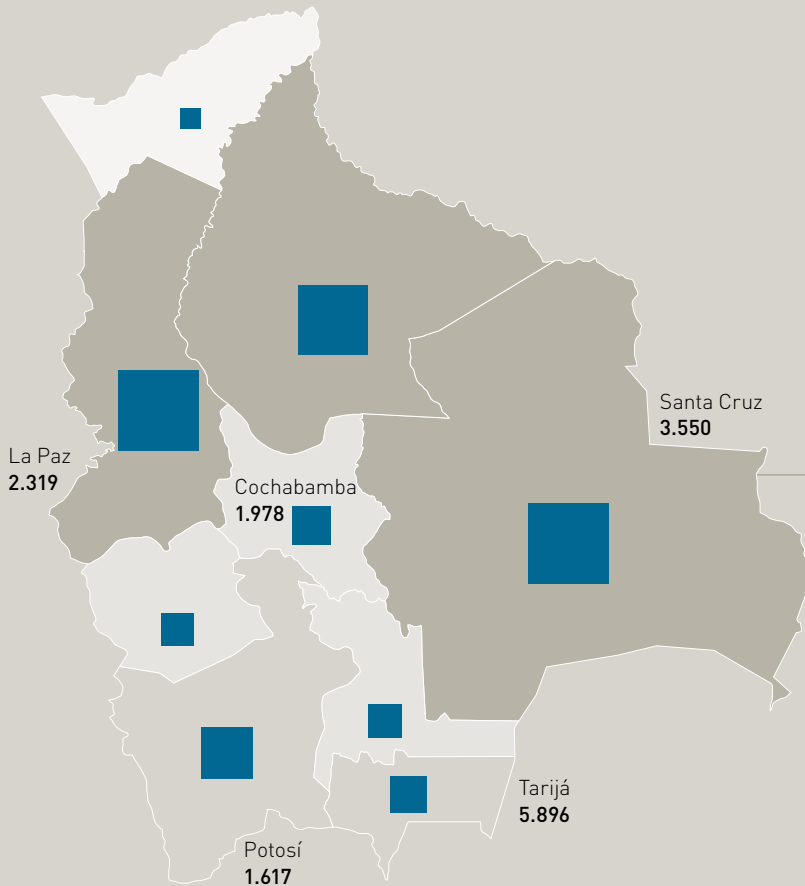
Argentina

Regional per capita GDP, year 2000



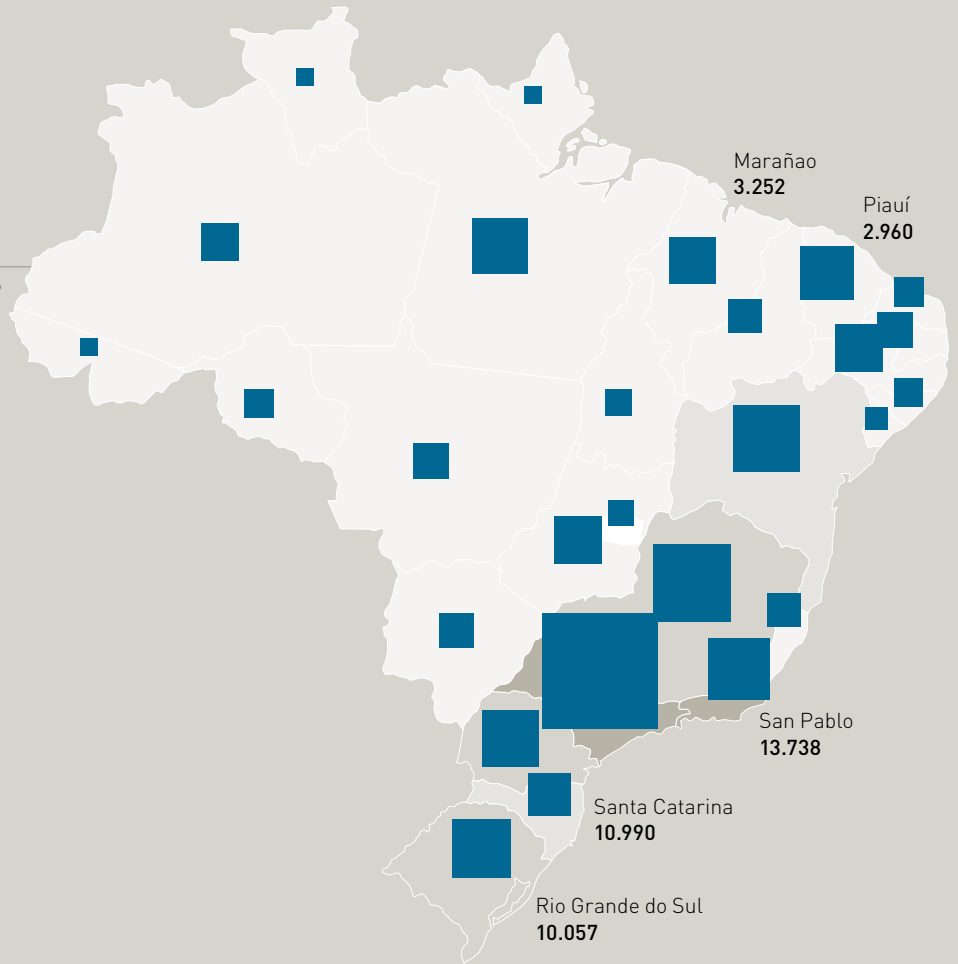
Bolivia

Regional per capita GDP, year 2006



Brazil

Regional per capita GDP, year 2006



Colombia

Regional per capita GDP, year 2006

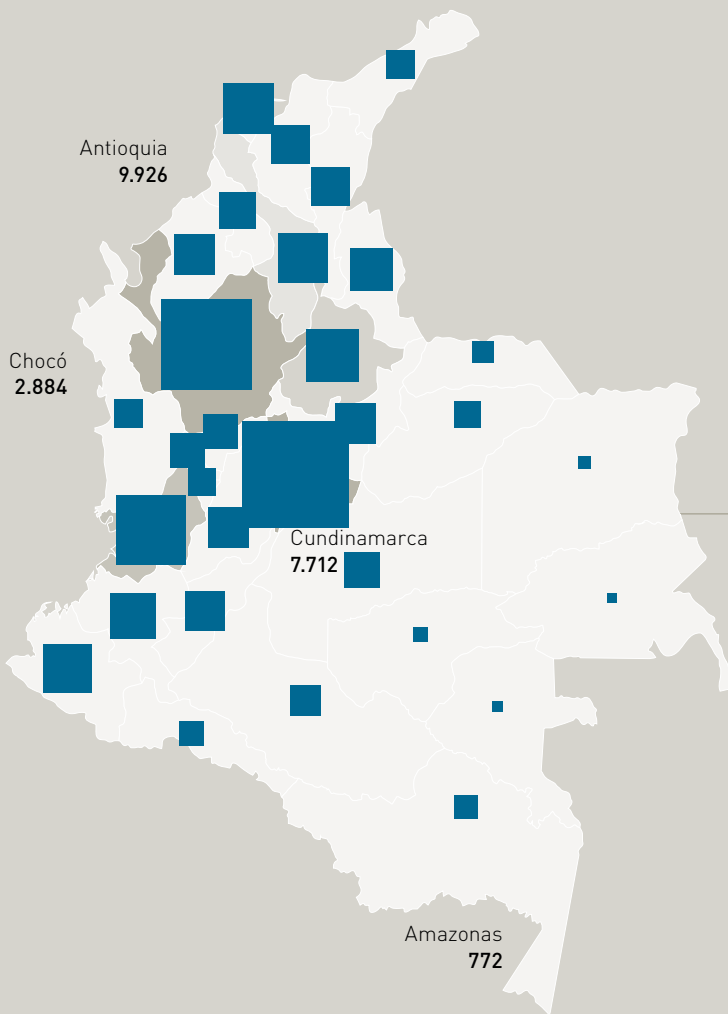


Figure 1. (continued)

**REGIONAL DISPARITIES
IN THE SIZE OF SUB-NATIONAL
ECONOMIES**

Numbers: GDP per capita (USD PPP)

Size of square: Regional population/total population

Background colors: Regional GDP/total GDP (in percentage)

(15,55]

(10,15]

(5,10]

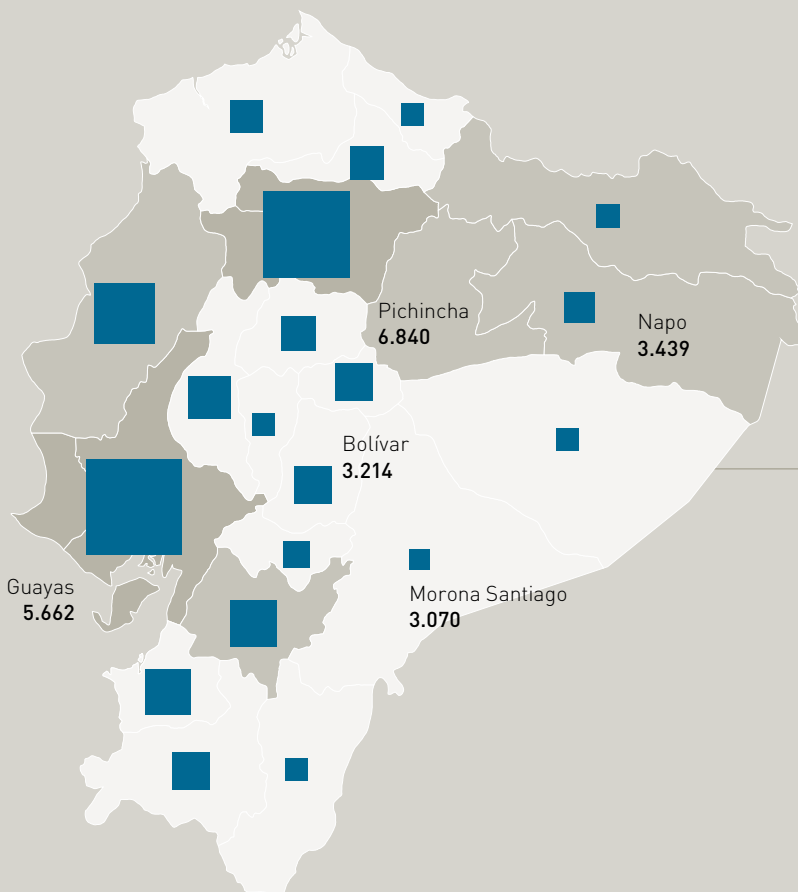
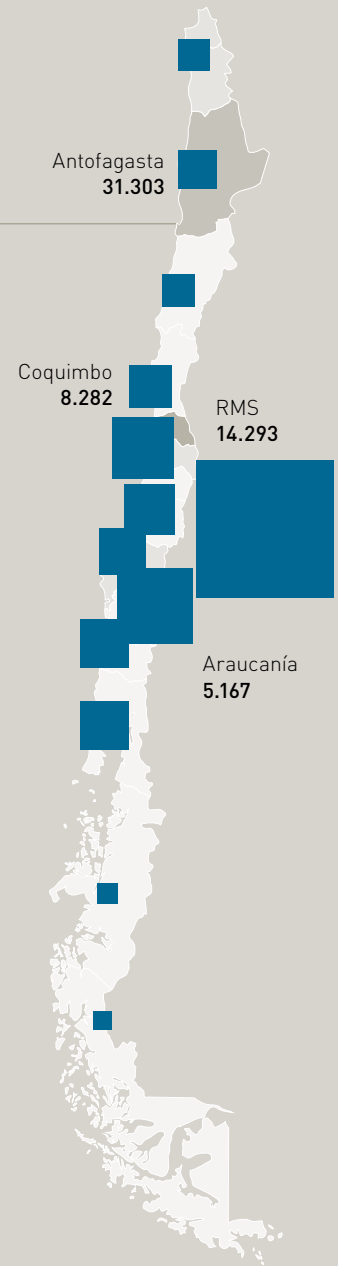
(3,5]

[0,3]

Source: Official organizations, own calculations.

Chile

Regional per capita GDP, year 2006

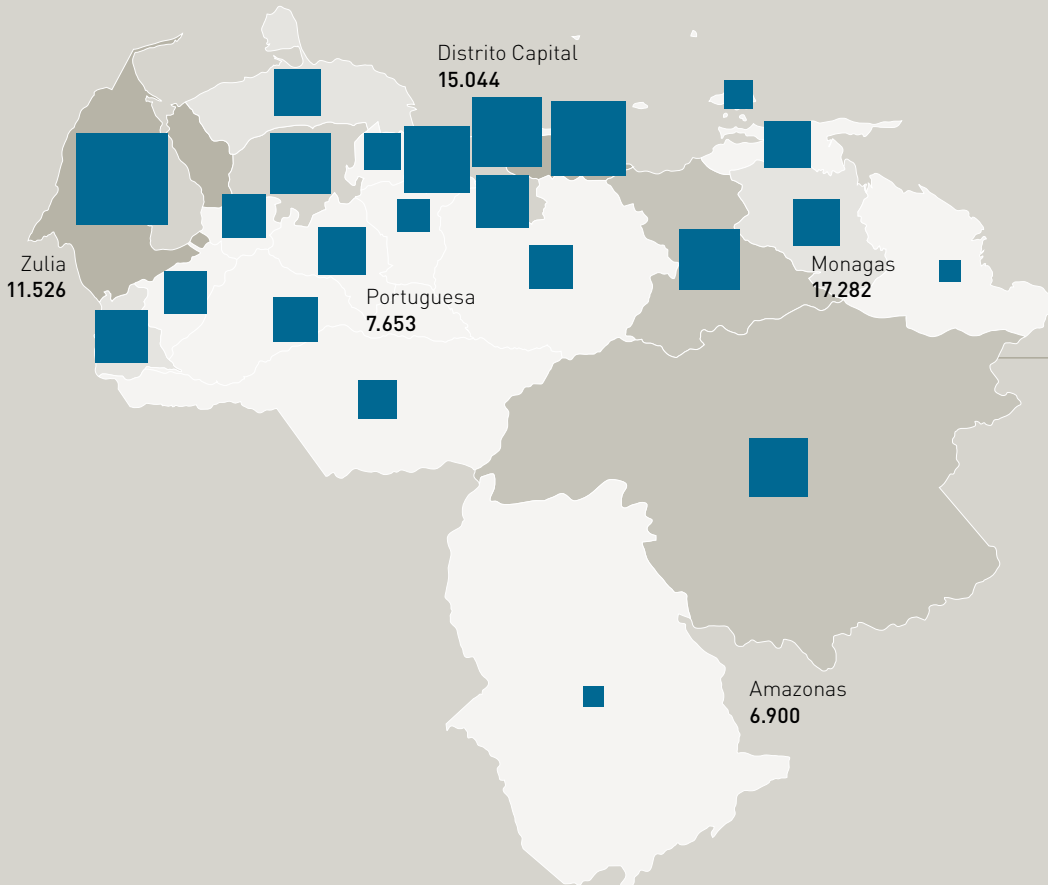
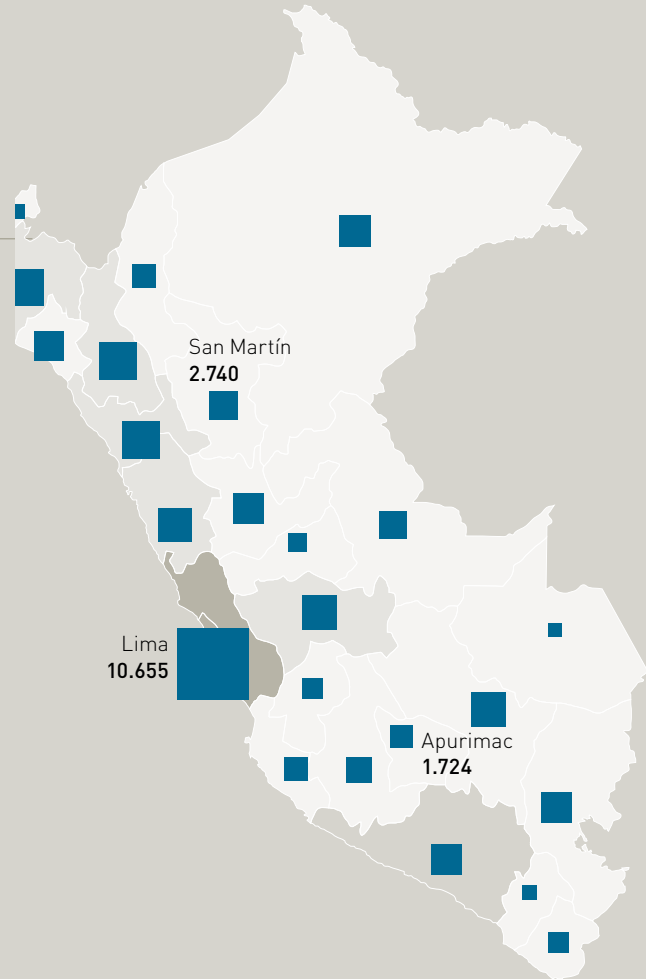


Ecuador

Regional per capita GDP, year 2006

Peru

Regional per capita GDP, year 2006



Venezuela

Regional per capita GDP, year 2007

fant mortality, or life expectancy. Table 2 (page 180) shows the correlation coefficients computed for a group of six countries using data from sub-national entities. It is noteworthy that almost all these correlations are significant at the 5% level suggesting that the states with the greatest income are also the ones that tend to have the best welfare indicators (less illiteracy and infant mortality, and greater life expectancy).

Table 2. **CORRELATION OF GDP PER CAPITA AND DEVELOPMENT VARIABLES FOR COUNTRIES OF THE SAMPLE**

Country	Illiteracy-GDP per capita	Infant mortality-GDP per capita	Life expectancy-GDP per capita
Argentina	-0.5488*	-0.4497*	0.1770
Bolivia	-0.7005*	-0.6161*	0.6425*
Brazil	-0.7058*	-0.5930*	0.7092*
Chile	-0.6267*	-0.3537	-0.2700
Colombia	-0.7238*	-0.1811	0.2263
Peru	-0.5617*	-0.6091*	0.6362*

*indicates that the correlation is significant at the 5% level
Source: Official organizations, own calculations.

This evidence is worrying in the sense that, if the observed disparities in per capita GDP level and economic activity per region are reflected in indicators of welfare and access to basic services, a person's place of birth could persistently condition his future living conditions. For example, it could mean that people born in poor regions would have difficulties in accessing better employment or better education (access to universities), even if they migrate to more developed states, simply because they received a more deficient education in their state of origin.

From the analysis of the evidence presented here, we may conclude that the existence of disparities in economic activity and in the generation of wealth within countries is a characteristic of Latin America. These differences have in part translated into disparities in quality of life and in basic welfare levels (health and education) among localities. The report shows that some of these disparities in welfare have tended to decrease over time, but this doesn't always happen when dealing with less basic services (for example, quality of secondary education) where production technologies are more complex and require local inputs and management to improve access and quality of services. This is true not only for services that directly affect families' quality of life, but also for those associated with productive activities (infrastructure and innovation among others). For this reason, sub-national governments could potentially have a very relevant role in promoting development in localities and regions. The challenge, nevertheless, is to establish the factors that determine good local management that will reduce the differentials in production, income, and quality of life within countries. An effort to identify these factors and their interaction is made in the following section.

THE THREE MAIN SOURCES OF REGIONAL AND LOCAL DEVELOPMENT: HUMAN CAPITAL, AGGLOMERATION AND SPECIALIZATION ECONOMIES, AND INSTITUTIONS.

A simple conceptual framework that tries to capture the factors that explain the differences in the levels of sub-national development must start by pointing out possible differences in the distribution of factors of production among regions and localities, starting with those that are fixed in the territory such as natural resources, climate, and other geographic accidents that determine access and connectivity with other regions and localities (for example, closeness to navigable waterways).

Although these factors are very relevant in the determination of wealth, they are not variables that may be endogenously accumulated through family savings or firms' investments, nor can they be promoted through public policies. This makes them less important in explaining regional disparities, especially when the emphasis is on policies to boost local development that can be promoted from the sub-national levels of government.

This leads us to consider factors that may be modified by community decisions and have significant incidence on long-term development. In this sense, the theory of economic growth has emphasized the role of knowledge accumulation that enables other production factors (such as labor and physical capital) to become increasingly more productive. A good portion of this knowledge is incorporated in the labor force which may have different levels of education and training. From a local or regional perspective, human capital may accumulate through educational policies or training programs for the already existing labor force or through migratory flows, which are much more intense within countries and between localities than at the international level. The accumulation of human capital could be subject to gains due to external effects, since knowledge can be recombined and reused in many different ways, which tends to create a growing positive impact on productivity (Romer, 1990).

The application of the concept of human capital to regions, together with the possibility of externalities, has led researchers such as Lucas (1988) to state that highly-qualified people concentrate in certain areas to be close to other highly-qualified people, since this increases their productivity. This process of *knowledge spillovers* in urban contexts, has given rise to the notion of *creative cities* and amenities-based *cities* (Florida, 2002; Glaeser *et al.* 2001). What is interesting in this approach is that these are stories of regional and local economic development promoted by human capital. In the creative cities framework, specialization is led by attraction (here we see the migration component in the determination of a locality's human capital) of creative workers whose main characteristic is having a high level of education. It is said that these highly qualified workers gather in such places due to the amenity of *tolerance*, which is generated due to the typical *diversity* of these places.

A second determinant of regional and local development is related to agglomeration and specialization economies that are behind the firms' localization decisions. These decisions determine investment flows and the accumulation of physical capital in localities, expanding production and regional income. Clearly, given the high mobility of capital (that is, before investment), these investments do not depend on the savings or available resources in the region or locality per se, but rather on the investment flows available in the whole country, including funds from third countries.

When investigating location and investment decisions in a territory, a first and very traditional approach (also called neoclassic) is to assume that there are decreasing returns to capital, so that in regions and localities with a limited supply of installed capital, the return of new investments will be higher than in those regions that are more developed. This is due to the simple fact that in the former there will be more opportunities to expand the production of certain products because there is less competition and the demand of certain products and services is not satisfied. As can be seen, this type of reasoning suggests that there should be convergence between regions and localities, with the less developed growing faster (more companies would locate there and invest) compared with those that were initially more developed. As seen in the previous section, this view is not supported by the evidence found in analyzing regional sub-national development for a sample of Latin American countries. On the contrary, a tendency toward concentration of production and income in particular regions is observed.

To explain this pattern of spatial concentration of production and employment, and the apparent lack of convergence in the sub-national per capita income levels, the neoclassic assumption of decreasing returns to capital must be replaced by the proposal that, within a certain range, there may be benefits of agglomeration or concentration of production in the territory. This is precisely the approach that the *new economic geography* proposes (Krugman, 1991).

According to this approach, the decision of firms to concentrate production geographically and locate close to other firms in the same sector or related sectors is based on the existence of economies of scale (both internal to the firm and internal to the industry), minimizing the transportation and trading costs of supplying a number of markets of various sizes, and localized technological externalities (Duranton y Puga, 2004; Rosenthal y Strange, 2001).

To take advantage of economies of scale and minimize transportation costs - both for accessing inputs as well as for delivering final sales - firms have incentives to concentrate production in a few locations close to other firms and/or consumption centers. If these economies of scale occur mainly within firms and industries, the concentration of economic activity leads to the productive specialization of regions in a few sectors.

Nevertheless, if there are also economies of agglomeration and inter-sectoral externalities, the territorial concentration could be accompanied by a certain diversification of production patterns. In any case, the spatial concentration of production is associated with increases in the productivity and income in the territories where this production is located. We can see how this logic leads to the opposite conclusion of the neoclassic approach. As a consequence of agglomeration economies, the regions that receive more investment are those with a certain number of established firms, and minimum levels of production and income. In addition to debilitating the convergence argument, this approach suggests that the development of regions and the localization and concentration of production may be subject to a coordination problem between the firms (or of multiple equilibriums) where any location is as good as the other; the *only* requirement is that a certain number of firms and investments jointly decide to locate in the same territory.

Finally, a third determinant of local economic development are institutions, since they not only affect the productivity of factors employed in the production of goods and services in a locality, but also the incentives that determine their accumulation and location (Rodrik *et al.*, 2004; cf. Glaeser *et al.*, 2004; Acemoglu, *et al.*, 2004). *Institutions* cover a wide range of elements that go from the way in which formal rules of public institutions affect economic activity (regulations, taxes, provision of public goods and infrastructure, among others), to other mechanisms, often more informal, through which governmental agencies and elements of the private sector interact to mold the rules and the resources of the economy (North, 2005).

In the local and regional context, a key aspect of the formal institutional structure is the degree of decentralization and the size of the territorial units where public policy is decided. This affects the cost structure of providing local public goods (education and infrastructure, among others) where there could be a dilemma between, on the one hand, the gains from a greater proximity between management and beneficiaries (better targeting to local needs and more control) and, on the other hand, the costs tied to the loss of the economies of scale and/or lack of skills.

Beyond rules and formal policies that determine the degree of decentralization, however, there is evidence that points to the existence of a more informal institutional framework that determines the degree of society's participation in public decisions, the capacity for public-private cooperation, the degree of trust, and the local leadership that are crucial to capture first mover advantages. Successful cities are characterized by having institutions that allow problems such as rent seeking or unfair competition to be overcome. Rodrik (2007) shows that institutional arguments may help to explain why some regions capture certain activities, and also why those regions achieve better transitions in their development processes. In fact, there are examples in which a potentially lucrative activity was not developed for lack of an appropriate institutional environment, resulting in weakened attitudes towards risk, entrepreneurship, networks of relevant actors, and other *non-traded* or *contextual* dimensions of collective action in a region (Mokyr, 1990; North, 2005).

MAIN MESSAGES OF THE REPORT

As mentioned in the introduction, the main message of this report is that regional and local governments can play a very active role in the design and implementation of economic development policies in a context of strong interaction and cooperation with private productive sectors and other representatives of the community.

This policy conclusion arises from a diagnosis where the forces of agglomeration and productive specialization, together with the accumulation of human capital and institutional factors, explain the differences in the levels of economic activity and welfare between regions and localities. The factors related to human capital and institutions are particularly important when the production of goods and services (both private and public) uses production technologies that are relatively complex and require the use of local public inputs (for example, transportation infrastructure; medium term planning; capacity to coordinate initiatives with the private sector; among others).

The message that emerges from this analysis is that the interaction of these forces is a complex process with mutual interdependence. A certain productive structure affects the incentives for workers to migrate and the accumulation of skills and human resources in the regions, and, at the same time, molds local institutions. Nevertheless, through different interventions, sub-national governments can improve the skills and productivity of the labor force in their territories. This, in turn, will affect the capacity to create new institutions that will improve the public decision making process and cooperation with the private sector. At the same time, there is room for the local public sector to promote institutional improvements that will boost the human capital accumulation and productive improvements by promoting an environment of trust and public-private cooperation.

This conceptual framework about the determinants of local development suggests that a successful strategy must be comprehensive, that is, act on all the determinants and, at the same time, focus on the territory. This is why local governments have an essential role in the design and management of the strategy. This role is not necessarily limited by the formal powers in matters of expenditure, taxes, and regulations that the decentralization regime established although it can obviously condition some of its results. In this sense, managing local development involves the preparation of a quantitative and qualitative diagnosis regarding the current and future potentials of a locality or region. This diagnosis should analyze the opportunities and threats that emerge from the national and international context. A second step is to make public and private local actors aware of the diagnosis and the opportunities and threats that emerge from it. In third place, the diagnosis should serve as a basis to reach a consensus over the objectives, actions, and policy initiatives which must be reflected in strategic, medium, and long-term plans. Finally, the initiatives must be implemented and developed, and their results evaluated. As we can see, this process of local development management demands strong leadership and the capacity for interaction

between different members of the community. In other words, local development cannot be achieved through the maximization of discretionary authority for policy management (something very difficult for sub-national governments to achieve), but rather by the capacity to reach a consensus on these policies and initiatives and by managing their implementation by the relevant actors.

Last but not least, what makes a location or region more or less competitive is the presence of a *soft institutional framework* made up of citizens' assemblies, neighborhood associations, chambers of commerce, study centers, cultural centers, among others, which facilitate the interrelation between different interests and enables the expression of the demands and the release of information, in addition to generating instances of cooperation and trust. On a local level, the possibility of generating this institutional fabric is favored by the physical closeness between the different actors. The existence of this institutional framework allows the public decision making process to be more effective and to successfully respond both to the treats and opportunities that will arise from technological changes and the trends in the national and international economies.

In conclusion, we can say that local governments potentially have an important role in the articulation of policies and initiatives that improve the productivity and the quality of life in sub-national areas. The reduction in the income gap and other variables that affect quality of life require the production of goods and services, both public and private, whose technology requires the use of local inputs such as human capital and institutions that cannot be easily supplied by the central government. The closeness with the actors of the productive process and with the families that directly benefit from the services, enables sub-national governments to obtain the information and the capacity necessary to generate agreements and reach consensus that can facilitate and make more efficient the decision making process, while at the same time enhancing the response of the private sector.

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8

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

Summary of
financial statements

Loan portfolio

Liquid investments

Funding

Capital

Asset-liability
management

In 2009, rating agencies reaffirmed CAF's credit quality and its relevance as one of the main Latin American multilateral institutions. In this regard, Fitch Ratings, Japan Credit Ratings, Moody's Investors Service, and Standard & Poor's reaffirmed CAF's short and long-term ratings, as shown in Table 1. In addition, it is worth mentioning that Standard & Poor's revised CAF's outlook for its long-term credit rating from negative to stable.

The decisions of these agencies reaffirm CAF as the Latin American frequent issuer with the highest credit ratings. This responds to the strength and stability of its operational results, the conservative management of its credit policies, the independence with which it undertakes its operations, and the continuous support of its shareholders.

Table 1. **CREDIT RATINGS**

	Long-term	Short-term
Fitch Ratings	A+	F1
Japan Credit Rating Agency	AA-	-
Moody's Investors Service	A1	P-1
Standard & Poor's	A+	A-1

In 2009, CAF was reaffirmed, once again, as the most important source of multilateral financing for its founding shareholders, and has become an important provider of financing to its shareholder countries in Latin America and the Caribbean, as shown by record levels of approvals (USD 9,171 million) and disbursements (USD 4,584 million), mainly aimed toward medium and long-term project financing.

One of the outstanding facts of 2009 was CAF's Board of Directors unanimous approval, in record time, of a USD 2.5 billion paid-in capital increase. The increase responds to the need to strengthen the Institution's shareholders' equity to meet the substantial growing demand for loans arising from the world economic crisis, and the stimulate CAF's capacity to support the region's development in the long-term. This new increase is in addition to the USD 1.5 billion already in the capitalization process from the shares subscribed by new shareholder countries. Both amounts will result in a total of USD 4 billion in capital contributions that will be received by the Institution in the years to come. Moreover, various shareholder countries subscribed approximately USD 300 million in guaranteed capital during 2009.

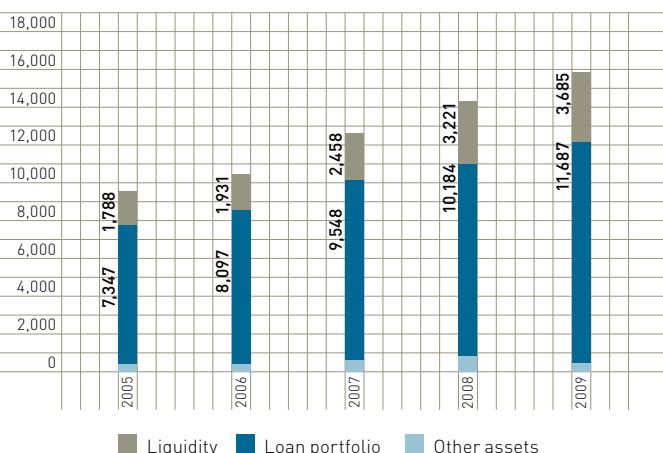
Net income reached USD 235 million in 2009, which represents a USD 77 million decrease when compared to 2008, mainly as a result of the general decline in the LIBOR rate that dropped to a record low in 2009. In addition, there was no extraordinary income during the year, mainly due to the reversal of certain provisions that had been registered in recent years. However, it is important to mention that the main profitability ratio, Return on Average Equity (ROE), was 4.7%, well above CAF's traditional benchmarks such as the US 6-month LIBOR and returns for the 10-year US Treasury Bonds (1.2% and 3.2%, on average, respectively).

Bond issues in the international markets amounted to USD 1.3 billion in 2009, including a USD 1 billion bond placement in the US market, the largest in CAF's history. Likewise, the Institution maintained an important presence in the short-term markets through the use of its commercial paper programs in the United States and European markets, in addition to its short-term notes program in Spain.

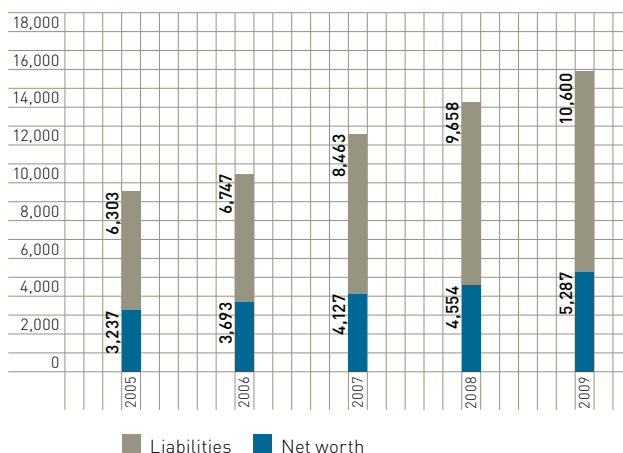
Graph 1. **Balance sheet**

As of december 31, each year (in millions of USD)

Assets



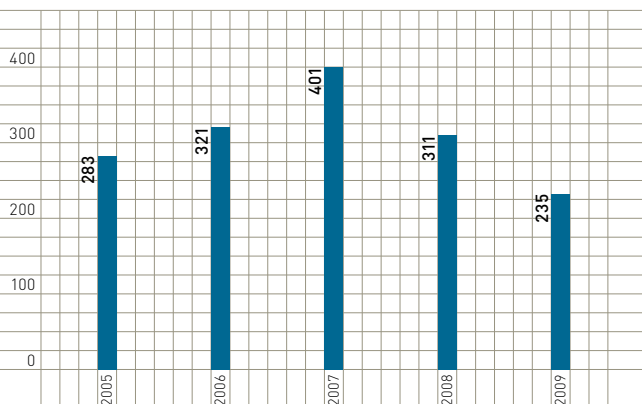
Liabilities and net worth



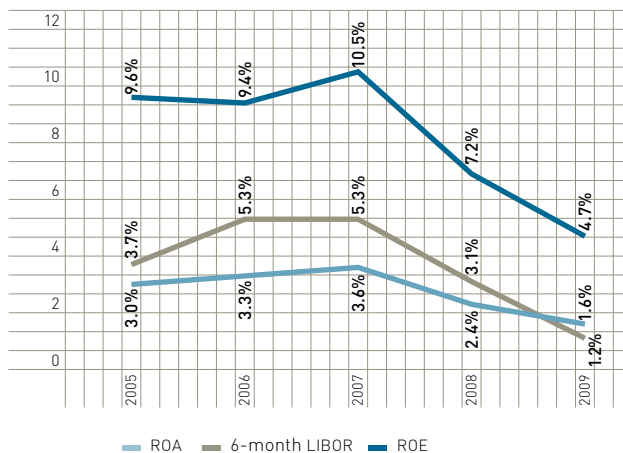
Graph 2. **Net income and profitability**

for the years ended december 31

Net income(in millions of USD)



Profitability ratios



SUMMARY OF FINANCIAL STATEMENTS

During 2009, earning assets –liquidity and loan portfolio– grew at a rate slightly over 15%. At December 31 2009, total assets were USD 15.9 billion, 12% higher than at the end of 2008 (Graph 1). This was mostly due to an increase in the loan and liquid assets portfolios.

Outstanding loans reached USD 11.7 billion, a 15% increase over 2008. The other major component of assets, liquidity, totaled USD 3.68 billion, which was 23% of total assets and 35% of total borrowings.

Shareholders' equity was USD 5.28 billion at the end of 2009 and retained earnings reached USD 235 million. Shareholders' equity represented 33% of total assets and 41.7% of risk-weighted assets, according to Basel II Accord standards, as of December 31 2009. Net income for 2009 reached USD 235 million and was primarily a result of the increase in the loan portfolio. Nonetheless, this outcome was less than the observed in 2009 due to a reduction in financial income derived from the decrease in international interest rates.

Return on Equity (ROE) for the year decreased to 4.7% for 2009 (from 7.2% in 2008), but still compared very favourably with the established benchmark of six-month LIBOR (Graph 2), while the Return on Assets for this period was 1.6%.

LOAN PORTFOLIO

The loan portfolio was USD 11.68 billion at the end of 2009, 15% higher than the level reached in 2008 (USD 10.2 billion).

The distribution of the loan portfolio continued to be skewed toward the financing of public sector projects, which represented 79% of the total at the end of the year. From the perspective of portfolio distribution by country, Ecuador had the largest exposure with 17.4% of the total loan portfolio, followed by Peru with 15.9%, Venezuela with 15.0%, Colombia with 14.4%, and Bolivia with 9.9%. Series C shareholder countries shared 27.4% of the total loan portfolio. It is important to underscore the increasing lending activity observed between CAF and the countries that are in the process of becoming Series A shareholders of the Institution, such as Argentina, Brazil, Panama, Paraguay and Uruguay. This group of shareholders –each of which has already formalized its intentions of becoming Series A shareholders through the first capital contribution under the new agreements– received 27% of CAF's total financing approved in 2009. This will develop into an important diversification of the Institution's loan portfolio in the short and medium term.

CAF's policies limit exposure to any individual country to a maximum of 30% of the total loan portfolio. Consistent with its objectives, CAF's main activity is the financing of infrastructure and social development projects, which together represented 71% of the loan portfolio at the end of 2009.

From the asset quality point of view, the loan portfolio maintained its excellent credit quality (Table 2), despite the deterioration observed in the international financial environment. At year-end 2009, there were no Non-performing loans and loan-loss provisions totaled USD 144 million or 1.23% of the loan portfolio. Also, there were no loan write-offs.

Table 2. **ASSET QUALITY** (in USD million)

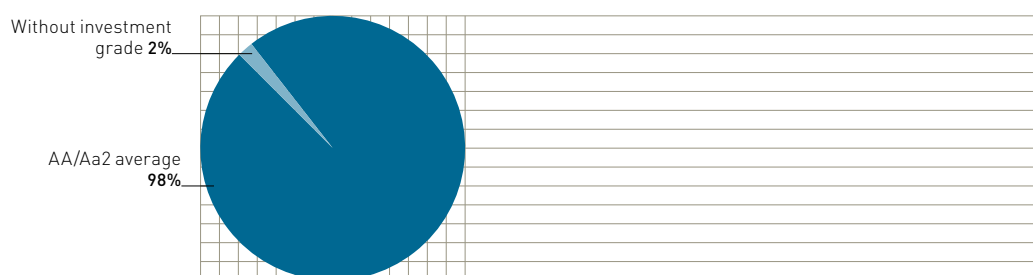
	2005	2006	2007	2008	2009
Overdues	0.0	0.0	0.0	0.1	0.0
Loans in non-accrual status	1.3	0.0	0.0	0.0	0.0
Allowance for loan losses	181.8	188.6	168.3	143.2	143.2
Overdue as a percentage of loan portfolio	0.0%	0.0%	0.0%	0.0%	0.0%
Non-accrual loans as a percentage of loan portfolio	0.28%	0.00%	0.00%	0.00%	0.00%
Allowance as a percentage of loan portfolio	2.56%	2.33%	1.76%	1.41%	1.23%

LIQUID INVESTMENTS

Despite the international financial crisis, which was present during 2008 and 2009, that had a negative impact on the valuation of most financial instruments, CAF liquidity portfolio showed once again satisfactory results, due to the conservative policies set by the Institution.

At December 31 2009, liquid investments totaled USD 3.7 billion, which represented 23% of assets and 35% of borrowings. The investment portfolio was characterized by its short duration (an average of 0.25 years) and its excellent credit quality (Graph 3): 97.7% of liquid assets were rated AA/Aa2 average, and 2.3% was rated non-investment grade. CAF's policies require that at least 80% of liquid investments be held in investment-grade instruments with a credit rating of at least A-/A3.

Graph 3. **Liquid assets** As of December 31, 2009



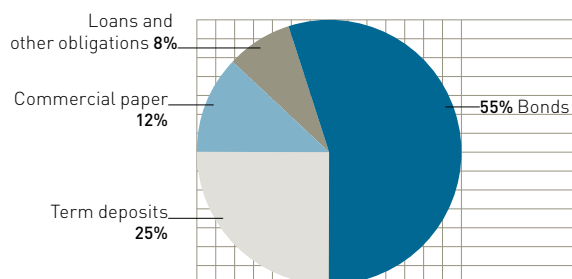
FUNDING

During 2008 bond issuance reached USD 1.3 billion distributed in several dealings. Among these transactions, it is worth noting an unprecedented USD 1 billion issue in the US market, the largest in CAF's history. The placement reflects that CAF is consolidated as a trustworthy issuer, even under the difficult economic environment of the financial crisis. In addition, CAF placed a bond issue in the Japanese market for JPY 10 billion (USD 111 million), through a private placement. The Institution placed a successful bond issue in the Colombian market for COP 240 billion (USD 95 million), as well as a bond issue in the Peruvian market for PEN 145 million (USD 50 million), the largest bond placement in the Peruvian market in the last 14 months.

It is worth mentioning CAF's continuous presence in short-term markets, despite the adverse international financial context. The Institution maintains an important presence in these markets through the continuous use of Commercial Paper Programs in the US and European markets for USD 1 billion each, through which it raised about USD 4.3 billion during the year, thus maintaining margins at adequate levels. In addition, time deposits maintained their importance as a stable and competitive source of resources, reaching over USD 2.6 billion at year-end.

At December 31 2009, 74% of CAF's funding came from the international capital markets. Bonds represented the main source of funds with 55% of total funding (Graph 4). Moreover, CAF observed an important increase in the deposits received from institutional investors in the region, representing 25% of total debt. Finally, 12% was from commercial paper and other short-term loans and 8% was related to medium and long-term loans and lines of credit. CAF has long-standing relations with the most important international banks, with official institutions from around the world, and with other multilateral financial institutions.

Graph 4. **Liabilities** As of December 31, 2009



For details on the issues placed by CAF during the year, please refer to Table 3.

Table 3. **2009 DEBT ISSUES IN THE INTERNATIONAL MARKETS**

Date	Market	Amount in original currency of issuance (in millions)	Equivalent in USD million
Bond Issuance			
January	Euro-Yen	JPY 10,000	250
April	Colombian	COP 111,980	44
April	Colombian	COP 127,500	51
June	Yankee	USD 1,000	1,000
October	Peruvian	PEN 144,250	50
Total 2009			1,257
Total 1993-2009			10,519
Short-Term Issuance Programs			
	Commercial paper (USA)	USD 1,000	1,000
	Commercial paper (Europe)	USD 1,000	1,000
	Short-term note (Spain)		EUR 500

CAPITAL

In August 2009, CAF's Board of Directors approved a new capital increase of USD 2.5 billion, as part of the catalytic and counter-cyclical role played by the Institution in the region, the high demand for loans from its member countries, and the commitment to continue supporting long-term development in the region. The capital increase will be paid between the years 2010 and 2017, and it is projected that by the end of the aforementioned period CAF's total capital will double its actual value, enabling an important increase of the loan portfolio, while maintaining the Institution's financial strength.

During 2009, CAF received new capital contributions from its shareholders for USD 568.3 million. These contributions derive mostly from the capital increases subscribed since 1997 by the five Series C shareholder countries that are in the process of becoming full members of the Institution (Argentina, Brazil, Panama, Paraguay, and Uruguay). The capital subscriptions amount to USD 1.5 billion, and are payable in annual installments through 2014. At year-end 2009, shareholders' equity totaled USD 5.3 billion, a 16% increase compared to year-end 2008. This increase derived from new capital contributions as well as retained earnings.

Table 4. **CAPITALIZATION RATIOS**

	2005	2006	2007	2008	2009
Gearing (times) ¹	2.4	2.4	2.4	2.3	2.3
Leverage (times) ²	1.8	1.8	2.0	2.0	2.0
Capital/Risk-Weighted Assets (BIS) ³	40.6%	40.9%	36.3%*	38.4%*	41.7%*

¹ According to internal financial management policies, this exposure measure should be less or equal than 4.0

² According to internal financial management policies, this indebtedness measure should be less or equal than 3.5

³ According to internal financial management policies, this level of capitalization should be greater or equal than 30%

* From 2007 capitalization ratio was calculated based on the new methodology according to Basle II.

As a result of the increase in shareholders' equity, capitalization ratios continue to be well within CAF's policies on this matter (Table 4).

ASSET-LIABILITY MANAGEMENT

In order to reduce foreign exchange and interest rate risks, CAF's lending and borrowing activities are primarily conducted in floating-rate USD. At December 31 2009, more than 99.8% of assets and 99.3% of liabilities were denominated in USD after swaps, and 99.1% of assets and 98.6% of liabilities were based on six-month USD Libor. Transactions that are not denominated in USD and based on six-month USD Libor are swapped into these terms. The swap book totaled USD 5.36 billion at the end of 2009. CAF's policies require that swap counterparties be rated at least A+/A1. CAF does not engage in trading of derivatives and these are used for hedging purposes only.

CAF also seeks to maintain a conservative relationship between the average life of assets and the average life of liabilities. At December 31 2009, the average life of its assets was 4.6 years and that of its liabilities was 3.7 years.

9

FINANCIAL STATEMENTS

**Management's Report on
the Effectiveness of Internal Control
Over Financial Reporting**

**Independent Accountants' Report
on Management's Assertion
on Effectiveness of Internal Control
Over Financial Reporting**

Report of Independent Auditors

MANAGEMENT'S REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING

The Management of Corporación Andina de Fomento (CAF) (the "Corporation") is responsible for establishing and maintaining effective internal control over financial reporting in the Corporation. Management has evaluated the Corporation's internal control over financial reporting as of December 31, 2009, based on the criteria for effective internal control determined in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

CAF's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Management has assessed the effectiveness of CAF's internal control over financial reporting as of December 31, 2009. Based on this assessment, CAF's Management concluded that CAF's internal control over financial reporting was effective as of December 31, 2009.

There are inherent limitations in the effectiveness of any internal control system, including the possibility of human error and the deception or overriding of controls. Accordingly, even an effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

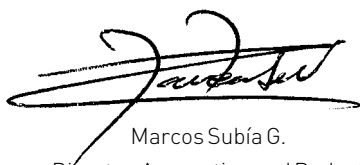
CAF's financial statements as of December 31, 2009, have been audited by an independent registered public accounting firm, which has also issued an attestation report on management's assertion on the effectiveness of CAF's internal control over financial reporting. The attestation report, which is included in this document, expresses an unqualified opinion on management's assertion on the effectiveness of CAF's internal control over financial reporting as of December 31, 2009.



L. Enrique García
Executive President



Hugo Sarmiento K.
Corporate Vice President, Chief Financial Officer



Marcos Subía G.
Director, Accounting and Budget

January 29, 2010

**INDEPENDENT ACCOUNTANTS' REPORT ON MANAGEMENT'S ASSERTION
ON EFFECTIVENESS OF INTERNAL CONTROL OVER FINANCIAL REPORTING**

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF):

We have examined management's assertion, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*, that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of December 31, 2009, based on criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*. CAF's management is responsible for maintaining effective internal control over financial reporting, and for its assertion on the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on the Effectiveness of Internal Control Over Financial Reporting*. Our responsibility is to express an opinion on management's assertion based on our examination.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our examination included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our examination also included performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States of America generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that Corporación Andina de Fomento (CAF) maintained effective internal control over financial reporting as of December 31, 2009 is fairly stated, in all material respects, based on the criteria established in *Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)*.

We also have audited, in accordance with auditing standards generally accepted in the United States of America, the balance sheet of Corporación Andina de Fomento (CAF) as of December 31, 2009, and the related statements of income, stockholders' equity and cash flows for the year then ended, and our report dated January 29, 2010 expressed an unqualified opinion of those financial statements.



January 29, 2010
Caracas – Venezuela

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholders of
Corporación Andina de Fomento (CAF):

We have audited the accompanying balance sheet of Corporación Andina de Fomento (CAF) as of December 31, 2009 and the related statements of income, stockholders' equity and cash flows for the year ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the year ended December 31, 2008 were audited by other auditors whose report, dated February 13, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Corporación Andina de Fomento (CAF) as of December 31, 2009, and the result of its operations and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

We also have examined, in accordance with attestation standards established by the American Institute of Certified Public Accountants, the management's assertion that CAF maintained effective internal control over financial reporting, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated January 29, 2010 expressed an unqualified opinion thereon.



January 29, 2010
Caracas - Venezuela

CORPORACIÓN ANDINA DE FOMENTO (CAF)**BALANCE SHEETS**

December 31, 2009 and 2008

(In thousands of U.S. dollars)

	Notes	2009	2008
ASSETS			
Cash and due from banks		29,906	152,801
Deposits with banks	2	1,237,863	1,333,635
Marketable securities:			
Trading	3 and 18	2,214,254	1,577,752
Other investments	2	203,361	156,380
Loans (including US\$61,458 and US\$21,829 as of december 31, 2009 and 2008, respectively, at fair value)	4 and 18	11,686,689	10,184,068
Less loan commissions, net of origination costs		56,125	51,359
Less allowance for losses	4	143,911	143,167
Loans, net		<u>11,486,653</u>	<u>9,989,542</u>
Equity investments	5	85,482	75,066
Accrued interest and commissions receivable		135,705	195,237
Derivative instruments	17 and 18	436,745	676,186
Property and equipment, net	6	28,074	24,049
Other assets	7	29,026	31,373
Total assets		<u>15,887,069</u>	<u>14,212,021</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits	8	2,650,706	2,773,119
Commercial papers	9	1,265,417	663,934
Advances and short-term borrowings		-	138,495
Bonds (including US\$5,588,862 and US\$4,930,784 as of december 31, 2009 and 2008, respectively, at fair value)	10 and 18	5,699,219	5,146,814
Borrowings and other obligations (including US\$137,555 as of december 31, 2009, at fair value)	11 and 18	788,467	684,023
Accrued interest payable		98,093	138,004
Derivative instruments	17 and 18	45,136	59,022
Accrued expenses and other liabilities	12	53,227	54,697
Total liabilities		<u>10,600,265</u>	<u>9,658,108</u>
STOCKHOLDERS' EQUITY			
Subscribed and paid-in capital (authorized capital US\$10,000 million)	14	2,485,645	2,176,430
Additional paid-in capital		539,222	280,255
Reserves		2,027,228	1,785,754
Retained earnings		234,709	311,474
Total stockholders' equity		<u>5,286,804</u>	<u>4,553,913</u>
Total liabilities and stockholders' equity		<u>15,887,069</u>	<u>14,212,021</u>

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)**STATEMENTS OF INCOME**

Years ended December 31, 2009 and 2008

(In thousands of U.S. dollars)

	Notes	2009	2008
Interest income			
Loans	1(f)	398,737	549,139
Investments and deposits with banks	1(e) and 3	67,318	67,983
Loan commissions	1(f)	17,798	35,258
Total interest income		483,853	652,380
Interest expense			
Deposits		14,413	55,721
Commercial papers		7,187	29,028
Advances and short-term borrowings		1,011	10,779
Bonds		139,614	193,054
Borrowings and other obligations		16,094	34,172
Commissions		10,406	5,173
Total interest expense		188,725	327,927
Net interest income		295,128	324,453
Credit to allowance for loan losses	4	(1,656)	(22,970)
Net interest income, after credit to allowance for loan losses		296,784	347,423
Non-interest income			
Other commissions		3,319	1,741
Dividends and equity in earnings of investees		9,596	6,487
Other income		1,082	1,303
Total non-interest income		13,997	9,531
Non-interest expenses			
Administrative expenses		62,562	56,482
Impairment charge for equity investments	5	-	1,157
Other expenses		147	1,324
Total non-interest expenses		62,709	58,963
Net income before changes arising from fair value hedges		248,072	297,991
Changes arising from fair value hedges		(13,363)	13,483
Net income		234,709	311,474

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

STATEMENTS OF STOCKHOLDERS' EQUITY

Years ended December 31, 2009 and 2008

(In thousands of U.S. dollars)

	Notes	Subscribed and paid- in capital	Additional paid- in capital	Reserve pursuant to			Retained earnings	Total stockholders' equity
				General reserve	Article N° 42 of by-laws	Total reserves		
Balances at December 31, 2007		2,014,750	234,355	1,189,931	287,474	1,477,405	400,799	4,127,309
Capital increase	14	81,160	126,420	-	-	-	-	207,580
Stock dividends	14	80,520	(80,520)	-	-	-	-	-
Net income	14	-	-	-	-	-	311,474	311,474
Appropriated for general reserve	14	-	-	268,249	-	268,249	(268,249)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	40,100	40,100	(40,100)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(92,450)	(92,450)
Balances at December 31, 2008		2,176,430	280,255	1,458,180	327,574	1,785,754	311,474	4,553,913
Capital increase	14	209,135	359,047	-	-	-	-	568,182
Stock dividends	14	100,080	(100,080)	-	-	-	-	-
Net income	14	-	-	-	-	-	234,709	234,709
Appropriated for general reserve	14	-	-	210,335	-	210,335	(210,335)	-
Appropriated for reserve pursuant to Article N° 42 of by-laws	14	-	-	-	31,139	31,139	(31,139)	-
Distributions to stockholders' funds	15	-	-	-	-	-	(70,000)	(70,000)
Balances at December 31, 2009		<u>2,485,645</u>	<u>539,222</u>	<u>1,668,515</u>	<u>358,713</u>	<u>2,027,228</u>	<u>234,709</u>	<u>5,286,804</u>

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)**STATEMENTS OF CASH FLOWS**

Years ended December 31, 2009 and 2008

(In thousands of U.S. dollars)

	Notes	2009	2008
Cash flows from operating activities			
Net income		234,709	311,474
Adjustments to reconcile net income to net cash used in operating activities -			
Unrealized loss on trading securities	3	2,924	10,955
Amortization of loan commissions, net of origination costs		(8,148)	(11,952)
Credit to allowance for loan losses	4	(1,656)	(22,970)
Impairment charge for equity investments	5	-	1,157
Equity in earnings of investees		(9,129)	(4,208)
Amortization of deferred charges		1,864	1,668
Depreciation of property and equipment	6	1,659	3,094
Provision for employees' severance indemnities and benefits		7,162	6,151
Provision for employees' savings plan		1,366	1,416
Net changes in operating assets and liabilities -			
Severance indemnities paid or advanced		(5,352)	(3,603)
Employees' savings plan paid or advanced		(717)	(48)
Trading securities, net	3	(518,558)	(707,166)
Interest and commissions receivable		59,532	36,273
Other assets		15,030	(15,290)
Accrued interest payable		(39,911)	(15,934)
Accrued expenses and other liabilities		(3,929)	(1,068)
Total adjustments and net changes in operating assets and liabilities		(497,863)	(721,525)
Net cash used in operating activities		(263,154)	(410,051)
Cash flows from investing activities			
Purchases of held-to-maturity securities	3	-	(3,583,769)
Maturities of held-to-maturity securities	3	-	4,683,570
Securities purchased under resale agreements		-	36,400
Purchases of other investments	2	(903,182)	(448,120)
Maturities of other investments	2	856,201	401,608
Loan origination and principal collections, net	4	(1,480,678)	(620,459)
Sales of equity investments	5	(1,287)	2,302
Purchases of property and equipment	6	(5,684)	(3,327)
Net cash (used in) provided by investing activities		(1,534,630)	468,205
Carried forward,		(1,797,784)	58,154

CORPORACIÓN ANDINA DE FOMENTO (CAF)**STATEMENTS OF CASH FLOWS**

Years ended December 31, 2009 and 2008

(In thousands of U.S. dollars)

	Notes	2009	2008
Brought forward,		1,797,784	58,154
Cash flows from financing activities			
Net increase in deposits		(122,413)	1,252,072
Net (decreases) increase in commercial paper		607,023	(225,405)
Proceeds from advances and short-term borrowings		91,295	487,304
Repayment of advances and short-term borrowings		(240,168)	(735,018)
Proceeds from issuance of bonds	10	1,256,876	626,298
Repayment of bonds	10	(618,567)	(296,575)
Proceeds from borrowings and other obligations	11	254,637	53,664
Repayment of borrowings and other obligations	11	(147,748)	(177,948)
Distributions to stockholders' funds	15	(70,000)	(92,450)
Proceeds from issuance of shares	14	568,182	207,580
Net cash provided by financing activities		1,579,117	1,099,522
Net (decrease) increase in cash and cash equivalents		(218,667)	1,157,676
Cash and cash equivalents at beginning of year		1,486,436	328,760
Cash and cash equivalents at end of year		1,267,769	1,486,436
Consisting of			
Cash and due from banks		29,906	152,801
Deposits with banks		1,237,863	1,333,635
		1,267,769	1,486,436
Supplemental disclosure			
Interest paid during the year		216,958	343,443
Noncash financing activities			
Change in derivative instruments assets		(239,441)	239,601
Change in derivative instruments liabilities		(13,886)	50,891

See accompanying notes to the financial statements.

CORPORACIÓN ANDINA DE FOMENTO (CAF)

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2009 and 2008

(In thousands of U.S. dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

a. Description of Business – Corporación Andina de Fomento (“CAF” or the “Corporation”) commenced operations on June 8, 1970 established under public international law which abides by the provisions of its by-laws. Series “A” and “B” Shareholder countries are: Bolivia, Colombia, Ecuador, Peru and Venezuela. Series “C” Shareholder countries are: Argentina, Brazil, Chile, Costa Rica, Dominican Republic, Jamaica, Mexico, Panama, Paraguay, Spain, Trinidad and Tobago and Uruguay. In addition, there are 14 banks which are Series “B” shareholders. The Corporation has its headquarters in Caracas, Venezuela.

The Corporation’s objective is to support sustainable development and economic integration within Latin America and the Caribbean by helping the shareholder countries make their economies diversified, competitive and more responsive to social needs.

The Corporation offers financial and related services to the governments of, and public and private institutions, corporations and joint ventures in, its shareholder countries. Primarily, the Corporation’s principal activity is to provide short, medium and long-term loans to finance projects, working capital, trade activities and to undertake feasibility studies for investment opportunities in its Shareholder countries. Furthermore, CAF manages and supervises third-party cooperation funds of other countries and organizations, generally non-reimbursable, destined to finance programs agreed with donor organizations which are in line with Corporation policies and strategies.

The Corporation raises funds for operations both within and outside its shareholder countries.

b. Financial Statement Presentation – The financial statements have been prepared in accordance with U.S. generally accepted accounting principles and the functional currency is the U.S. dollar.

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain amounts in the 2008 financial statements have been reclassified to conform to the current year’s presentation.

c. Foreign Currency Transactions – Transactions in currencies other than U.S. dollars are translated at exchange rates prevailing on the international market at the dates of the transactions. Foreign currency balances are translated at year-end exchange rates. Any gains or losses on foreign exchange including related hedge effects are included in the statement of income.

d. Cash and Cash Equivalents – Cash and cash equivalents are defined as cash, due from banks and short-term deposits with an original maturity of three months or less.

e. Marketable Securities – The Corporation classifies its investments in debt securities in one of two categories: trading or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term. Held-to-maturity securities are those securities which the Corporation has the ability and intent to hold until maturity.

Trading securities are recorded at fair value. Gains and losses on trading securities are included in interest income of investments and deposits with banks the statements of income.

Held-to-maturity securities are recorded at amortized cost, adjusted for the amortization or accretion of premiums or discounts. A decline in the market value of any held-to-maturity security below cost that is deemed to be other than temporary results in a reduction in carrying amount. The impairment is char-

ged to income and a new cost basis for the security is established. Premiums and discounts are amortized or accreted over the life of the related held-to-maturity security as an adjustment to yield using the effective interest method.

Dividend and interest income are recognized when received and earned, respectively.

f. Loans – The Corporation grants short, medium and long-term loans to finance projects, working capital, trade activities and undertake feasibility studies for investment opportunities in its member countries. Loans are reported at their outstanding unpaid principal balances adjusted for charge-offs, less the allowance for loan losses and loan commissions net of origination costs. Interest income is accrued on the unpaid principal balance. Loan commission fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method and are presented as loan commissions in the statement of income.

The accrual for interest on loans is discontinued at the time a private sector loan is 90 days (180 days for public sector loans) delinquent unless the credit is well-secured and in process of collection.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The nonaccrual loans are considered impaired. Factors considered by management in determining impairment include payments status, collateral value, and the probability of collecting scheduled principal and interest payments when due.

CAF has established a series of exposure policies, including country and economic group limits, in order to avoid concentration in its loan portfolio.

g. Equity Investments – CAF participates with equity investments in companies and investment funds in strategic sectors, with a view to promoting the development of such companies and their participation in the securities markets and to serve as a catalytic agent in attracting resources into the Shareholder countries.

Equity investments are accounted for using the equity method or at cost. If the Corporation has the ability to exercise significant influence over the operating and financial policies of the investee, which is generally presumed to exist at a 20% of equity ownership level, the equity investments are accounted for using the equity method. Under the equity method, the carrying value of the equity investment is adjusted for the Corporation's proportionate share of earnings or losses, dividends received and certain other transactions of the investee company.

A decline in the market value of any equity investment accounted under the equity method or at cost, that is deemed to be other than temporary, results in a reduction in carrying amount to fair value. The impairment is charged to income and a new cost basis for the investment is established.

h. Allowance for Loan Losses – The allowance for loan losses is maintained at a level the Corporation believes is adequate but not excessive to absorb probable losses inherent in the loan portfolio as of the date of the financial statements. The general allowance for loan losses is established by the Corporation based on the individual risk rating for the long-term foreign currency debt of the borrower countries which is assigned by the international risk rating agencies as of the date of the financial statements preparation. This country risk rating considers a default probability. Given the Corporation's status as a preferred creditor and taking into account the immunities and privileges conferred into it by its member countries, which are established in the Corporation's by-laws and other similar agreements, a factor reflecting a lower default probability - usually equivalent to a better risk rating - is used.

A specific allowance is established by the Corporation for those loans that are considered impaired. A loan is considered as impaired when, based on currently available information and events, there exists the probability that CAF will not recover the total amount of principal and interest as agreed in the terms of the original loan contract. The impairment of loans is determined on a loan by loan basis based on the present value of expected future cash flows, discounted at the loan's effective interest rate.

Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

i. Property and Equipment -net – Property and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance and repairs are charged directly to the statements of income for the year as incurred, and improvements and renewals are capitalized. Depreciation, is computed on the straight-line method, and charged to the statements of income over the estimated useful life of assets.

During 2009, based on the expansion plans of operations involving operating assets, CAF’s management conducted an analysis on the useful life assigned to such assets. In connection with this review, it decided a prospective updating of the useful life of certain assets, which caused an immaterial increase in profits for the period.

The assets in conformity with their estimated useful life are as follows:

	2009	2008
Buildings	30 years	15 years
Buildings improvements	15 years	5 years
Furniture and equipment	2 to 10 years	2 to 5 years
Vehicles	5 years	5 years

j. Intangible assets – Intangible assets are reported at cost less accumulated amortization. The amortization is computed in accordance with the straight-line method over the useful life estimated by CAF. The estimated useful life of these assets is between 2 and 5 years.

k. Bonds and borrowings – Medium and long-term debt issuances, whose objective is to provide the financial resources required to finance CAF’s operations, are recorded in bonds. The borrowings account includes those obligations with local or foreign financial institutions and commercial banks, which are commonly recorded at cost value.

Depending of hedged risk bonds are recorded at their fair value, as follows:

- For cross currency hedge transactions are recognized at their fair value as provided by SFAS 159 (codified in ASC 825).
- Bonds in US\$ denominated which hedged risk is solely the interest rate are recognized under short cut method basis, established in SFAS 133 (codified in ASC 815-20-25-102).

Gains or losses resulting from changes in fair value of these liabilities are recognized in income as occurred.

Transactions related to partial repurchases of bond issuances result in the derecognition of the related liabilities. The difference between the repurchase price and the debt’s settlement net cost is recognized as income/loss for the period.

l. Employees’ Severance Indemnities – Accrual for severance benefits comprises all the liabilities related to the workers’ vested rights according to the CAF’s employee’s policies and the of Labor Law of the Bolivarian Republic of Venezuela.

Under the current Labor Law, employees earn a severance indemnity equal to five- day salary per month, up to a total of 60 days per year of service. Labor indemnities are earned once an employee has completed three (3) months of continuous service. From the second year of service, the employees earn an additional two- day salary for each year of service (or fraction of a year greater than six months), cumulative up to a maximum of 30 days of salary. Severance benefits are recorded in the accounting records of CAF and interests in the amounts owed to employees are paid.

In the case of unjustified dismissal or involuntary termination, employees have the right to an additional indemnity of one-month salary per year of service up to a maximum of 150 days.

m. Pension Plan – The Corporation established in March 2005 a defined benefit pension plan which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The plan is contributory and the benefits are based on years of service and the average

employee's salary for the three consecutive years of service with the highest salary. These contributions are reviewed on a periodical basis by CAF based on actuarial assumptions.

n. Derivative Instruments and Hedging Activities – All derivatives are recognized on the balance sheet at their fair value. On the date the derivative contract is entered into, the Corporation designates the derivative as either a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value" hedge), a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or a foreign-currency fair-value or cash-flow hedge ("foreign currency" hedge). The Corporation formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as fair-value, cash-flow, or foreign-currency hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Corporation also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Corporation discontinues hedge accounting prospectively.

Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a fair-value hedge, along with the loss or gain on the hedged asset or liability or unrecognized firm commitment of the hedged item that is attributable to the hedged risk, are recorded in income. Changes in the fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in other comprehensive income, until income is affected by the variability in cash flows of the designated hedged item. Changes in the fair value of derivatives that are highly effective as hedges and that are designated and qualify as foreign-currency hedges are recorded in either income or other comprehensive income, depending on whether the hedge transaction is a fair-value hedge or a cash-flow hedge.

The Corporation discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; the derivative expires or is sold, terminated, or exercised; the derivative is de-designated as a hedging instrument, because it is unlikely that a forecasted transaction will occur; a hedged firm commitment no longer meets the definition of a firm commitment; or management determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued because it is determined that the derivative no longer qualifies as an effective fair-value hedge, the Corporation continues to carry the derivative on the balance sheet at its fair value, and no longer adjusts the hedged asset or liability for changes in fair value. The adjustment of the carrying amount of the hedged asset or liability is accounted for in the same manner as other components of the carrying amount of that asset or liability. When hedge accounting is discontinued because the hedged item no longer meets the definition of a firm commitment, the Corporation continues to carry the derivative on the balance sheet at its fair value, removes any asset or liability that was recorded pursuant to recognition of the firm commitment from the balance sheet and recognizes any gain or loss in income. When hedge accounting is discontinued because it is probable that a forecasted transaction will not occur, the Corporation continues to carry the derivative on the balance sheet at its fair value, and gains and losses that were accumulated in other comprehensive income are recognized immediately in income. In all situations in which hedge accounting is discontinued, the Corporation continues to carry the derivative at its fair value on the balance sheet, and recognizes any changes in its fair value in income.

o. Adoption of SFAS N° 157 (codified in ASC 820) -Fair Value Measurements – The Corporation adopted SFAS N° 157 (codified in ASC 820) "Fair Value Measurements", as of January 1^o, 2008, which defines fair value, expands disclosure requirements around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's market assumptions to determine the best price of these instruments. These two types of inputs create the following fair value hierarchy:

- Level 1 - Quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

This hierarchy requires the Corporation to use observable market data, when available, and to minimize the use of unobservable inputs when determining fair value.

When available, the Corporation typically uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, the Corporation uses acceptable alternatives to calculate the fair value for these instruments, in which case the items are classified in Level 2. If quoted market prices are not available, the fair value is based on internally developed valuation techniques. The fair value of items determined under this procedure are classified in Level 3.

p. Adoption of SFAS N° 159 (codified in ASC 825), “The Fair Value Option for Financial Assets and Financial Liabilities – In February, 2007 the FASB issued SFAS N° 159 (codified in ASC 825), and “The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement N° 115 (codified in ASC 320)”. ASC 825 permits entities to choose to measure certain financial instruments, warranty and insurance contracts at fair value on a contract-by-contract basis and contains financial statement presentation and disclosure requirements for assets and liabilities reported at fair value as a consequence of the election. ASC 825 is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007. The management of the Corporation decided to apply ASC 825 for cross currency hedge transactions beginning January 1°, 2009, which did not have a significant effect on the Corporation’s financial statements. The changes in fair value option are reported in the income statement.

q. Disclosures about derivative Instruments and Hedging Activities – On March 19, 2008, the FASB issued SFAS N° 161 (codified ASC 815), “Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement N° 133 (codified in ASC 815)”. SFAS N° 161 changes the disclosure requirements for derivative instruments and hedging activities. The provisions of SFAS N° 161 (codified in ASC 815) are effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged.

On September 12, 2008, the FASB issued Staff Position N° 133-1 (codified in ASC 815) and FIN 45-4 (codified in ASC 460), Disclosures about Credit Derivatives and Certain Guarantees: An Amendment and clarification of the Effective Date of FASB Statement N° 161 (codified in ASC 815). This FSP improved disclosures about credit derivatives by requiring more information about the potential adverse effects of changes in credit risk on the financial position, financial performance, and cash flows of the sellers of credit derivatives.

r. Guarantees - CAF provides guarantees for loans issued in support of projects located within a member country that are undertaken by private entities. CAF may offer guarantees of private credit agreements or it may offer public guarantees of obligations of the securities of third party issuers. CAF generally offers partial credit guarantees with the intention that private lenders or holders of securities share the risk along with it. CAF’s responsibility is usually limited to payment up to the amount of the guarantee upon default by the client.

s. Recent Accounting Pronouncements – On June 29, 2009, the FASB issued Statement 168 (codified in ASC 105), which approved the FASB Accounting Standards Codification (the “Codification”) as the single source of authoritative nongovernmental GAAP. The Codification is effective for interim or annual periods ending after September 15, 2009. All existing accounting standards have been superseded and all other accounting literature not included in the Codification will be considered nonauthoritative. The adoption of ASC 105 did not impact CAF’s financial condition or results of operations. All accounting references within this report are in accordance with the new Codification.

On May 22, 2009, the FASB issued Statement 164 (codified in ASC 958). The Statement’s objective is to improve the “relevance, representational faithfulness, and comparability” of a not-for-profit entity’s financial reporting “about a combination with one or more other not-for-profit entities, businesses, or nonprofit activities.” ASC 958 (Statement 164) is effective prospectively for mergers that occur at or after the beginning of an initial reporting period that begins on or after December 15, 2009, and for acquisitions that occur at or after the beginning of the first annual reporting period beginning on or after December 15, 2009. Early adoption is prohibited. This statement will not affect CAF’s financial results.

On May 28, 2009, the FASB issued Statement 165 (codified in ASC 855), which provides guidance on management's assessment of subsequent events. The new guidance represents the inclusion of guidance on subsequent events in the accounting literature and is directed specifically to management, since management is responsible for preparing an entity's financial statements. Management must perform its assessment for both interim and annual financial reporting periods. The new guidance is effective prospectively for interim and annual periods ending after June 15, 2009. This statement not affected CAF's financial results.

On June 12, 2009, the FASB issued Statement 166 (codified in ASC 860), which amends the derecognition guidance in ASC 860. Statement 166 reflects the Board's response to issues entities have encountered when applying ASC 860. In addition, Statement 166 addresses concerns expressed by the SEC, members of Congress, and financial statement users about the accounting and disclosures required by ASC 860 in the wake of the subprime mortgage crisis and the deterioration in the global credit markets. The Board believes the amendments will improve the accounting for transfers of financial assets. Statement 166 is effective for financial asset transfers occurring after the beginning of an entity's first fiscal year that begins after November 15, 2009 (thus, calendar-year-end companies must adopt it on January 1, 2010). Early adoption is prohibited. This statement will not affect CAF's financial results.

On December 4, 2009, the FASB issued a proposed ASU that would indefinitely defer the effective date of Statement 167 for a reporting enterprise's interest in entities that have all the attributes outlined in ASC 946-10-15-2 or for which it is industry practice to issue financial statements in accordance with ASC 946. The FASB also agreed to change how a decision maker or service provider determines whether its fee is a variable interest under paragraph B22 of Interpretation 46(R), as amended by Statement 167. Comments on the proposed ASU are due by January 6, 2010.

Additionally, the FASB approved amendments related to fair value measurements, disclosures, and other-than-temporary impairments in light of the recent issuance: FSP FAS 157-4 (ASC 820-10), FSP FAS 115-2 and 124-2 (ASC 320-10-35), and FSP FAS 107-1 and APB 28-1 (ASC 825-10-50) and FAS 132(R)-1.

2. DEPOSITS WITH BANKS

Deposits with banks mature in three months or less and include the following:

	December 31,	
	2009	2008
U.S. dollars	1,236,045	1,286,602
Other currencies	1,818	47,033
	1,237,863	1,333,635

As of December 31, 2009 and 2008, deposits due in 90 days or more are reported in the balance sheets as other investments.

3. MARKETABLE SECURITIES

Trading Securities

A summary of trading securities follows:

	Amount	Average maturity (years)	Average yield (%)
At December 31, 2009 -			
U.S. Treasury Notes	36,046	0.89	4.09
Bonds of non-U.S. governments and government entities	43,382	3.47	8.01
Financial institutions and corporate securities (includes commercial papers of US\$1,008,186 and certificate of deposits of US\$571,264)	2,134,826	0.73	0.62
	2,214,254	2.13	2.13
At December 31, 2008 -			
U.S. Treasury Notes	7,070	8.18	4.21
Bonds of non-U.S. governments and government entities	336,165	0.46	1.94
Financial institutions and corporate securities (includes commercial papers of US\$353,076 and certificate of deposits of US\$244,197)	1,234,517	0.89	6.11
	1,577,752	0.83	5.25

Trading securities include net unrealized losses of US\$2,924 and US\$10,955 at December 31, 2009 and 2008, respectively.

Realized gains net from trading securities of US\$26,542 and of US\$19,911 at December 31, 2009 and 2008, respectively, are included in the statement of Income in the line Investment and deposits with banks.

CAF places its short-term investments in several financial institutions and limits the amount of credit risk. As of December 31, 2009 and 2008, CAF does not have any significant concentrations of credit risk. Total marketable securities include US\$17,165 and US\$36,121, at December 31, 2009 and 2008, respectively, in other currencies.

4. LOANS

Loans include short, medium and long-term loans to finance projects, working capital and trade activities. The majority of the loan contracts have been subscribed with the Series "A" and "B" Shareholder countries, or with private institutions or companies of these countries.

Loans by country are summarized as follows:

	Bolivia	Colombia	Ecuador	Peru	Venezuela	Other	Total
At December 31, 2009 -							
Loans	1,157,668	1,688,710	2,051,732	1,864,529	1,765,088	3,152,384	11,680,111
Fair value adjustments on hedging activities							6,578
Carrying value of loans							11,686,689
At December 31, 2008 -							
Loans	1,102,063	1,705,282	2,017,638	1,769,725	1,535,146	2,052,253	10,182,107
Fair value adjustments on hedging activities							1,961
Carrying value of loans							10,184,068

Fair value adjustments to the carrying value of loans represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At December 31, 2009 and 2008, loans in other currencies were granted for an equivalent of US\$35,771 and US\$24,211, respectively, principally in Peruvian nuevos soles and Colombian pesos. At December 31, 2009 and 2008, loans include fixed interest rate loans of US\$72,097 and US\$49,697, respectively.

The loan portfolio composition and average yield of loans disbursed and outstanding are summarized below:

	December 31,			
	2009		2008	
	Amount	Average yield (%)	Amount	Average yield (%)
Loans	11,680,111	2.59	10,182,107	4.97

Loans by industry segments are as follows:

	December 31,			
	2009	%	2008	%
Agriculture, hunting and forestry	78,116	1	91,098	1
Exploitation of mines and quarries	43,000	1	70,000	1
Manufacturing industry	261,378	2	415,682	4
Supply of electricity, gas and water	2,960,953	25	2,001,991	20
Transport, warehousing and communications	3,660,135	31	3,200,520	31
Commercial banks	1,500,080	13	1,456,687	14
Development banks	138,465	1	135,037	1
Social and other infrastructure programs	3,031,127	26	2,802,229	28
Other activities	6,857	0	8,863	0
	11,680,111	100	10,182,107	100

Loans mature as follows:

	December 31,	
	2009	2008
Remaining maturities -		
Less than one year	2,277,403	2,209,408
Between one and two years	1,088,676	970,560
Between two and three years	1,126,905	962,227
Between three and four years	1,078,578	938,324
Between four and five years	943,399	899,844
Over five years	5,165,150	4,201,744
	<u>11,680,111</u>	<u>10,182,107</u>

At December 31, 2009 and 2008, all loans were performing.

Purchase of loan portfolio

During 2009, CAF carried out operations related to the purchase of loans for the amount of US\$65,000.

Sale of loan portfolio

During 2008, the Corporation received funds from commercial banks amounting to US\$50,000, for loans which were sold by the Corporation to the banks without recourse. These participations are administered by the Corporation on behalf of the participants.

A/B Loans

The Corporation administers loan participations provided to clients, and assumes the credit risk only for that portion of the loan owned by the Corporation. As of the end of the year 2008, the Corporation administered loans of this nature whereby other financial institutions provided funds amounting to US\$450,000.

Allowance for Loan Losses

Movements of the allowance for loan losses follows:

	December 31,	
	2009	2008
Balances at beginning of year	143,167	168,257
Credit to results of operations	(1,656)	(22,970)
Recoveries	2,400	1,880
Loans charged-off	-	(4,000)
Balances at end of year	<u>143,911</u>	<u>143,167</u>

5. EQUITY INVESTMENTS

Capital investments, which have no market value, are as follows:

	December 31,	
	2009	2008
Direct investments in companies at cost	9,184	9,262
Direct investments in companies accounted under equity method	31,077	32,153
Investment funds at cost	23,764	16,688
Investment funds accounted under equity method	21,457	16,963
	<u>85,482</u>	<u>75,066</u>

The Corporation recorded an impairment charge of US\$1,157 for the year ended December 31, 2008, related to equity investments accounted for at cost.

6. PROPERTY AND EQUIPMENT - NET

A summary of property and equipment follows:

	December 31,	
	2009	2008
Land	16,650	14,069
Buildings	20,412	18,856
Buildings improvements	15,010	15,400
Furniture and equipment	11,842	10,591
Vehicles	472	450
	64,386	59,366
Less accumulated depreciation	36,312	35,317
	28,074	24,049

7. OTHER ASSETS

A summary of other assets follows:

	December 31,	
	2009	2008
Intangible assests, net	6,024	5,616
Deferred charges, net	19,701	23,227
Other assets	3,301	2,530
	29,026	31,373

8. DEPOSITS

The Corporation's deposits of US\$2,650,706 at December 31, 2009 mature in 2010 (US\$2,773,119 at December 31, 2008 - mature in 2009). At December 31, 2009 and 2008, the interest rates on deposits ranged from 0.10% to 2.06% and from 0.10% to 4.50%, respectively. Total deposits include US\$27,460 and US\$46,882, at December 31, 2009 and 2008, respectively in other currencies.

9. COMMERCIAL PAPERS

The Corporation's commercial papers of US\$1,265,417 at December 31, 2009 matures in 2010 (US\$663,934 at December 31, 2008 - matures in 2009). At December 31, 2009 and 2008, the interest rates on commercial papers ranged from 0.12% to 1.89% and from 0.47% to 3.12%, respectively. Total commercial papers includes US\$69,502, at December 31, 2008, in other currencies.

10. BONDS

An analysis of bonds follows:

	December 31,					
	2009			2008		
	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)
At original exchange rate	At spot exchange rate	At original exchange rate		At spot exchange rate		
U.S. dollars	3,427,798	3,427,798	2.79	2,582,094	2,582,094	3.94
Euros	369,357	412,268	0.92	711,723	904,765	3.35
Yen	448,359	540,272	1.73	336,402	441,258	2.48
Colombian Pesos	305,353	369,563	2.37	210,434	229,798	3.46
Venezuelan Bolivars	209,302	209,302	-0.53	209,302	209,566	1.77
Swiss francs	193,836	192,456	2.64	194,903	187,908	4.84
Mexican Pesos	145,223	119,002	1.16	145,223	111,925	3.47
Peruvian Nuevos Soles	125,748	135,795	1.43	75,748	79,121	3.49
Pounds Sterling	63,440	64,993	3.07	63,410	58,555	5.11
	5,288,416	5,471,449		4,529,239	4,804,990	
Fair value adjustments on hedging activities		227,770			341,824	
Carrying value of bonds		5,699,219			5,146,814	

Fair value adjustments to the carrying value of bonds represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

A summary of the bonds issued, by remaining maturities, follows:

	December 31,	
	2009	2008
Remaining maturities -		
Less than one year	447,047	476,052
Between one and two years	767,904	447,419
Between two and three years	739,021	762,124
Between three and four years	749,421	751,255
Between four and five years	204,074	760,680
Over five years	2,380,949	1,331,709
	<u>5,288,416</u>	<u>4,529,239</u>

At December 31, 2009 and 2008, fixed interest rate bonds amounted to US\$4,426,606 and US\$3,548,769, respectively, of which US\$935,936 and US\$1,106,203, respectively, are denominated in yen, euros, pounds sterling, Swiss francs, Colombian pesos and Peruvian nuevos soles.

11. BORROWINGS AND OTHER OBLIGATIONS

An analysis of borrowings and other obligations and their weighted average cost, follows:

	December 31,					
	2009			2008		
	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)	Principal outstanding		Weighted average cost, after swaps (%) (Year-end)
At original exchange rate	At spot exchange rate	At original exchange rate		At spot exchange rate		
U.S. dollars	775,360	775,360	0.98	678,204	678,204	3.27
Peruvian Nuevos Soles (at spot rate)	13,891	13,891	7.24	4,300	4,300	8.18
Other currencies (at spot rate)	1,661	1,661	-	1,519	1,519	-
	<u>790,912</u>	<u>790,912</u>		<u>684,023</u>	<u>684,023</u>	
Fair value adjustments on hedging activities		(2,445)			-	
Carrying value of borrowings and other obligations		<u>788,467</u>			<u>684,023</u>	

Fair value adjustments to the carrying value of borrowings and other obligations represent adjustments to the carrying value of transactions in designated fair value hedging relationships.

At December 31, 2009 and 2008, there are fixed interest-bearing borrowings and other obligations amounting to US\$20,582 and US\$11,342, respectively.

Borrowings and other obligations, by remaining maturities, are summarized below:

	December 31,	
	2009	2008
Remaining maturities -		
Less than one year	128,936	147,881
Between one and two years	142,046	120,589
Between two and three years	108,598	132,268
Between three and four years	90,593	50,649
Between four and five years	56,832	85,101
Over five years	263,907	147,535
	<u>790,912</u>	<u>684,023</u>

Some borrowing agreements contain covenants conditioning the use of the funds for specific purposes or projects.

At December 31, 2009 and 2008 there were unused term credit facilities amounting to US\$117,300 and US\$122,500, respectively.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

A summary of accrued expenses and other liabilities follows:

	December 31,	
	2009	2008
Employees' severance indemnities, benefits and savings plan	48,139	51,145
Other liabilities	5,088	3,552
	<u>53,227</u>	<u>54,697</u>

13. PENSION PLAN

The Corporation established in March 2005 a defined benefit pension plan (the Plan), which is mandatory for all new employees as of the date of implementation of the Plan and voluntary for all other employees. The Plan is contributory and the benefits are based on years of service and the average employee's salary for the three consecutive years of service with the highest salary. The employees make monthly contributions to the Plan equal to 7% of their salary. Voluntary participants must contribute to the Plan certain withheld benefits. At December 31, 2009 the Plan has 173 participants.

The measurement date used to determine pension plan benefits is December 31.

The Plan's benefit obligation (PBO) and assets as of December 31, 2009 and 2008 follows:

	December 31,	
	2009	2008
Plan's benefit obligation (PBO)	2,060	1,219
Assets	<u>2,060</u>	<u>1,219</u>

Weighted-average assumptions used to determine net benefit cost from the origination of the Plan to December 31, 2009 and 2008 follows:

Discount rate	4%
Expected long-term rate of return on Plan assets	4%
Rate of salary increase	<u>3%</u>

14. STOCKHOLDERS' EQUITY

Authorized Capital

The authorized capital of the Corporation at December 31, 2009 and 2008, amounts to US\$10,000,000, respectively, distributed among Series "A", "B" and "C" shares.

Subscribed Callable Capital

The payment of subscribed callable capital will be as required, with prior approval of the Board of Directors, in order to meet financial obligations of the Corporation, when internal resources are inadequate.

Shares

The Corporation's shares are classified as follows:

Series "A" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities with social or public objectives of: Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares grant the right of representation on the Corporation's board of one principal director and one alternate director per share. Series "A" shares have a par value of US\$1,200.

Series "B" shares: Subscribed by the governments or public-sector institutions, semipublic or private entities and commercial banks of: Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares grant the right of representation on the Corporation's board of one principal director and one alternate director. Also, the commercial banks are entitled to one principal director and one alternate director on the board. Series "B" shares have a par value of US\$5.

Series "C" shares: Subscribed by legal entities or individuals belonging to countries other than Bolivia, Colombia, Ecuador, Peru and Venezuela. These shares provide for representation on the board of direc-

tors of the Corporation of two principal directors and their respective alternates, who are elected by the holders of these shares. Series "C" shares have a par value of US\$5.

A summary of the movement in subscribed and paid-in capital for the years ended December 31, 2009 and 2008, follows:

	Number of Shares			Amounts			
	Serie "A"	Serie "B"	Serie "C"	Serie "A"	Serie "B"	Serie "C"	Total
At December 31, 2007	5	351,546	50,204	6,000	1,757,730	251,020	2,014,750
Dividends in shares	-	14,103	2,001	-	70,515	10,005	80,520
Issued for cash	-	622	15,610	-	3,110	78,050	81,160
At December 31, 2008	5	366,271	67,815	6,000	1,831,355	339,075	2,176,430
Dividends in shares	-	15,972	4,044	-	79,860	20,220	100,080
Issued for cash	-	583	41,244	-	2,915	206,220	209,135
At December 31, 2009	5	382,826	113,103	6,000	1,914,130	565,515	2,485,645

Subscribed and paid-in capital is held as follows at December 31, 2009:

Stockholder	Number of Shares			Amounts			
	Serie "A"	Serie "B"	Serie "C"	Serie "A"	Serie "B"	Serie "C"	Total
Bolivia	1	30,131	-	1,200	150,655	-	151,855
Colombia	1	107,453	-	1,200	537,265	-	538,465
Ecuador	1	30,377	-	1,200	151,885	-	153,085
Peru	1	107,280	-	1,200	536,400	-	537,600
Venezuela	1	107,278	-	1,200	536,390	-	537,590
Argentina	-	-	34,149	-	-	170,745	170,745
Brazil	-	-	31,341	-	-	156,705	156,705
Chile	-	-	4,461	-	-	22,305	22,305
Costa Rica	-	-	2,649	-	-	13,245	13,245
Dominican Republic	-	-	4,699	-	-	23,495	23,495
Jamaica	-	-	147	-	-	735	735
Mexico	-	-	3,796	-	-	18,980	18,980
Panama	-	-	6,009	-	-	30,045	30,045
Paraguay	-	-	2,531	-	-	12,655	12,655
Spain	-	-	12,572	-	-	62,860	62,860
Trinidad & Tobago	-	-	307	-	-	1,535	1,535
Uruguay	-	-	10,442	-	-	52,210	52,210
Commercial banks	-	307	-	-	1,535	-	1,535
	5	382,826	113,103	6,000	1,914,130	565,515	2,485,645

At December 31, 2009, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Stockholder	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Serie "B"		Serie "C"		Serie "B"		Serie "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	-	-	-	-	14,400	72,000	-	-
Colombia	838	4,190	-	-	50,400	252,000	-	-
Ecuador	-	-	-	-	14,400	72,000	-	-
Peru	-	-	-	-	50,400	252,000	-	-
Venezuela	-	-	-	-	50,400	252,000	-	-
Argentina	-	-	17,273	86,365	-	-	-	-
Brasil	-	-	17,623	88,115	-	-	25,200	126,000
Chile	-	-	-	-	-	-	800	4,000
Mexico	-	-	-	-	-	-	1,600	8,000
Panama	-	-	8,481	42,405	-	-	-	-
Paraguay	-	-	12,296	61,480	-	-	-	-
Spain	-	-	-	-	-	-	40,000	200,000
Trinidad & Tobago	-	-	283	1,415	-	-	-	-
Uruguay	-	-	8,115	40,575	-	-	7,200	36,000
	838	4,190	64,071	320,355	180,000	900,000	74,800	374,000

Subscribed and paid-in capital is held as follows at December 31, 2008:

Stockholder	Number of Shares			Amounts			Total
	Series "A"	Series "B"	Series "C"	Series "A"	Series "B"	Series "C"	
Bolivia	1	28,866	-	1,200	144,330	-	145,530
Colombia	1	102,420	-	1,200	512,100	-	513,300
Ecuador	1	29,102	-	1,200	145,510	-	146,710
Peru	1	102,801	-	1,200	514,005	-	515,205
Venezuela	1	102,799	-	1,200	513,995	-	515,195
Argentina	-	-	17,481	-	-	87,405	87,405
Brazil	-	-	13,020	-	-	65,100	65,100
Chile	-	-	4,276	-	-	21,380	21,380
Costa Rica	-	-	2,539	-	-	12,695	12,695
Dominican Republic	-	-	3,448	-	-	17,240	17,240
Jamaica	-	-	141	-	-	705	705
Mexico	-	-	3,638	-	-	18,190	18,190
Panama	-	-	3,566	-	-	17,830	17,830
Paraguay	-	-	1,410	-	-	7,050	7,050
Spain	-	-	12,049	-	-	60,245	60,245
Trinidad & Tobago	-	-	160	-	-	800	800
Uruguay	-	-	6,087	-	-	30,435	30,435
Commercial banks	-	283	-	-	1,415	-	1,415
	5	366,271	67,815	6,000	1,831,355	339,075	2,176,430

At December 31, 2008, the distribution of unpaid subscribed capital and of subscribed callable capital is presented below:

Accionista	Unpaid Subscribed Capital				Subscribed Callable Capital			
	Serie "B"		Serie "C"		Serie "B"		Serie "C"	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
Bolivia	-	-	-	-	14,400	72,000	-	-
Colombia	-	-	-	-	50,400	252,000	-	-
Ecuador	-	-	-	-	14,400	72,000	-	-
Peru	-	-	-	-	50,400	252,000	-	-
Venezuela	-	-	-	-	50,400	252,000	-	-
Argentina	-	-	33,182	165,910	-	-	-	-
Brasil	-	-	35,378	176,890	-	-	-	-
Chile	-	-	-	-	-	-	800	4,000
Dominican Republic	-	-	1,102	5,510	-	-	-	-
Mexico	-	-	-	-	-	-	1,600	8,000
Panama	-	-	10,769	53,845	-	-	-	-
Spain	-	-	-	-	-	-	40,000	200,000
Uruguay	-	-	8,333	41,665	-	-	-	-
	-	-	88,764	443,820	180,000	900,000	42,400	212,000

General Reserve

The general reserve was set-up to cover possible contingencies. The stockholders decided to increase the reserve by US\$210,335 and US\$268,249 during the years ended December 31, 2009 and 2008, by appropriations from net income for the years ended December 31, 2008 and 2007, respectively.

Reserve Pursuant to Article N° 42 of the By-laws

The Corporation's by-laws establish that at least 10% of annual net income is to be allocated to a reserve fund until that fund amounts to 50% of the subscribed capital. Additional allocations may be approved by the stockholders. At the stockholders' meetings in March 2009 and 2008, it was authorized to increase the reserve by US\$31,139 and US\$40,100, from net income for the years ended December 31, 2008 and 2007, respectively.

15. DISTRIBUTIONS TO STOCKHOLDERS' FUNDS

The Stockholders distributes a portion of retained earnings to special funds, created to promote technical cooperation, sustainable human development and management of poverty relief funds in the Shareholder countries.

In March 2009 and 2008, the stockholders agreed to distribute US\$70,000 and US\$92,450, from retained earnings at December 31, 2008 and 2007, respectively, to the stockholders' funds.

16. TAX EXEMPTIONS

The Corporation is exempt from all taxes on income, properties and other assets. It is also exempt from liability related to the payment, withholding or collection of any tax or other levy.

17. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

The Corporation seeks to match the maturities of its liabilities to the maturities of its loan portfolio. The Corporation utilizes derivative financial instruments to reduce exposure to interest rate risk and foreign currency risk. The Corporation does not hold or issue derivative financial instruments for trading or speculative purposes.

By using derivative financial instruments to hedge exposures to changes in interest rate and foreign exchange rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and,

therefore, it does not possess credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is "A" or higher.

The market risk associated with interest rate and currency risk is managed by swapping loans and borrowings subject to fixed interest rates and denominated in foreign currency into floating interest rate instruments denominated in U.S. dollars. The Corporation enters into derivative instruments with market risk characteristics that are expected to change in a manner that will offset the economic change in value of specifically identified loans, bonds or borrowings and other obligations. Derivative contracts held by the Corporation consist of interest rate and cross-currency swaps and are designated as fair value hedges of specifically identified loans, bonds or borrowings and other obligations with fixed interest rates or non U.S. currency exposure.

The following table presents the notional amount and fair values of interest rate swaps and cross-currency swaps and the underlying hedged items at December 31, 2009 and 2008:

	Notional amount		Fair value	
	Interest rate swap	Cross-currency swap	Derivative assets	Derivative liabilities
At December 31, 2009 -				
Bonds	3,302,318	-	169,932	-
Bonds	-	1,860,619	266,813	38,371
Loans	-	21,880	-	4,107
Loans	33,000	-	-	213
Borrowings and other obligations	140,000	-	-	2,445
	<u>3,475,318</u>	<u>1,882,499</u>	<u>436,745</u>	<u>45,136</u>
At December 31, 2008 -				
Bonds	2,367,000	-	279,104	-
Bonds	-	1,946,207	389,762	46,964
Others investments	-	13,815	1,284	-
Loans	-	19,868	396	1,680
Commercial paper	-	64,128	5,640	-
Advances and short-term borrowings	-	114,621	-	10,378
	<u>2,367,000</u>	<u>2,158,639</u>	<u>676,186</u>	<u>59,022</u>

For the years ended December 31, 2009 and 2008 all of the Corporations' derivatives which have been designated in hedging relationship were considered fair value hedges. The change in the fair value of such derivative instruments and the change in fair value of hedged items attributable to risk being hedged are included in the statement of income.

18. FAIR VALUE MEASUREMENT

SFAS N° 157 (*codified in ASC 820*) establishes a single authoritative definition of value, sets out a framework for measuring fair value, and provides a hierarchal disclosure framework for assets and liabilities measured at fair value. The adoption of ASC 820 did not have any impact on the Corporation's financial position or results of operations. Presented below is information about the determination of the fair value, assets and liabilities recorded in the Corporation's balance sheet at fair value on a recurring basis, and assets and liabilities recorded in the Corporation's balance sheet at fair value on a nonrecurring basis.

Determination of Fair Value

The following section describes the valuation methodologies used by the Corporation to measure various financial instruments at fair value, including an indication of the level in the fair-value hierarchy in which each instrument is generally classified. Where appropriate the description includes details of the valuation models, the key inputs to those models as well as any significant assumptions.

When available, the Corporation generally uses quoted market prices to determine fair value, and classifies such items in Level 1. In some cases where a market price is not available, the Corporation will make use of acceptable practical expedients (such as matrix pricing) to calculate fair value, in which case the items are classified in Level 2.

If quoted market prices are not available, fair value is based upon internally developed valuation techniques that use, where possible, current market-based or independently sourced market parameters, such as in-

terest rates, currency rates, etc. Items valued using such internally generated valuation techniques are classified according to the lowest level input or value driver that is significant to the valuation. Thus, an item may be classified in Level 3 even though there may be some significant inputs that are readily observable. Where available, the Corporation may also make use of quoted prices for recent trading activity in positions with the same or similar characteristics to that being valued. The frequency and size of transactions and the amount of the bid-ask spread are among the factors considered in determining the liquidity of markets and the relevance of observed prices from those markets. If relevant and observable prices are available, those valuations would be classified as Level 2. If prices are not available, other valuation techniques would be used and the item would be classified as Level 3.

- *Marketable securities:* The Corporation uses quoted market prices to determine the fair value of trading securities and those transactions are classified in Level 1 of the fair-value hierarchy. *Marketable securities* include investments in government securities, equity and debt securities.
- *Loans:* The fair value of fixed rate loans, which are hedged using derivative transactions, is determined using the current variable interest rate for similar loans. Loans transactions are classified in Level 2 of the fair value hierarchy.
- *Derivative assets and liabilities:* Derivative transactions contracted and designated by the Corporation as hedges of risks related to interest rates, currency rates or both for transactions recorded as financial assets or liabilities are also presented at fair value. In those cases the fair value is calculated utilizing market prices given by the counterparties. Derivative transactions are classified in Level 2 of the fair-value hierarchy.
- *Bonds, borrowings and other obligations:* For bonds issued and medium and long term borrowings of the Corporation which are hedged using derivative transactions, the fair value is determined utilizing internal valuation techniques, such as, discounting expected cash flows using the appropriate discount rates for the applicable maturity, reflecting the fluctuation of the hedged variables such as interest and exchange rates. Those transactions are generally classified in Level 2 of the fair-value hierarchy depending on the observability of significant inputs to the model.

Items Measured at Fair Value on a Recurring Basis

The following tables present for each of the fair-value hierarchy levels the Corporation's assets and liabilities that are measured at fair value on a recurring basis at December 31, 2009 and 2008:

	Level 1	Level 2	Level 3	Net balance
At December 31, 2009 -				
Assets -				
Marketable securities	2,214,254	-	-	2,214,254
Loans	-	61,458	-	61,458
Derivative instruments	-	436,745	-	436,745
	<u>2,214,254</u>	<u>498,203</u>	<u>-</u>	<u>2,712,457</u>
Liabilities -				
Bonds	-	5,588,862	-	5,588,862
Borrowings and other obligations	-	137,555	-	137,555
Derivative instruments	-	45,136	-	45,136
	<u>-</u>	<u>5,771,553</u>	<u>-</u>	<u>5,771,553</u>
At December 31, 2008 -				
Assets -				
Marketable securities	1,577,752	-	-	1,577,752
Loans	-	21,829	-	21,829
Derivative instruments	-	676,186	-	676,186
	<u>1,577,752</u>	<u>698,015</u>	<u>-</u>	<u>2,275,767</u>
Liabilities -				
Bonds	-	4,930,784	-	4,930,784
Derivative instruments	-	59,022	-	59,022
	<u>-</u>	<u>4,989,806</u>	<u>-</u>	<u>4,989,806</u>

Items Measured at Fair Value on a Nonrecurring Basis

Equity investments initially recorded at cost are measured at fair value on a non-recurring basis and therefore are not included in the tables above. Equity investments with a cost of US\$32,948 and US\$25,950 as December 31, 2009 and 2008, respectively, were written down to their fair value of US\$32,948 and US\$24,793, respectively, resulting in an impairment charge of US\$1,157 during 2008, which was included in the statement of income. Such equity investments are classified in Level 3 of the fair-value hierarchy. The fair value of those equity investments is determined based on financial analysis of the investees.

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with SFAS N° 107 (codified in ASC 825), the Corporation also estimated the fair value of all financial instruments in the Corporation's balance sheet, including those financial instruments carried at cost, as presented in the table below. The fair value estimates, methods and assumptions set forth below for the Corporation's financial instruments are made solely to comply with the requirements of SFAS N° 107 (codified in ASC 820) and should be read in conjunction with the financial statements.

The following is a summary of the carrying value and estimated fair value of the Corporation's financial instruments at December 31, 2009 and 2008:

	December 31,			
	2009		2008	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Cash and due from banks	29,906	29,906	152,801	152,801
Deposits with banks	1,237,863	1,237,863	1,333,635	1,333,635
Marketable securities	2,214,254	2,214,254	1,577,752	1,577,752
Other investments	203,361	203,361	156,380	156,380
Loans, net	11,486,653	11,492,618	9,989,542	9,996,394
Equity investments	85,482	85,482	75,066	75,066
Accrued interest and commissions receivable	135,705	135,705	195,237	195,237
Derivative instruments	436,745	436,745	676,186	676,186
Financial liabilities				
Deposits	2,650,706	2,650,706	2,773,119	2,773,119
Commercial paper	1,265,417	1,265,417	663,934	663,934
Advances and short-term borrowings	-	-	138,495	138,495
Bonds	5,699,219	5,701,764	5,146,814	5,209,957
Borrowings and other obligations	788,467	789,463	684,023	684,619
Derivative instruments	45,136	45,136	59,022	59,022
Accrued interest payable	98,093	98,093	138,004	138,004

The following methods and assumptions were used to estimate the fair value of those financial instruments, not accounted for at fair value under SFAS N° 157 (codified in ASC 820):

- *Cash and due from banks, deposits with banks, interest and commissions receivable, other investment, deposits, commercial paper, advances and short-term borrowings and accrued interest payable:* The carrying amounts approximate fair value because of the short maturity of these instruments.
- *Loans:* The Corporation is one of the few institutions that offer loans for development in the stockholder countries. A secondary market does not exist for the type of loans granted by the Corporation. As rates on variable rate loans and loan commitments are reset on a semiannual basis, the carrying value, adjusted for credit risk, was determined to be the best estimate of fair value. The fair value of fixed rate loans is determined using the current variable interest rate for similar loans.
- *Equity investments:* The fair value of equity investments is determined based on financial statements of the investees or based on a financial analysis of the investees.

For additional information regarding the Corporation's determination of fair value, included items accounted for at fair value under SFAS N° 157 (codified in ASC 820), see note 18.

20. COMMITMENTS AND CONTINGENCIES

Commitments and contingencies include the following:

	December 31,	
	2009	2008
Credit agreements subscribed	3,056,384	2,610,482
Lines of credit	2,535,552	2,756,182
Letters of credit	2,241	10,508
Guarantees	183,211	148,859

These commitments and contingencies result from the normal course of the Corporation's business and are related principally to loans and loan equivalents that have been approved or committed for disbursement.

In the ordinary course of business the Corporation has entered into commitments to extend credits, such financial instruments are recorded as commitments upon signing the corresponding contract and are reported in the financial statements when disbursements are made.

The contracts to extend credit have fixed expiration dates and in some cases expire without making disbursements. Also based on experience, parts of the disbursements are made up to two years after the signing of the contract. Therefore, the total commitment amounts do not necessarily represent future cash requirements.

In the event the credit lines are not utilized, no additional cost is incurred by the Corporation.

Guarantees mature as follows:

	December 31,	
	2009	2008
Less than one year	51,000	-
Over five years	132,211	148,859
	183,211	148,859

Guarantees result from the normal course of the Corporation's business and usually take the form of partial guarantees to CAF's clients, as a credit enhancement for their liabilities, as well as guarantees to third parties on behalf of the Corporation's clients.

21. FUNDS ADMINISTRATION

CAF, as a multilateral financial institution, acts as administrator of several funds funded by third parties and CAF's own shareholders. These shareholders funds are funded through distributions made each year by the shareholders from CAF's prior year's net income. The financial statements of the funds are annually audited by independent auditors firms.

In connection with the operations carried out by the Funds, the financial CAF's responsibility is limited to the fund's balance, less commitments contracted. Since CAF does not maintain residual interests in these funds, it does not expect the generation of economic benefits for future distribution. These funds are not part of CAF's accounts.

As of December 31, 2009 and 2008, managed funds which net assets are US\$ 374.17 million and US\$ 350.06 million, respectively.

GOVERNING BODIES

CORPORACIÓN ANDINA DE FOMENTO

Shareholders' Assembly¹

The Shareholders' Assembly is CAF's highest authority. It meets in Ordinary sessions once a year, within ninety days following the end of the fiscal year; and in Extraordinary sessions, according to need. In both cases, it is convened by the Executive President. The Assembly is comprised of Series A, B and C shareholders. The Assembly approves Annual Report of the Board of Directors, the audited financial statements, and determines the allocation of net income. In addition, it elects Board members, according to the provisions set forth in the "Agreement establishing the Corporación Andina de Fomento", appoints the external auditors and examines other issues submitted to its consideration.

Board of Directors²

The Board of Directors is comprised of thirteen principal members and their alternates. Ten of its members are elected by Series A and B shareholders, for a three-year period, and may be re-elected. Series C shareholders have two principal directors and their alternates, while banks and private financial institutions within the Andean region, which are Series B shareholders, have one director and his/her alternate. The Board establishes the Corporation's policies, appoints the Executive President, approves credit operations, the annual budget, and approves guarantees, investments and other operations within CAF's mandate. Approvals of certain operations are delegated to the Executive Committee or the Executive President, according to criteria set forth by the Board. The Executive Committee meets with a quorum of at least six of its members.

Executive Committee

The Executive Committee was established by the Board of Directors in 1971. It is comprised of six directors designated by Series A, B and C shareholders, and is chaired by the Executive President. It approves financial operations within the limits established by the Board.

Audit Committee³

The Audit Committee was established by the Board of Directors in July, 1996. It is comprised of six members: the Chairman of the Board, four directors elected by the Board for a two-year period, and CAF's Executive President. It recommends the selection of external auditors and reviews their annual work program. It also reviews the Institution's annual report and financial statements, with the corresponding auditors' opinion, before their submission to the Board and Shareholders Assembly, the Internal Audit Reports on the structure of internal control systems; the annual portfolio risk management program and the annual report of its implementation.

Executive President

The Executive President is CAF's legal representative. As CEO, he is in charge of the Institution's overall supervision and management, as well as all matters which are not specifically entrusted to any other governing body. Likewise, he approves CAF's country and sector strategies, decides on organizational and procedural issues under his authority, and authorizes the Institution's financial operations within the limits delegated to him by the Board of Directors. The Executive President is assisted by an Advisory Council composed of experts from the economic, business, and financial communities of the region, whose main task is to support the President in the analysis of CAF's strategic objectives. The Executive President is appointed for a five year period, and may be re-elected.

¹ The XL Ordinary Shareholders' meeting as well as the XL Extraordinary Shareholders' Meeting were held on March 17th, 2009.

² During 2009, three Board of Directors meetings were held on March 17th, August 18th, and December 8th.

³ The XVI Audit Committee was held on March 16th, 2009.

BOARDS OF DIRECTORS

(as of December 31st, 2009)

Chairman of the Board (2009-2010)¹

Alí Rodríguez Araque

The Power of the People's Economy and Finance Minister

SERIES A SHAREHOLDERS

Bolivia

Principal: Noel Aguirre Ledezma

Minister of Development Planning

Alternate: Javier Fernández Vargas

Vice-Minister for Public Sector Investment and External Financing

Colombia

Principal: Oscar Iván Zuluaga

Minister of Finance and Public Credit

Alternate: Luis Guillermo Plata

Foreign Trade Minister

Ecuador

Principal: Camilo Samán Salem

Chairman of the Board of the National Finance Corporation

Alternate: Xavier Abad Vicuña

Minister of Industry and Competitiveness

Peru

Principal: Mercedes Aráoz Fernández

Minister of Economy and Finance

Alternate: José Berley Arista Arbildo

Vice-Minister of Finance

Venezuela

Principal: Alí Rodríguez Araque

The Power of the People's Economy and Finance Minister

Alternate: Jorge Giordani

The Power of the People's Minister of Planning and Development

SERIES B SHAREHOLDERS

Bolivia

Principal: Luis Alberto Arce

Minister of Finance

Alternate: Roger Edwin Rojas Ulo

Vice-Minister of Treasury and Public Credit

Colombia

Principal: José Darío Uribe

General Manager of Banco de la República

Alternate: Esteban Piedrahita

Director of the National Planning Department

Ecuador

Principal: María Elsa Viteri

Minister of Finance

Alternate: Carlos Vallejo López

Chairman of the Board

Central Bank of Ecuador

Peru

Principal: Alfonso Zárate Rivas

Chairman of the Board of Directors of Corporación

Financiera de Desarrollo (COFIDE)

Alternate: María Soledad Guiulfo S.

Vice-Minister of Economy

Venezuela

Principal: Eduardo Samán

The Power of the People's Trade Minister

Alternate: Alfredo Pardo Acosta

Executive Vice-President of Banco

de Desarrollo Económico y Social de Venezuela

SERIES C SHAREHOLDERS

Argentina

Principal: Roberto José Feletti

Secretary of Economic Policy

Minister of Economy and Public Finance

Brazil

Principal: Alexandre Meira da Rosa

Secretary for International Affairs

Ministry of Planning, Budget and Management

Spain

Alternate: Elena Salgado

Second Vice-President of the Government and Economy and Finance Minister

Uruguay

Alternate: Mario Bergara

President of the Central Bank of Uruguay

PRIVATE BANKS

Principal: José Elías Melo Acosta

President of Corficolombiana, S.A.

Alternate: Guillermo Lasso Mendoza

Executive President of Banco de Guayaquil

¹Until March 2009, Luis Carranza, Peru's Minister of Economy and Finance, was CAF's Chairman of the Board.

EXECUTIVE MANAGEMENT

(as of December 31st, 2009)

President and Chief Executive Officer L. Enrique García

Executive Vice President Luis Enrique Berrizbeitia

General Advisor Luis Sánchez Masi

Chief Legal Counsel Ricardo Sigwald

Corporate Comptroller Marcelo Zalles

Director, Risk Management Marcia Arliani

Director, Internal Audit Martha Diez

Chief Credit Officer Stephen Foley

Director, Special Assets Renny López

Chief Human Resources Officer José Bellido

Director, Human Resources Operations Corina Arroyo

Director, Human Resources Planning Leopoldo Gómez

Chief Technology and Operations Officer Luiz Amato

Director, Operations Control Germán Alzate

Director, Information Technology Diego Grillo

Director, Secretariat and External Relations Andrés Rugeles

Corporate Vicepresident, Public Policy and Strategic Development/Chief Economist Leonardo Villar

Director, Public Policy and Competitiveness Germán Ríos

Director, Research Pablo Sanguinetti

Director, SMEs and Microfinance Manuel Malaret

Corporate Vice President, Country Programs Lilliana Canale

Director, Regional Programs Alexis Gómez

Director, Governance and Technical Cooperation Elvira Lupo

Director, Argentina María Ángela Holguín

Assistant Director, Argentina Rolando Terrazas

Director, Bolivia Emilio Uquillas

Director, Brazil Moira Paz

Director, Colombia Víctor Traverso

Director, Ecuador Hermann Krützfeldt

Director, Panama Rubén Ramírez

Director, Peru Eleonora Silva

Director, Spain Germán Jaramillo

Corporate Vice President, Infrastructure Antonio Juan Sosa

Director, Projects Manuel Llosa

Director, Sectorial Analysis and Programing Francisco Wulff

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PRODUCTS AND SERVICES

CAF activities are aimed at supporting sustainable development and regional integration among its shareholder countries. As a multilateral source of financial resources, the Institution attracts funds from international markets to Latin America, with the objective of promoting investment and trade opportunities in the region.

Likewise, CAF provides resources generally non-reimbursable, for a series of special programs that support its mission within the framework of its Agenda for Comprehensive Development. These funds are devoted to socioeconomic development in shareholder countries, through the financing of operations that contribute to improving the competitiveness of their economies, the development of infrastructure, physical integration, the promotion of micro-, small and medium-sized businesses, the strengthening of financial markets, the development of human capital and the reform and modernization of states.

The Institution offers financial products and services to shareholder states and public, private and mixed capital companies based in shareholder countries.

Support for the private sector

The private sector has a direct impact as a wealth creator, a generator of employment and a promoter of trade and markets. Companies also have a key multiplier role in education and technology transfer.

CAF promotes the participation of the private sector in investment projects in the productive sectors of shareholder countries. In addition, the Institution offers advice on governance, corporate governance and the promotion of corporate social responsibility, which also requires the active participation of the sector, and structures physical integration projects to include private sector participation, on account of the large capital investments involved in infrastructural developments. It offers direct assistance through traditional term loans and indirect assistance through partial credit guarantees for government obligations in the underlying transactions or part-financing. An example of CAF's activities in this regard is the advice given on the structuring of concessions in the framework of Peru's Inter-Oceanic Roads project, which was successfully financed by the private sector.

The products and services offered by CAF are mainly aimed at supporting the implementation of its Agenda for Comprehensive Development and its special programs. They include a series of financial tools designed to meet clients' requirements and market opportunities, under the following headings:

LOANS

Loans represent CAF's main financing tool. They are employed in investment projects and activities related to the Institution's corporate mission.

Project financing

Project Financing loans are allocated to develop and execute projects in road transportation, telecommunications, water and environment, border development and the physical integration of shareholder countries. CAF also provides financing to corporate projects in the industrial field, to enhance and renovate productive capacity and to insert businesses into regional and global markets.

Credit lines

Credit lines allow the Institution to offer maximum resources for a given period without an express commitment to the client.

Project structuring and financing

CAF actively participates in the financing of projects structured with limited guarantees (limited recourse lending). This category is mainly utilized for the financing of BOO (Build, Operate and Own) operations in the infrastructure sector, generally arising from concessions granted by governments, or to finance oil and gas, mining and other extractive projects.

Co-financing

Co-financing is a type of loan that complements the financial resources provided by CAF and attracts external capital to the region. Through these instruments, the Institution grants the A portion of the loan using its own resources, while distributing the B portion among international banks and institutional investors. In addition, CAF co-finances operations with other multilateral organi-

zations, such as the Inter-American Development Bank, the World Bank, the International Investment Corporation, the Nordic Investment Bank, the International Finance Corporation and the International Fund for Agricultural Development, as well as with official bodies and local and international private banks.

GUARANTEES

Guarantees are used by the Institution to back up credit operations approved by other sources for governments, businesses and financial institutions.

Partial Credit Guarantees

Partial Credit Guarantees (PCG) are financial instruments through which a portion of the credit risk of a client's obligation is guaranteed to a third party. Through this mechanism, CAF attracts fresh resources to the region and stimulates the activities of private financial sources by offering conditions that would otherwise not be available.

FINANCIAL ADVICE

The Institution provides financial advice to public and private sector clients. Among other services, CAF offers advice in: i) the definition and structuring of financial plans for projects and companies; ii) the design and implementation of public bid processes to delegate the private sector the construction, operation and administration of infrastructure and public service works, such as public private partnerships and concessions; iii) preparation of private sectors offers to participate in public bid processes; iv) mergers and acquisitions; and v) valuations.

Public-Private Participations

CAF actively participates in the structuring of financing operations with the private sector, in order to overcome the shortage of funds available to finance infrastructural projects. Through this participation, CAF contributes to the process of financial engineering needed to structure this type of operation, offers advice to the parties involved, and promotes the development and strengthening of capital markets.

TREASURY SERVICES

Treasury services include deposits via the money desk, from overnight to 12 months, offered by CAF to its shareholder countries.

EQUITY INVESTMENTS

Equity investments are capital investments utilized by CAF to support business development in shareholder countries and their access to capital, as well as to attract resources to the region.

COOPERATION FUNDS

CAF uses cooperation funds to finance specialized operations that complement the existing technical capacity of shareholder countries, to promote special programs that contribute to sustainable development and regional integration. These funds may be reimbursable, non-reimbursable or of conditional recovery, depending on the nature and purpose of the operation.

Cooperation funds are primarily intended to support reforms related to state modernization processes, such as privatization, administrative decentralization and institutional strengthening. They also contribute to export and investment plans, the development and integration of the region's financial and capital markets, technology transfer and adaptation, environmental protection, social development and the promotion of cultural values.

CAF also administrates and supervises funds, mostly non-reimbursable, from other countries and bodies, which are devoted to financing programs agreed with donor organizations and according to the policies and strategies of the Institution.

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“We promote sustainable development and regional integration through an efficient mobilization of resources, in order to provide multiple financial services to public and private sector clients in shareholder countries.

We are a competitive and client-oriented financial institution, sensitive to social needs and supported by a highly qualified staff”.